



Agenda and Reports  
for the meeting of  
**THE COUNTY COUNCIL**  
to be held on  
**11 FEBRUARY 2014**

County Hall  
Kingston upon Thames  
Surrey

31 January 2014

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, 11 February 2014, 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:** *For those Members wishing to participate, Prayers will be said at 10:25am. Rev Mark Chester, St Paul's Church, Camberley has kindly consented to officiate. If any Members wish to take time for reflection, meditation, alternative worship or other such practice prior to the start of the meeting, alternative space can be arranged on request by contacting Democratic Services.*

*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](mailto: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  
- 16)

To confirm the minutes of the meeting of the Council held on 10 December 2013.

*(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  
17 - 18)

The Chairman to report.

A list of Her Majesty the Queen's New Year's Honours List 2014 is included within the agenda papers. The Chairman has written letters of congratulations to all those who have received awards for services to Surrey communities.

**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 2014/15 TO 2018/19 / COUNCIL TAX REQUIREMENT FOR 2014/15 / TREASURY MANAGEMENT STRATEGY**

(Pages  
19 - 160)

To approve:

- the draft revenue and capital budget for the five years 2014-19;
- the level of the council tax precept for 2014/15; and
- the treasury management strategy, including the borrowing and operation limits (prudential indicators), policy for the provision of

(iii)

the repayment of debt (minimum revenue provision (MRP)), and treasury management policy.

## **6 ORIGINAL MOTION**

### **Item 6(i)**

#### **Mrs Hazel Watson (Dorking Hills) to move under Standing Order 11 as follows:**

'This Council notes the Government announcements restricting Surrey County Council's Council Tax increase, without incurring the cost of holding a referendum, to a level which will severely impact on Surrey's services to the public.

This Council believes in local government as one of the cornerstones of democracy in the UK, championing the needs and ambitions of the people it represents and that decisions made on behalf of a community are best made by those in the community.

This Council notes the Prime Minister's acknowledgement that local government is the most efficient part of the public sector.

Council further notes the General Power of Competence introduced in the Localism Act 2011 giving local authorities power to do anything that individuals of full legal capacity may do giving authorities the power to take reasonable action they need 'for the benefit of the authority, its area or persons resident or present in its area'.

This Council supports the Local Government Association in its campaign for independence for local government based on the following principles:

- i) Councils should retain in full the proceeds of Council Tax and business rates, subject to retaining mechanisms for fairness and redistribution and that both these taxes should be determined by councils alone without central government interference;
- ii) Councils should be granted greater freedoms and flexibilities to drive economic growth;
- iii) Councils should be accountable to their electorates and not to ministers of the Crown;
- iv) The burden of statutory duties and central compliance regimes should be lifted further; and

This Council therefore resolves to work with Surrey's Members of Parliament, the LGA and other Councils to campaign for a far greater devolution of powers from central to local government.'

## **7 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 5 February 2014).***

**8 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 10 February 2014).***

**9 REPORT OF THE CABINET**

(Pages  
161 -  
172)

To receive the report of the meeting of the Cabinet held on 17 December 2013 and 4 February 2014 and to agree one recommendation in respect of *Confident in our Future*, Corporate Strategy 2014 – 2019.

**10 REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE**

(Pages  
173 -  
186)

To receive the Annual Report 2012 – 2013 of the Audit and Governance Committee.

**11 MINUTES OF THE MEETINGS OF CABINET**

(Pages  
187 -  
216)

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 10 February 2014.

**MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE**

Those attending for the purpose of reporting on the meeting may use social media or mobile devices in silent mode to send electronic messages about the progress of the public parts of the meeting. To support this, County Hall has wifi available for visitors – please ask at reception for details.

Anyone is permitted to film, record or take photographs at council meetings with the Chairman's consent. Please liaise with the council officer listed in the agenda prior to the start of the meeting so that the Chairman can grant permission and those attending the meeting can be made aware of any filming taking place.

Use of mobile devices, including for the purpose of recording or filming a meeting, is subject to no interruptions, distractions or interference being caused to the PA or Induction Loop systems, or any general disturbance to proceedings. The Chairman may ask for mobile devices to be switched off in these circumstances.

It is requested that if you are not using your mobile device for any of the activities outlined above, it be switched off or placed in silent mode during the meeting to prevent interruptions and interference with PA and Induction Loop systems.

*Thank you for your co-operation*

COUNTY COUNCILCOUNCIL MEETING - 10 DECEMBER 2013

MINUTES of the meeting of the Council held at the Council Chamber, County Hall, Kingston upon Thames, Surrey KT1 2DN on 10 December 2013 commencing at 10.30 am, the Council being constituted as follows:

David Munro (Chairman)  
Sally Marks (Vice-Chairman)

	Mary Angell		David Ivison
	W D Barker OBE		Daniel Jenkins
	Nikki Barton		George Johnson
	Ian Beardsmore		Linda Kemeny
	John Beckett		Colin Kemp
	Mike Bennison		Eber Kington
	Liz Bowes		Rachael I Lake
*	Natalie Bramhall		Stella Lallement
	Mark Brett-Warburton		Yvonna Lay
	Ben Carasco	*	Denise Le Gal
	Bill Chapman		Mary Lewis
	Helyn Clack		Christian Mahne
	Carol Coleman		Ernest Mallett MBE
	Stephen Cooksey		Peter Martin
	Steve Cossier		Jan Mason
	Clare Curran		Marsha Moseley
	Graham Ellwood		Tina Mountain
	Jonathan Essex		Christopher Norman
	Robert Evans		John Orrick
	Tim Evans		Adrian Page
	Mel Few		Chris Pitt
	Will Forster		Dorothy Ross-Tomlin
*	Pat Frost		Denise Saliagopoulos
*	Denis Fuller		Tony Samuels
	John Furey		Pauline Searle
	Bob Gardner		Stuart Selleck
	Mike Goodman		Nick Skellett CBE
*	David Goodwin	*	Michael Sydney
	Michael Gosling		Keith Taylor
	Zully Grant-Duff		Barbara Thomson
	Ken Gulati		Chris Townsend
	Tim Hall		Richard Walsh
*	Kay Hammond		Hazel Watson
	David Harmer		Fiona White
*	Nick Harrison		Richard Wilson
	Marisa Heath		Helena Windsor
	Peter Hickman		Keith Witham
*	Margaret Hicks		Alan Young
	David Hodge		Victoria Young
	Saj Hussain		

\*absent

### **76/13 APOLOGIES FOR ABSENCE [Item 1]**

Apologies for absence were received from Mrs Bramhall, Mrs Frost, Mr Fuller, Mr Goodwin, Mrs Hammond, Mr Harrison, Mrs Hicks, Ms Le Gal, Mrs Marks (am only) and Mr Sydney

### **77/13 MINUTES [Item 2]**

Two amendments to the minutes were requested:

- (i) Item no. 70/13, the name of the Children and Education Select Committee was corrected.
- (ii) Item no. 74/13, re. the recorded vote - the name of Mrs Selleck was corrected to Mr Selleck.

The minutes of the County Council held on 15 October 2013, as amended, were submitted, confirmed and signed.

### **78/13 CHAIRMAN'S ANNOUNCEMENTS [Item 3]**

The Chairman made the following announcements:

- Mr Michael Gosling and Dr Joe McGilligan were recently awarded NHS Partnership / System Leader of the Year as part of the NHS Leadership Recognition Awards 2013.
- Ms Mary Hendrick, from Adult Social Care was recently named as runner up in the Guardian's Public Servant of the Year Award 2013 for her work with People with Learning Disabilities. In recognition of this outstanding achievement, the Chairman presented her with a certificate from the Council.
- That he had asked the Vice-Chairman of the Council to chair a task group, with representatives from the three largest political groups, to review the Standing Orders relating to the Council and committee processes in the Council's Constitution. He said that, as part of this work, all Members would be surveyed for their views and that the aim was for the report to be considered at the County Council's AGM in May 2014.
- That Members would also shortly be surveyed on the timings for future Council meetings and their views on the current lunchtime arrangements.
- The Chairman's reception would be a summer event, rather than at Christmas and this would be a gala occasion and opportunity to thank partners and others. He also reminded Members that their Christmas lunch was on Thursday 19 December.
- Long Service Awards – he was pleased to attend and give awards at two separate events: for staff that had completed 25 years service and also for those staff who had completed 40 and 45 years service with Surrey County Council.
- The lunchtime speaker was Dr Helen Bowcock, the current High Sheriff.



#### **79/13 DECLARATIONS OF INTEREST [Item 4]**

There were none.

#### **80/13 LEADER'S STATEMENT [Item 5]**

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

Members were invited to make comments, ask questions and made the following points:

- The campaign to tackle litter was welcomed
- That residents were concerned about the on-going Surrey Fire & Rescue Service dispute. The Leader confirmed that he did respond, in confidence, to residents' correspondence.
- An invitation to state what quality of Nelson Mandela's he most admired. He said that it would be to lead by example.
- Praise that he was working for fairer funding for Surrey and that the Government should be reminded of Surrey's needs and the efficiencies made by the County Council over the last four years.

#### **81/13 SURREY COUNTY COUNCIL PROGRESS REPORT: JULY - DECEMBER 2013 [Item 6]**

The Leader presented the Surrey County Council Progress Report – July - December 2013, the ninth of the Chief Executive's six monthly reports to Members.

Two Members made the following comments:

- The Cabinet Associate for Children, Schools and Families drew attention to examples of where technology had been used to improve the way that the County Council worked – such as Patchwork, currently being implemented through Shift to support the Surrey Family Support Programme and also being tested out in Mole Valley – another example of partnership working.
- The Cabinet Member for Adult Social Care congratulated the Leader for the excellent report and highlighted the work of the Employability team who helped people with learning disabilities to secure paid employment, voluntary work or work experience. He hoped that the County Council would be able to provide increased employment opportunities for people with learning disabilities.

#### **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.

## 82/13 MEMBERS' QUESTION TIME [Item 7]

Notice of 22 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.

**(Q2) Mr Robert Evans** made reference to the Conservative election leaflet of Mrs Saliagopoulos and suggested that there was a discrepancy between their policy and her campaign literature. **Mr Beardsmore** said that the proposed changes would result in the response times in the Spelthorne area being longer. **Mr Norman** said that overall Surrey Fire & Rescue provided a top quartile performance.

The Cabinet Member for Community Services informed Members that no decision had yet been made in relation to the arrangements for the Spelthorne area. The feedback from the consultation was being analysed and would be discussed at the Communities Select Committee prior to the Cabinet's decision. She also confirmed that she was willing to discuss the matter with Mr Beardsmore outside the meeting. She also referred to the fire which had occurred at Ewell Court House in the early hours of the morning and the excellent response of the Surrey Fire & Rescue Service. Mr Kington, local Member for Ewell Court, Auriol and Cuddington made a statement in relation to this incident and this was attached as an annex to the minutes.

**(Q3) Mr Cooksey** asked the Cabinet Member for Transport, Highways and the Environment whether there was a timescale, including completion, for the footway programme. The Cabinet Member referred to the permit scheme, launched on 11 November 2013, which would enable the Council to control the work of utility companies and confirmed that all utility repairs to pavements would be inspected. **Mrs Coleman** asked if Members could also see the survey results. The Cabinet Member said that the information would be shared with local committee chairman and therefore Members should contact them.

**(Q4) Mrs Windsor** expressed surprise that Skanska was fulfilling its contract, given the issues with unlit bollards and the length of time taken for repairs. The Cabinet Member for Transport, Highways and Environment said that maintenance of the bollards was part of the Highways Budget and he accepted that there were issues with the current arrangements. **Mr Walsh** also asked the Cabinet Member for Transport, Highways and Environment for his views on how Members could smarten up their local areas. He suggested that this was a matter for local committees and reminded Members to use their local allocations before the end of this financial year.

**(Q5) Mr Essex** requested details of the County Council's policy and procedures for assessing potential school sites in the Green Belt. The Cabinet Member for Transport, Highways and Environment said that he already had this information. **Mrs Coleman** considered that the last line of the response relating to land being restored and reverted to its former condition was incorrect. The Cabinet Member said that the County Council had an agreed minerals and aggregates plan. Also, the EU had recently praised the Council for the quality of restoration of these sites.

**(Q6) Mrs Coleman** said that she had recently visited one of the county's largest libraries and asked the Cabinet Member for Assets and Regeneration Programmes if he was aware that the hearing loop did not work and the staff had not been trained on its use and the equipment was not being maintained. She requested that the

person responsible for equalities investigated her concerns and that these issues were resolved.

Other Members raised issues with microphones in meeting rooms and in particular, in the Council Chamber. The Cabinet Member for Assets and Regeneration Programmes promised to investigate their concerns and report back.

**(Q10) Mr Beardsmore** considered that the response from the Cabinet Member for Transport, Highways and Environment did not answer the first part of his question. The Cabinet Member disagreed and said that the response was clear.

**(Q11) Mr Kington** highlighted the success of Epsom and Ewell Schools and asked the Cabinet Member for Schools and Learning, who agreed, to promote their success in the media. **Also, Q11, Mr Barker** asked the Cabinet Member for Schools and Learning about next year's plans for school places in his area. The Cabinet Member confirmed that the County Council was on track to provide 3000 additional school places for September 2014 and she offered to discuss his specific concerns outside the meeting.

**(Q13) Mr Essex** asked the Cabinet Member for Community Services if charges were the same as 'costs' – she agreed to confirm and respond outside the meeting.

**(Q15) Mr Cooksey** considered that the response had not provided clarification to his question. The Leader disagreed and said that all Conservative Local Committee Vice-Chairmen were aware that their role included liaison with the Highways Area Manager because this was seen as the best value for money.

**(Q16) Mrs Lallement** asked the Cabinet Member for Schools and Learning whether it was a statutory requirement to monitor safeguarding of children in non-maintained schools. The Cabinet Member confirmed that the County Council did not have a statutory duty or the authority to enter independent schools to inspect safeguarding procedures. She also informed Members that this area had recently been discussed at the Children and Education Select Committee and that she was considering arranging a briefing on safeguarding for all Members.

**(Q19) Both Mr Kington and Mr Ivison** highlighted their concerns over the length of time taken to implement the parking review proposals. The Cabinet Member for Transport, Highways and Environment said that his written response set out the reasons and said that he would be reviewing the situation in the New Year.

## **83/13 STATEMENTS BY MEMBERS [Item 8]**

There were three statements by Members:

- Mrs White in relation to a community library at Kings College, Guildford (Appendix Ci)
- Mr Young in relation to road closures for the Prudential Ride-London cycle race
- Mr Kington in relation to fire at Ewell Court House (Appendix Cii)

## 84/13 ORIGINAL MOTIONS [Item 9]

### ITEM 9 (i)

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

Under Standing Order 12.1, Mr Robert Evans moved the motion which was:

'This council recognises the huge contribution made to the County by its employees.

Members are therefore concerned to learn that the Council retains over 6000 people on 'zero hours contracts' and resolves to end this practice.

Furthermore the Council recognises that the cost of living in Kingston and Surrey is one of the highest in the country. The Council notes that the Mayor of London, Boris Johnson has stated that 'paying the London living wage is not only morally right, but makes good business sense' and that he has called for an updated figure of £8.80 an hour.

This Council, therefore, resolves that the London Living Wage should be the minimum paid to any person, directly or indirectly employed by Surrey County Council.'

The motion was formally seconded by Mr Essex.

Mr Evans said that:

- There were two parts of the motion: (i) zero hours contracts, (ii) London living wage but that both parts were about Surrey County Council being a better employer.
- Surrey had pockets of poverty and food banks were opening up in the county and this motion was a modest attempt to improve the matter for the poorer people living in Surrey.
- That 'zero hours contracts' had been rebranded by the County Council as 'bank contracts' and employees on these contracts were only paid for the hours actually worked and were expected to be available as/when the Council required them – he urged Members to decide today to end this practice.
- On the London living wage, he quoted hourly rates and also referred to the salary paid to Surrey's apprentices and said that paying the London living wage made good business sense, was morally right and was supported by the Mayor of London and also the Prime Minister.

Mr Martin responded and made the following points:

- That the motion was in three parts and that the Conservatives would endorse the huge contribution made to the County by its employees.
- The County Council had 1900 staff on the bank but when schools were included, the figure rose to nearly 6000, which was about 18% of the workforce.
- Bank staff covered vacancies and the practice worked well for covering unplanned activities.
- These contracts were part of the flexible working policy, many people preferred this way of working and the practice could be in both parties interest.

- The County Council used bank contracts responsibly and staff on these contracts were paid the same hourly rate as permanent staff in the same position but just paid for the hours that they worked. They were also entitled to the same basic terms and conditions of employment as permanent staff on a pro-rata basis.
- These arrangements made good business sense and he did not support ending this practice.
- Referring to the 'living wage', he said that there were three different rates in the UK for the living wage.
- When considering wages, it was important to consider the whole package and that the pension scheme, together with other staff benefits should be factored into the equation.
- Raising the living wage in Surrey to the rate paid for the London living wage would cost the County Council £2m.
- That the Council had spent £750K on apprenticeships and work experience opportunities.
- Finally, he said that recent pay settlements had favoured those on the lowest pay scales and he urged Members to reject that part of the motion referring to zero hours contracts and the London living wage.

Seven Members spoke on the motion, with the following points being made:

- That the County Council's staff were valued, however, there was concern that Members were being asked to make policy 'on the hoof', with no allocated budget and therefore, agreeing to this motion could have an impact on other budgets.
- It was the right thing to do and was similar to a motion put forward by the Liberal Democrats during the last Administration.
- There was evidence from the Mayor of London that it was beneficial to pay the London living wage.
- That wages, particularly in the north of the county were influenced by London salaries but it was important to continue with the county council's current position in relation to wages.
- That Surrey County Council did not receive the same funding as London councils – if it did, council tax could be reduced. However, as it stood, services in Surrey would have to be cut if this motion was agreed.
- The Conservatives would always take the long term view and would balance delivery of services with the cost of staff.
- The People, Performance and Development Committee regularly looked at staff salaries and benefits at their meetings.
- This motion was about sharing benefits fairly.
- Disappointment that a high percentage of public sector and voluntary organisations used zero hours contracts.
- The difficulty of obtaining a mortgage for those people on zero hours contracts
- Members were urged to end this practice now and then work out the detail including its funding.

Mr Robert Evans requested a recorded vote on the motion and 10 Members stood in support of this request.

The Chairman informed Members that he had received a request to split the motion into three parts and to vote separately on each section.

On the first part of the motion, Members voted unanimously in support of:

‘This Council recognises the huge contribution made to the County by its employees.’

On the second part of the motion, relating to ‘zero hours contracts’, the following Members voted for it:

Mr Beardsmore, Mr Beckett, Mr Cooksey, Mr Essex, Mr Robert Evans, Mr Forster, Mr Hickman, Mr Jenkins, Mr Mallett, Mrs Mason, Mr Orrick, Mrs Searle, Mrs Watson, Mrs White

The following Members voted against it:

Mrs Angell, Mr Barker, Mr Bennison, Ms Bowes, Mr Brett-Warburton, Mr Carasco, Mr Chapman, Mrs Clack, Mrs Coleman, Mr Cosser, Mrs Curran, Mr Ellwood, Mr Few, Mr Furey, Mr Gardner, Mr Goodman, Mr Gosling, Dr Grant-Duff, Mr Gulati, Mr Hall, Mr Harmer, Miss Heath, Mr Hodge, Mr Hussain, Mr Ivison, Mr Johnson, Mrs Kemeny, Mr Kemp, Mr Kington, Mrs Lake, Mrs Lay, Mrs Lewis, Mr Mahne, Mrs Marks, Mr Martin, Mrs Moseley, Mrs Mountain, Mr Munro, Mr Norman, Mr Page, Mr Pitt, Mrs Ross-Tomlin, Mrs Saliagopoulos, Mr Samuels, Mr Selleck, Mr Skellett, Mr Taylor, Ms Thomson, Mr Townsend, Mr Walsh, Mr Wilson, Mrs Windsor, Mr Witham, Mr Young and Mrs Young

There were two abstentions:

Mrs Barton and Mrs Lallement

Therefore, the second part of the motion was lost.

On the third part of the motion, relating to ‘the London Living Wage’, the following Members voted for it:

Mrs Barton, Mr Beardsmore, Mr Cooksey, Mr Essex, Mr Robert Evans, Mr Forster, Mr Jenkins, Mr Johnson, Mr Kington, Mrs Lallement, Mr Mallett, Mrs Mason, Mr Orrick, Mrs Searle, Mrs Watson, Mrs White

The following Members voted against it:

Mrs Angell, Mr Barker, Mr Bennison, Ms Bowes, Mr Brett-Warburton, Mr Carasco, Mr Chapman, Mrs Clack, Mr Cosser, Mrs Curran, Mr Ellwood, Mr Few, Mr Furey, Mr Gardner, Mr Goodman, Mr Gosling, Dr Grant-Duff, Mr Gulati, Mr Hall, Mr Harmer, Miss Heath, Mr Hodge, Mr Hussain, Mr Ivison, Mrs Kemeny, Mr Kemp, Mrs Lake, Mrs Lay, Mrs Lewis, Mr Mahne, Mrs Marks, Mr Martin, Mrs Moseley, Mrs Mountain, Mr Munro, Mr Norman, Mr Page, Mr Pitt, Mrs Ross-Tomlin, Mrs Saliagopoulos, Mr Samuels, Mr Selleck, Mr Skellett, Mr Taylor, Ms Thomson, Mr Townsend, Mr Walsh, Mr Wilson, Mr Witham, Mr Young and Mrs Young

There were four abstentions:

Mr Beckett, Mrs Coleman, Mr Hickman and Mrs Windsor

Therefore, the third part of the motion was lost.

**RESOLVED:**

This Council recognises the huge contribution made to the County by its employees.

**ADJOURNMENT**

The meeting adjourned for lunch at 12.45pm and resumed at 2.15pm with all those present who had been in attendance in the morning session except for Mrs Barton, Mr Bennison, Mr Brett-Warburton, Mr Ellwood, Mr Tim Evans, Ms Heath, Mr Hickman, Mr Kemp, Mrs Lake, Mrs Moseley, Mr Norman, Mr Young and Mrs Young.

**ITEM 9(ii)**

Under Standing Order 12.3, the Council decided it wished to hear further before agreeing whether or not to debate this motion.

Mr Cooksey made a short statement giving reasons why the motion should not be referred. He considered that it was important for the Council to have the opportunity to discuss this issue and not just the Cabinet. He had proposed the motion because the stated intention was that the County Council was not proposing any changes to its home to school transport policy for 2015. It was his view that the current policy provided little flexibility and that officer decisions were based on the rigid application of this policy.

The Leader made a short statement stating that it would be inappropriate to debate this matter because the consultation on the County Council's Home to School Transport Policy was still on-going. He considered that the outcome of the consultation should be reported firstly, to the Children and Education Select Committee and then to Cabinet.

14 Members voted for debating the motion today but 39 Members voted against debating it today. There were three abstentions.

Therefore, it was:

**RESOLVED:**

That this motion be referred to the Cabinet, for determination. Under Standing Order 12.6, the Cabinet must report back to County Council at the earliest appropriate meeting.

**ITEM 9(iii)**

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

Under Standing Order 12.1, Mr Ian Beardsmore moved the motion which was:

“This Council agrees to re-establish a Surrey-wide Youth Council at Surrey County Council to include representatives of young people from all eleven Boroughs and Districts in order to:

- (a) give Surrey young people the opportunity to debate and influence the County

Council's policies.

and

(b) to enable Surrey young people to be represented on the national Youth Parliament.'

The motion was formally seconded by Mrs Searle.

Mrs Kemeny moved an amendment, which was tabled at the meeting. This was formally seconded by Mrs Curran.

The amendment was as follows (with additional words underlined and deletions crossed through):

~~'This Council agrees to re-establish a Surrey-wide Youth Council at Surrey County Council to include representatives of young people from all eleven Boroughs and Districts in order to:~~ supports the establishment of a County-wide youth democracy platform to include representatives of young people from our schools and colleges working alongside existing provision in Surrey's Boroughs and Districts, in order to:

- (a) give Surrey young people the opportunity to debate and influence the County Council's policies.  
and  
(b) to enable Surrey young people to be represented on the national Youth Parliament.'

Both Mr Beardsmore and Mrs Searle agreed to accept the amendment to this motion and therefore, it became the substantive motion.

Seven Members spoke on the substantive motion, with the following points being made:

- The motion was about giving young people the opportunity to contribute to shaping the County Council's policies.
- Praise for the excellent youth council in Mole Valley.
- Increasing the involvement of youth people in democracy was an important issue and thanks to officers for enabling the development of youth democracy in the Epsom and Ewell area.
- Pleased that the amendment had been accepted by the Liberal Democrats.
- The substantive motion was not supporting the reinstatement of a youth parliament (dissolved in 2012).
- This administration had seen an outstanding transformation of youth services during the last two years. In particular, the reduction in NEETS (Not in Education, Employment or Training) and young people had contributed to the shaping of Surrey's employability plan.
- Surrey's youth service was 'Value for Money' and work on youth democracy had started over the summer. It was expected that elections for representatives on the national Youth Parliament would be held on-line and it was planned that youth councillors would meet on-line as well as face to face.
- A higher expectation, with full inclusion and involvement in shaping the Council's policies for youth democracy was needed.



- Young people were brought up and were conversant with technology and therefore the on-line platform was the right way forward.
- Confirmation that both those Surrey young people that studied outside the county and also NEETS would be included and represented.
- The importance of investing in young people because they were the future of local government.

After the debate, the substantive motion was put to the vote and it was:

**RESOLVED (unanimously):**

This Council supports the establishment of a County-wide youth democracy platform to include representatives of young people from our schools and colleges working alongside existing provision in Surrey's Boroughs and Districts, in order to:

- (a) give Surrey young people the opportunity to debate and influence the County Council's policies.
- and
- (b) to enable Surrey young people to be represented on the national Youth Parliament.

**ITEM 9(iv)**

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

Under Standing Order 12.1, Mr Will Forster moved the motion which was:

'Noting the start of the badger cull in Somerset and Gloucestershire and the possibility that DEFRA may roll out the badger cull across the rest of the UK, Council agrees not to allow the badger cull to take place on any of its county owned land, given that the science is not proven nor conclusive that a cull of badgers is the answer to eradicating Bovine TB from the countryside.'

Council agrees that more research should be undertaken by Government and the scientific community to find more effective and cheaper vaccinations for badgers and cattle to help eradicate this disease from the countryside.'

The motion was formally seconded by Mrs White.

Mr Forster said that:

- The case for badger culling was not proven and he did not want it to be allowed on any County Council owned land.
- Badgers were not a threat to human health because milk was pasteurised.
- The cull had not worked in Gloucestershire or Somerset.
- This motion was similar to one recently agreed by Hampshire County Council, where it had been supported by all political groups.
- Previously, this Council had agreed to protect the countryside.

Mr Furey responded and made the following points:

- That the Government Minister had confirmed that research would continue and an independent report had been commissioned.
- There was a target to eradicate the Bovine TB within 25 years.

- The National Trust had not ruled out culling of badgers on their land.
- A reference to the article in Surrey Nature about badgers.
- Clarification of the legal aspect relating to culling.

Six Members spoke on the motion, with the following points being made:

- Concern re. the logistics of organising a cull as badgers crossed boundaries.
- If Hampshire County Council had supported a similar motion, then why couldn't this County Council adopt a similar approach.
- The vaccine option may be cheaper but it was not an easy solution.
- The importance of further research - when considering this issue, there was no role for politics or sentiment, the decision must be based on scientific results.
- Members should be mindful of any decision made by the Government relating to badger cullings and the County Council may not have the authority to override the Government.
- There had already been a 10 year study on Bovine TB / Badgers, progress was being made and most Members who spoke considered vaccination the preferred option.
- This issue was of concern to residents and there was currently a petition relating to this topic on the Surrey County Council website.

After the debate, the motion was put to the vote with 12 Members voting for it. 40 Members voted against it and there were no abstentions.

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, Mr Peter Martin moved the motion which was:

'This Council fully supports the successful launch of its recent apprenticeship programme in helping the County's young people get a foot in the world of work but recognises that there is much still to be done.

The Council therefore calls on all Members to discuss and encourage the setting up of apprenticeships with their local businesses, Districts, Boroughs, Parishes and relevant partners.'

Mr Martin made the following points:

- Surrey's apprenticeship programme was a scheme that the Council was proud of, with 200 apprenticeships created within 100 days just over 2 years ago.
- In 2012, the programme was doubled and this year the County Council had invested £750K in the programme and had a target of 500 apprenticeships.
- This year, there had been four successful youth employment events in Surrey.
- The number of NEETS had fallen dramatically over the last two years.
- The County Council was 'practising what it preached'. For example, the procurement team were having an increased focus on delivering apprenticeships through their supply base, with one of the County Council's

key contractors, Babcock 4S committed to employing 35 apprentices this financial year.

- Finally, he commended the motion to Council and asked for all Members' help in engaging with the programme.

The motion was formally seconded by Mrs Angell who referred to all Members being Corporate Parents. She also said that a number of new initiatives concerning apprenticeships in Children Services would be shared with the Looked After Children teams.

Mr Essex moved an amendment at the meeting (formally seconded by Mr Robert Evans) which was to add an additional paragraph to the original motion so that it read:

'This Council fully supports the successful launch of its recent apprenticeship programme in helping the County's young people get a foot in the world of work but recognises that there is much still to be done.

The Council therefore calls on all Members to discuss and encourage the setting up of apprenticeships with their local businesses, Districts, Boroughs, Parishes and relevant partners.

This Council also resolves to ensure that all those carrying out duties in the Council previously undertaken by those in positions held by Surrey County Council employees should be paid at least the Surrey County Council's minimum wage.'

Mr Essex confirmed his support of the apprenticeship scheme and said that the County Council needed a commitment that apprenticeships were in addition to jobs currently available.

Three Members spoke and made the following points:

- It was important to ensure that young people are paid appropriately and also properly trained.
- This motion was not about the minimum wage and the amendment was beyond the remit of the Council.
- In response it was agreed that the amendment strengthened the motion.

The amendment was put to the vote, with 13 Members voting for and 42 Members voting against it. There was one abstention.

Therefore, the amendment was lost.

Returning to the original motion, the Deputy Leader said that there was widespread agreement for the motion. He also suggested that if Members required administrative support to contact businesses that they contact the Assistant Director for Young People.

**RESOLVED (unanimously):**

This Council fully supports the successful launch of its recent apprenticeship programme in helping the County's young people get a foot in the world of work but recognises that there is much still to be done.

The Council therefore calls on all Members to discuss and encourage the setting up of apprenticeships with their local businesses, Districts, Boroughs, Parishes and relevant partners.

### **85/13 REPORT OF THE CABINET [Item 10]**

The Leader presented the reports of the Cabinet meetings held on 22 and 30 October and 26 November 2013.

#### **(1) Statements / Updates from Cabinet Members**

The Cabinet Member for Children and Families tabled a statement relating to Maureen Giles, the Headteacher of Surrey's Virtual School, who retired on 18 December 2013 (Appendix D).

#### **(2) Recommendations on Policy Framework Documents**

##### **A Youth Justice Strategic Plan**

The Cabinet Member for Children and Families highlighted the key points from the Youth Justice Strategic Plan. In particular, that Surrey continued to be a very low user of custody, the Restorative Youth Justice programme had delivered outstanding results and was nationally recognised and that the numbers of entrants to the youth justice system had fallen dramatically over the last two years.

She thanked both staff for their work and also Mrs Hammond who had previously had responsibility for this area in her former portfolio.

#### **RESOLVED:**

That the Youth Justice Strategic Plan, as set out in Annex1 to the submitted report, be agreed.

#### **(3) Reports for Information / Discussion**

The following reports were received and noted:

- Public Service Transformation
- Fairness and Respect Strategy 2013 - 2018

#### **RESOLVED:**

That the report of the meetings of the Cabinet held on 22 and 30 October and 26 November 2013 be adopted.

### **86/13 REPORT OF THE PLANNING AND REGULATORY COMMITTEE [Item 11]**

The Chairman of the Planning and Regulatory Committee presented the report of his committee. He confirmed that the proposals were agreed unanimously by the Planning and Regulatory Committee.

**RESOLVED:**

That the following revisions to the Scheme of Delegation be approved:

Planning

P1 – amend to state “Where fewer than 5 objections have been received and no request has been made by the local member or a member of the Planning & Regulatory Committee for the application to be determined by that Committee, to determine planning applications for minerals, waste development and County Council development which comply with the development plan and national policies”.

P2 – amend to state “Where fewer than 5 objections have been received and no request has been made by the local member or a member of the Planning & Regulatory Committee for the application to be determined by that Committee, and after consultation with the Chairman or, in his/her absence, Vice-Chairman of the Planning & Regulatory Committee, to determine planning applications for minerals, waste development and County Council development which do not comply with the development plan and national policies”.

P6 – amend to state “To determine all details pursuant applications (applications relating to a previously granted permission) irrespective of the number of objections unless a request has been made by the local member or a member of the Planning & Regulatory Committee for the application to be determined by that Committee”.

P7 – amend to state “(i) To determine whether county development applications and minerals and waste applications constitute a ‘non material amendment’ within section 96A of the TCPA, and (ii) To determine such applications, irrespective of the number of objections, unless a request has been made by the local member or a member of the Planning & Regulatory Committee for the application to be determined by that Committee.”

**87/13 AMENDMENTS TO THE SCHEME OF DELEGATION [Item 12]**

**RESOLVED:**

That the amendments to the Scheme of Delegation, as set out in the submitted report, be approved.

**88/13 MINUTES OF THE MEETINGS OF THE 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:3.45pm]

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**Chairman**

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**Her Majesty the Queen's New Year Honours 2014**

**CB**

Michael Carpenter  
William Crothers

**DBE**

Penelope Keith CBE DL

**CBE**

Richard Eyre  
Edward Sweeney

**OBE**

Andrew Baxendine  
Christopher Corbould  
Bryan Drew QPM  
David Huse  
Ms Susan O'Brien  
Mrs Penny Power  
Professor Abhay Rane  
Mrs Doreen Rowland  
Dr Jenifer Tennison

**MBE**

Mrs Sonia Ashworth  
Ronald Ayers  
Eric Cass  
Mrs Jean Cass  
Paul Dorman  
Thomas Drake  
Mrs Harriet Foges  
Mrs Ann Green  
Miss Anne Hoblyn  
Mrs Margaret Howman  
Mrs Nighat Hubbard  
Dr M-G (Genny) Lane JP  
Mrs Elaine Maggs  
Patrick Rarden  
Dr Anna-Maria Rollin  
Robert Serman  
Richard Willmott  
DI Paul Padman

**BEM**

Bryan Farley  
Mrs Theresa Fuoco  
Ms Victoria Helstrip  
Mrs Gloria Holmes  
Peter Moxley  
Mrs Amanda Schryver  
Mrs Kathleen Stephens  
Mrs Carol Sullivan  
Mrs Susan Thomas

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**SURREY COUNTY COUNCIL**

**FULL COUNTY COUNCIL**

**DATE: 11 FEBRUARY 2014**



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

**LEAD OFFICER: SHEILA LITTLE, CHIEF FINANCE OFFICER AND DEPUTY DIRECTOR FOR BUSINESS SERVICES**

**SUBJECT: REVENUE AND CAPITAL BUDGET 2014/15 TO 2018/19, COUNCIL TAX REQUIREMENT FOR 2014/15 AND TREASURY MANAGEMENT STRATEGY**

### **SUMMARY OF ISSUE**

To approve:

1. the draft revenue and capital budget for the five years 2014-19;
2. the level of the council tax precept for 2014/15; and
3. the treasury management strategy, including the borrowing and operation limits (prudential indicators), policy for the provision of the repayment of debt (minimum revenue provision (MRP)), and treasury management policy.

### **RECOMMENDATIONS**

#### **Cabinet recommendations on the revenue and capital budget for 2014-19 and the council tax precept for 2014/15**

Cabinet recommends that Full County Council:

1. notes the Chief Finance Officer's statutory report on the robustness and sustainability of the budget and the adequacy of the proposed financial reserves (Annex 1);
2. approves the council tax requirement for 2014/15 is set at £564.0m (Annex 3, paragraph 3.5);
3. approves the 2014/15 council tax up-lift be fixed at 1.99%;
4. approves the basic amount for 2014/15 council tax at Band D is set at £1,195.83 (Annex 3, paragraph 3.7);
5. approves the council tax for each category of dwelling in its area be as in Annex 3 paragraph 3.8;
6. 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;
7. 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;
8. agrees to maintain the council tax rate set above and delegate powers to the

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Leader and the Chief Finance Officer to finalise detailed budget proposals following receipt of the Final Local Government Financial Settlement;

9. agrees to transfer £2.5m additional council tax surplus on the Collection Fund to the Economic Downturn Reserve (paragraph 68)
10. approves the County Council budget for 2014/15;
11. agrees the capital programme proposals specifically to:
  - fund essential schemes over the five year period (schools and non-schools) to the value of £760m including ring-fenced grants and
  - make adequate provision in the revenue budget to fund the revenue costs of the capital programme;
12. requires the Chief Executive and Chief Finance Officer to establish a mechanism to regularly track and monitor progress on the further development and implementation of robust plans for achieving the efficiencies across the whole MTFP period;
13. requires Strategic Directors and Senior Officers to maintain robust in year (i.e. 2014/15) budget monitoring procedures to enable Cabinet to monitor the achievement of efficiencies and 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;
14. requires a robust business case to be prepared for all revenue invest to save proposals and capital schemes before committing expenditure; and
15. notes that Cabinet will consider and approve the final detailed MTFP (2014 19) on 25 March 2014, following scrutiny by Select Committees.

**Cabinet recommendations on treasury management and borrowing:**

Cabinet recommends that Full County Council:

16. approves the Treasury Management Strategy for 2014/15 and approves that the provisions have immediate effect (Annex 2). This strategy includes:
  - the investment strategy for short term cash balances;
  - the treasury management policy (Appendix B1);
  - the prudential indicators (Appendix B2)
  - the schedule of delegation (Appendix B4);
  - the minimum revenue provision policy (Appendix B7).

<b>REASON FOR RECOMMENDATIONS</b>
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This meeting of the Full County Council is to agree the summary budget and set the council tax up-lift for 2014/15, on the advice of the Cabinet on how best to meet the challenges the Council faces. The reasons underpinning the recommendations Cabinet has made to Full County Council include:

- to ensure the Council continues to maintain its financial resilience and protect its long term financial position;
- to enable the Council to meet the expectations of Surrey's residents as

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confirmed in their responses to the in depth consultation exercise undertaken in 2012;

- to provide adequate finances for key services such as school places, highways, adult social care and protecting vulnerable people.

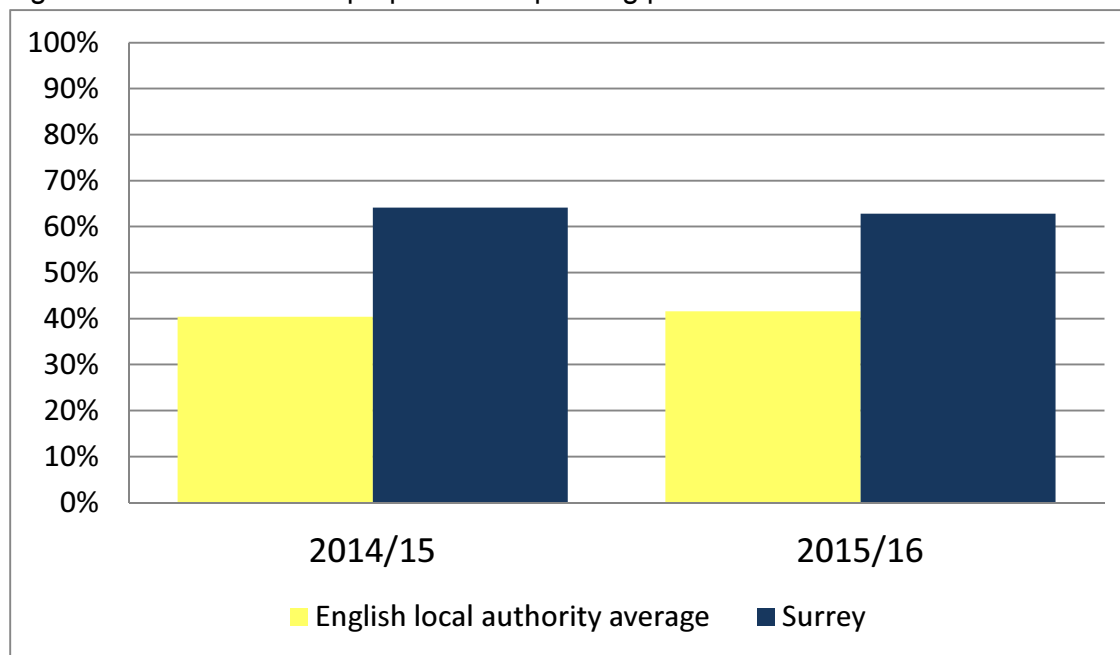
## DETAILS

### Revenue and capital budget

#### Introduction

1. This report summarises Cabinet's recommended medium term financial plan (MTFP) 2014-19, including the council tax rate for 2014/15 and revenue and capital budgets for the five years 2014/15 to 2018/19. Cabinet developed the recommended MTFP (2014-19) at a series of workshops beginning in June 2013 and concluding in January 2014. Throughout this period, other Members have had opportunity to influence development of the MTFP through monthly all Member seminars and Select Committee scrutiny.
2. Cabinet's recommended MTFP period (2014-19) rolls forward by one year the current MTFP (2013-18) approved by Full County Council on 12 February 2013. It covers five years, matched to the corporate strategy.
3. The Council plans to balance its five year MTFP through a combination of:
  - service transformation mechanisms
  - earlier and deeper implementation of planned productivity & efficiency savings
  - continuing to make the case to Central Government to secure a fairer distribution of national funding for the Council to help meet the disproportionately high and uncontrollable demand pressures it faces, such as for more school places resulting from a very high birth rate over the last 12 years and the needs of an increasingly ageing population.
4. The Council's current medium term financial plan (2013-18) set out a sustainable budget based on a council tax up-lift limited to 2.5% each year and delivery of £166m service reductions & efficiencies. Surrey is one of the most dependent of all councils on council tax for its funding and the most dependent of all shire counties (i.e. it receives among the very lowest proportion of its spending power as grant). Because of its low level of Government support, Surrey has to raise over 60% of its spending power from council tax. Conversely, on average English local authorities receive 60% of their spending power as grant, as illustrated in Figure 1 below. This funding position makes the level of council tax particularly important in determining the long term financial stability of the Council.

Figure 1: Council tax as a proportion of spending power



5. The strategy of increasing council tax at a relatively modest rate is working and protecting the long term future of services for Surrey residents. However, if the Council's ability to do this is reduced, it would need to make significant reductions to the services residents receive.
6. Following approval of the budget by Full County Council on 11 February 2014, officers will prepare detailed service budgets, including savings plans, and submit them to Cabinet for approval on 25 March 2014. The detailed budgets will link to directorates' strategic plans that Cabinet will also consider at its 25 March 2014 meeting.
7. The Provisional Local Government Finance Settlement announced on 18 December 2013 outlined the key grants and financial factors for 2014/15 and 2015/16. Since that date, the Government has published settlement details for most grants, though some important factors are still unknown. All of this makes the uncertainty in the figures proposed in the MTFP relatively high and subject to change as the financial environment becomes clearer. Also, at the time of writing this report the Government had not announced the Final Local Government Finance Settlement, or the council tax referendum threshold, adding further uncertainty to the proposals.

## Strategies influencing the revenue and capital budgets

### Corporate strategy

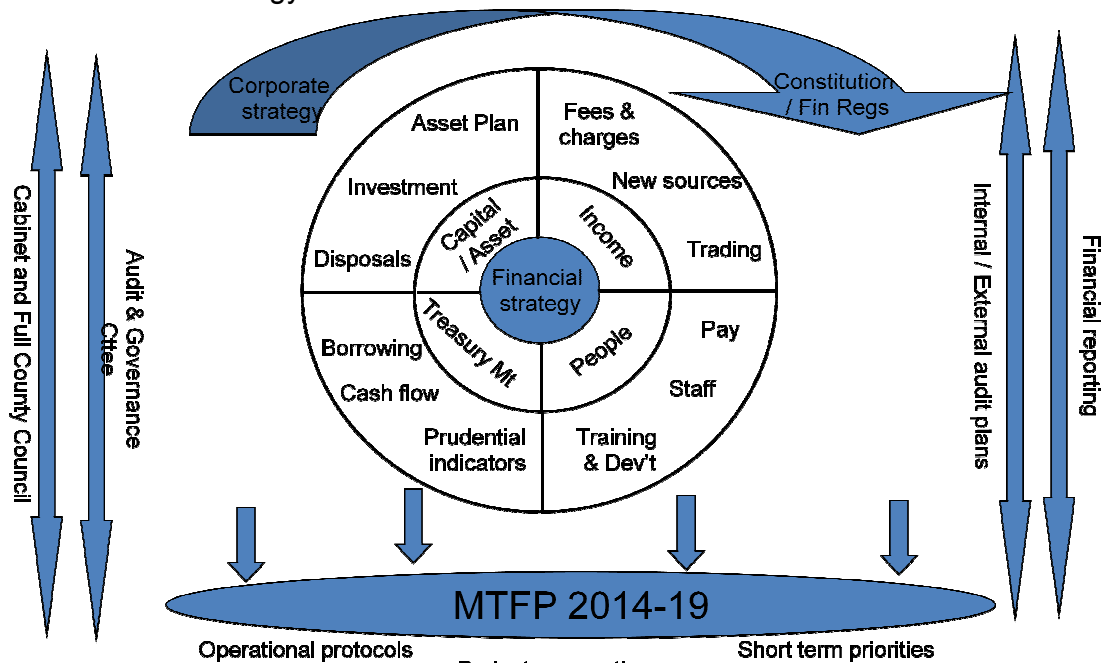
8. Presented separately at this Full County Council meeting is a refreshed version of the Council's Corporate Strategy. The refreshed *Confident in our Future, Corporate Strategy 2014-19* re-confirms the Council's vision to be delivering great value for Surrey residents. It includes the priorities for 2014/15 and key areas the Council is focusing on to achieve this. In summary this includes 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 MTFP is critical to delivering these ambitions and goals and ensuring excellent value for money for residents.

### Financial strategy

9. The Council's financial strategy provides the strategic framework and overarching corporate financial policy document for managing the Council's finances and ensuring sound governance and compliance with best practices.
10. The specific long term drivers of the financial strategy pertinent to the MTFP (2014-19) proposals are as follows.
  - Keep any additional call on the council taxpayer to a minimum through continuously driving the productivity and 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 2014/15 budget by maintaining a prudent level of general balances (£19.9m in 2014/15) and applying £25.9m reserves as appropriate (£20.1m from the Budget Equalisation Reserve (including £13m contribution from 2013/14's unused budget risk contingency) plus £5.8m from other reserves).
  - Continue to maximise our investment in Surrey to:
    - improve 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 that will generate income streams.
11. The financial strategy links a number of other strategies and essential governance arrangements as illustrated in Figure 2.

Figure2: Financial strategy in context



12. The financial strategy links directly to the six components of the *Confident in our Future, Corporate Strategy* 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 public sector transformation networks 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 its external auditor gives an unqualified audit opinion and conclusion on value for money arrangements 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).

13. The financial strategy will remain largely stable to 2019. 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. The MTFP is the practical means to translate this strategy into reality.

### **Funding strategy**

14. During 2013 the Council has developed its funding strategy further to position the Council to secure diversified sources of funding to reduce its reliance on council tax revenue and increase its resilience against future financial challenges.
15. 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 and comparatively 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 productivity and 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.
16. The Council is delivering its funding strategy going forward through a robust programme management framework for a series of workstreams, which it will complete over a number of years.
17. The main workstreams fall under three themes.
  - Protecting the existing funding base:
    - localisation of business rates;
    - localisation of council tax support;
    - schools' funding
    - securing a fairer share of central Government support.
  - Developing alternative sources of funding:
    - economic stream (including Community Infrastructure Levy, New Homes Bonus and Local Enterprise Partnerships);
    - identifying and bidding for relevant grants;
    - return on investments (treasury management);
    - fees and charges;
    - partnership opportunities;
    - Revolving Infrastructure & Investment Fund (to generate surpluses).
  - Improving financial awareness, training and reporting:
    - staff and Member awareness, communications and engagement;
    - funding reporting in the medium term financial plan (MTFP);

- financial reporting.
18. The funding strategy has a number of associated dependencies, 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.
  19. Business Services directorate monitors progress of the strategy.

## **Revenue budget**

### **Forecast revenue budget outturn 2013/14**

20. The Council's overall revenue forecast outturn for 2013/14 at the end of December 2013 projects an underspend of £13.9m. This comprises a £0.9m forecast underspend for services and zero use of the £13m risk contingency.
21. Directorates' hard work in managing their budgets in 2013/14 continues their good record of meeting their spending targets. Therefore, the Council has not needed to use the risk contingency it has provided. Providing a risk contingency means setting money aside, which adds to the level of efficiencies required. It is proposed to reduce the risk contingency to £5m in 2014/15 and remove it from 2015/16 and use the funding this releases to provide support to the budget from 2014/15 onwards. The proposed new tracking mechanism will add further rigour to the monitoring of efficiency plans.
22. Within the Council's financial outturn, as part of longer term financial planning, directorates are likely to request to carry forward underspends to smooth funding across financial years. Further consideration on use of reserves and balances will be necessary as the level of Government grants receivable becomes clearer when the Government publishes the Final Local Government Financial Settlement.

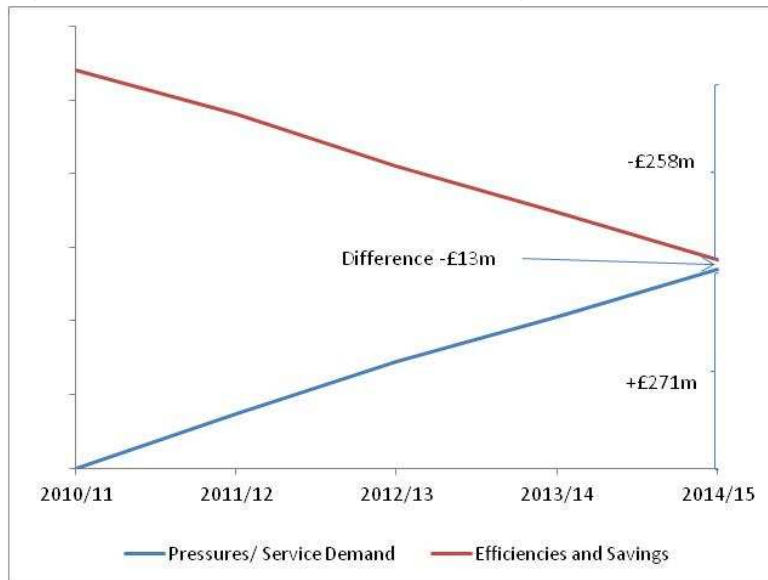
### **Savings, pressures and funding 2010/11 to 2014/15**

23. Over the four years from 2010/11 to 2014/15 the Council's programme of efficiencies and savings has and will reduce the annual value of expenditure by £258m, an average savings of almost £65m every year. The Council sets out how it has increased value, reduced unit costs and provided better quality services to residents in its "*More than 50 Ways Surrey County Council adds value*" booklet, attached as Appendix A1.
24. Over the same period, the spending demands and budget pressures the Council has faced have increased at a faster rate: taking 2010/11 as the baseline, the Council's spending pressures have increased by £271m over the four years to 2014/15. This unrelenting rise in pressures includes the need to:
  - care for increasing numbers of vulnerable adults as Surrey's population ages;
  - provide school places for Surrey's growing number of young children; and
  - maintain and repair Surrey's highways (among the most heavily used in the UK).



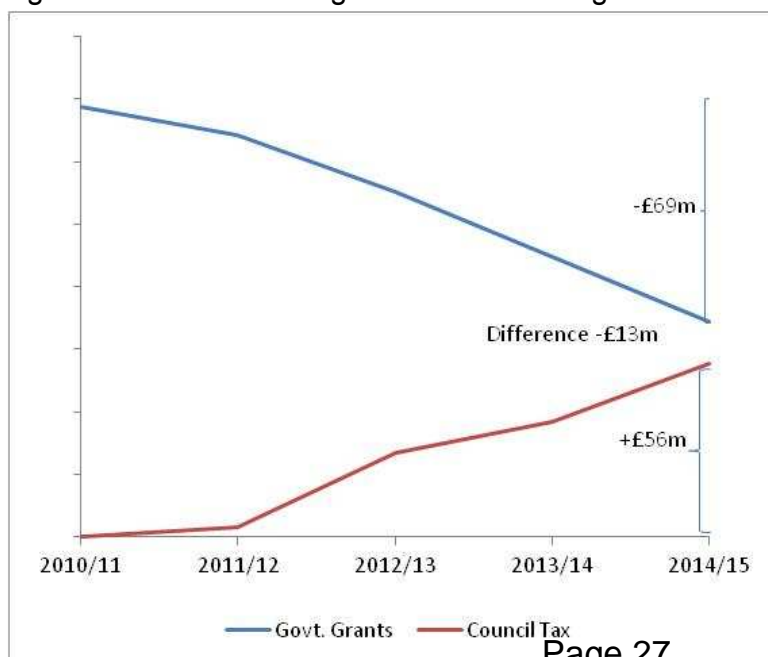
25. Despite managing to reduce its expenditure by an average £65m each year, the Council's programme of efficiencies and savings has not offset the demand pressures. Even after making £258m savings in four years, pressures exceed savings and efficiencies by £13m. Figure 3 shows how the profile of pressures and savings has changed.

Figure 3: Profile of pressures and savings, 2010/11 to 2014/15



26. Also since 2010/11 the Council has faced ever reducing funding from Government grants, despite the unrelenting expansion in service demands and pressures over the same period. Taking 2010/11 as the baseline, the reduction in Government grants to 2014/15 totals £69m (the average rate equates to 6% of the current grant funding, excluding Dedicated Schools Grant). Over the same period, the uplift in council tax has increased funding by only £56m: a shortfall of £13m. Figure 4 shows how the profile of funding from Government grants and council tax has changed.

Figure 4: Profile of funding from Government grants and council tax, 2010/11 to 2014/15



## Scenario planning 2014/15 to 2018/19

### Overall Government funding

27. Appendix A2 summarises the national economic outlook, which highlights how the relevant economic environment and future forecasts have changed in the last year.
28. In setting the MTFP (2013-18), the Council assessed the remaining impact of the public expenditure constraints of 2010's Comprehensive Spending Review (CSR) covering the period 2010/11 to 2014/15 and details released in the annual Local Government Financial 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 implemented from April 2013. After including estimated budget pressures over the five years 2013/14 to 2017/18, the Council set itself a revenue savings target of £166m over the period.
29. In June 2013, the Chancellor of the Exchequer published Spending Round 2013 (SR2013). SR2013 principally covers 2015/16. It covered local government as a whole, with no specifics for any sector or tier. The main implications included:
  - funding from Government to the sector faces a real terms reduction of -10%;
  - extension of the first and third council tax freeze grants into 2014/15 and 2015/16 announcing the Government was intending to fund further council tax freeze grants at 1% and planning to set referendum thresholds at 2% in each of those years;
  - £665m to transform local services and prepare for reforms to social care funding;
  - £3.8bn pooled budget for local health and care systems (subsequently termed the Better Care Fund);
  - 20% reduction in Education Support Grant for 2015/16; and
  - £13.5bn local authority capital for six years from 2015/16.
30. In July 2013, The Department for Communities and Local Government (DCLG) issued a technical consultation document that included a proposal to pool local authorities' New Homes Bonus (NHB) to provide funding to support Local Enterprise Partnerships (LEPs). DCLG's proposals included an option to pool all NHB due to county councils;
31. The Chancellor's Autumn Statement, made on 5 December 2013, included:
  - the reversal of the proposal to pool NHB to LEPs outside London;
  - a 2% cap on business rates indexation in 2014/15 and other measures to support businesses (the Government will refund local authorities' reduction in business rates income);
  - measures to address business rates appeals and reduce the volatility of that income stream;
  - new national council tax discount of 50% for property annexes from April 2014;
  - £2.1bn further Government department budget reductions in 2014/15 and 2015/16 to exclude local government; and
  - extension of free school meals to reception, year one and year two pupils.
32. The MTFP (2014-19) spans two CSR periods (2010/11 to 2015/16 and 2016/17 onwards). As the review objectives and parameters of the second CSR are unknown,

this adds to the uncertainty the Council needs to manage within its MTFP. Throughout development of the proposed MTFP, Members have therefore considered the budget proposals in three parts:

- year 1 – where council tax precept will be set and certainty is quite clear;
- year 2 – where details of government grants have been announced in the Provisional Financial Settlement, and;
- years 3 to 5 - which will be covered by the new CSR to be determined by the next Parliament and for which there is much uncertainty.

33. The basic assumptions reflected in the MTFP (2013-18) remain valid in moving the MTFP forward to cover 2014-19, except for the 2% council tax referendum threshold and where emerging changes to the new funding arrangements and assumptions about growth in service pressures have changed. Cabinet members and senior officers have rigorously reviewed, probed, assessed and validated the assumptions to determine the predicted scenario for medium term financial planning purposes.
34. In developing the MTFP (2014-19) the Council has again shared the stages of its medium term financial planning process widely. 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. The Council also conducted a robust, open, consultation and engagement process with key stakeholders as outlined below (paragraphs 127 and 128).

#### Budget planning assumptions

35. The Council began building its annual budget in June 2013. This involved reviewing the Council's financial position and outlook at the end of the first quarter of 2013/14, revisiting the assumptions, pressures and savings included in the MTFP (2013-18) and projecting forward a further year to 2018/19. Table 1 shows the key cost, pressure and savings assumptions used to prepare the illustrative budgets.

Table 1: Budgetary cost, pressure and savings assumptions 2014-19

Descriptor	2014/15	2015/16	2016/17	2017/18	2018/19
Pay inflation – Surrey pay	1.6%	1.6%	1.6%	1.6%	1.6%
Pay inflation – National pay	1.0%	1.0%	1.0%	1.0%	1.0%
General, non-pay inflation (differing percentages will apply to contractual inflation)	2.1%	2.2%	2.2%	2.2%	2.2%
Identified savings over the MTFP period - incremental	£-65m	-£55m	-£44m	-£26m	£0m
Savings to be identified - incremental	£0m	£0m	-£7m	-£13m	-£21m
Allowances for central pressures:					
• Revenue impact (borrowing) of the capital programme 2014-19	£1m	£3m	£4m	£5m	£5m
• Risk contingency	£5m	£0m	£0m	£0m	£0m

Please note: new service funding and spending pressures includes statutory, contractual and demographic changes.

## Service expenditure 2014-19

36. Table 2 summarises the Council's gross revenue expenditure budget for the five years 2014-19 and compares it to 2013/14's budget by main services.

Table 2: Gross revenue expenditure budget 2014-19

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m	£m	£m
Adult Social Care	406.6	412.8	416.2	431.1	452.0	483.3
Children, Schools & Families	324.7	330.4	336.1	339.9	347.9	347.9
Schools Delegated Budgets	521.9	468.2	461.1	460.1	460.1	460.1
Customer & Communities	82.9	82.2	83.2	82.8	82.8	87.1
Environment & Infrastructure	142.8	145.5	142.0	144.1	147.2	152.1
Business Services	97.2	99.9	97.9	100.1	103.2	106.2
Chief Executive's Office (including Public Health)	43.0	43.9	45.8	47.8	51.7	53.9
Central Income & Expenditure	69.1	63.6	56.5	64.1	63.9	64.2
Public Services Transformation Network	0.0	0.0	-10.0	-10.0	-10.0	-10.0
Additional savings				-6.7	-19.5	-40.7
<b>Total expenditure</b>	<b>1,688.2</b>	<b>1,646.7</b>	<b>1,628.7</b>	<b>1,653.3</b>	<b>1,679.4</b>	<b>1,703.9</b>

Please note columns may not cast due to roundings

## Service budget commentaries

37. Services continue to develop and test a range of proposals to enable the Council to meet its budget reduction targets for 2014/15 and beyond. Appendix A4 contains a summary of the proposals for each budget category, with a brief commentary by services on the proposals supported by a summarised income and expenditure statement and expenditure by service.
38. Cabinet will receive final detailed budget proposals for approval on 25 March 2014, after the appropriate Select Committees have reviewed the detailed budget changes.
39. The Chief Executive and Chief Finance Officer will establish a mechanism to track and monitor progress on the implementation of robust plans for achieving all the MTFP efficiencies.

## Central Government funding

### Provisional Local Government Finance Settlement

40. From 2013/14, the Local Government Finance Act 2012 fundamentally changed the local government funding system to one including partial retention of local business rates and localisation of council tax support.
41. The Provisional Local Government Finance Settlement for 2013/14 set out local authorities' start up funding assessments related to the new local government financing

system. This is now termed the Settlement Funding Assessment (SFA). For the Council this is equivalent to funding previously received from the following sources:

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

42. The main change from 2013/14 is the Secretary of State for the Department for Communities and Local Government (DCLG) has decided to move £38m council tax support funding from separately identified grants and roll it into formula funding. While grants rolled in broadly maintain their value, DCLG will scale formula funding in proportion to its own control total. Formula funding reduces by -11% from 2013/14 to 2014/15 and by another -17% to 2015/16.

43. Table 3 shows the Council's 2013/14 SFA compared to the provisional settlement for 2014/15 and illustrative figures for 2015/16.

Table 3: Settlement Funding Assessment (SFA)

	<b>Adjusted 2013/14 £m</b>	<b>Provisional settlement 2014/15 £m</b>	<b>Illustrative settlement 2015/16 £m</b>
Council tax freeze grant 2011/12	13.8	13.8	13.8
Early intervention grant	24.6	22.7	20.8
Local lead flood authorities' grant	0.2	0.2	0.2
Learning disabilities & health reform grant	68.2	68.8	68.8
Total grants rolled in	106.8	105.5	103.6
Formula funding	144.9	130.2	110.8
Share of returned topslice (safety net) etc.	0.0	0.3	0.0
Total Settlement Funding Assessment	251.7	236.0	214.4

#### Better Care Fund

44. The Better Care Fund (BCF) has two primary purposes: first, to seek transformation in health and social care system in order to achieve a shift from acute to community services; second, to 'protect' (the Government's word) adult social care, recognising that the financial pressures on it might otherwise undermine the achievement of those whole system goals. It carries forward the purposes of the current Whole Systems funding programme that runs from 2011 to 2015 (£14.3m in 2013/14 and £18.3m in 2014/15) but with greater ambition and on a broader scale (£65.5m, obtained by pulling together existing funding streams from health and social care).

45. The Government's timetable requires a plan to be submitted to the Department of Health by 14 February 2014, setting out how the BCF is to be used. That involves close joint working with the six Clinical Commissioning Groups (CCGs). An initial draft must be agreed by Health and Well-Being Board (relevant meeting 6 February 2014) and then approved by the Department of Health. Complying with that timetable is part of the performance framework which potentially attracts around 30% of the £65.5m revenue funding available to Surrey in 2015/16. Given the very tight timetable and the complexity of the task, the Government has agreed that plans can be amended subsequent to that submission, leading to a final version in early April 2014. However, the main content is required now, and discussions have been held accordingly with the CCGs.
46. Those discussions have established a preference for allocations, including those to protect social care, being made at Local Joint Commissioning Group level. The detail of those plans is not required by the February submission and will take some time to finalise. However, it has been agreed with the CCGs that those plans will be drawn up on the basis that *'in 2015/16 we expect the benefit to social care to be £25m'*. Consequently, it is reasonable for the Council to set its budget plans accordingly for 2015/16, with reasonable prospects of that adjustment being built into the base: that depends on Government confirmation through future settlements that the BCF will be ongoing, as appears to be the intention; and on future joint planning then continuing to generate the same scale of benefit to social care.

#### Total Schools Budget

47. The Total Schools Budget covers schools' delegated expenditure and other maintained schools expenditure, plus expenditure on a range of school support services specified in legislation (the legal technical definition of the Total Schools Budget comprises: Dedicated Schools Grant (DSG) funding, post 16 grant funding and any legally relevant council tax related funding). The Total Schools Budget (and the total County Council budget) excludes funding for academies.
48. Table 4 outlines the proposed Total Schools Budget for 2014/15 of £563.1m, which includes Dedicated Schools Grant funds £546.5m, Education Funding Agency (EFA) sixth form grants fund £15.1m and the Council funds £1.5m for post-16 learning disabilities. The Total Schools Budget is a significant element of the Children, Schools & Families' proposed total budget of £798.6m.

Table 4: Analysis of Total Schools Budget for 2014/15

	<b>Schools' delegated budgets £m</b>	<b>Centrally managed services £m</b>	<b>Total £m</b>
DSG 2014/15	428.6	110.3	538.9
DSG brought forward from previous years	5.6	2.0	7.6
<b>Total DSG</b>	<b>434.2</b>	<b>112.3</b>	<b>546.5</b>
EFA sixth form grant	15.1		15.1
County Council contribution (post-16 learning disabilities)		1.5	1.5
<b>Total Schools Budget</b>	<b>449.3</b>	<b>113.8</b>	<b>563.1</b>

*Note: Total Schools Budget does not include the pupil premium grant (provisional) £16.4m and the PE sports release grant £2.5m. These grants, although not part of the legal definition, are also delegated to schools and are included in the schools funding of £468.2m as in Appendix A4.*

49. Centrally managed services include the costs of:
- placements for pupils with special educational needs in non maintained special schools and independent schools;
  - two and 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.
50. The County Council contribution is to fund part of the anticipated increase in new responsibilities for over 16s with lifelong learning difficulties and disabilities (LLDD).
51. Schools are funded through a formula based on pupil numbers and ages with weightings for special educational needs and deprivation. In 2014/15 the formula limits any school level gains and losses to a 1.5% maximum loss per pupil (the Government's Minimum Funding Guarantee). A maximum per pupil increase (or ceiling) of approximately 1.5% will be required to pay for the guarantee.
52. 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;
  - looked after children; and
  - 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).
53. 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.

## Other grants

54. There are a number of other 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 is £3.5m over the two years 2014/15 and 2015/16 for PE & sport release.
55. More minor sums totalling £265,000 will be received for responsibilities connected with: sustainable transport for town centres and high streets, Police and Crime Panel, remand and restorative justice.

## Funding commitments the Government has reduced or withdrawn

56. The Health and Social Care Act 2012 transferred substantial public health improvement duties to local authorities from 2013/14 as a new burden, funded by a ring-fenced specific grant based on estimates of historic spending from NHS Surrey Primary Care Trust.
57. This ring-fenced specific grant is designed to cover all the services transferred from NHS Surrey and allow for some growth. The Department of Health (DH) recognised it excluded £3.3m of genito-urinary medicine (GUM) services incorrectly from the grant and allocated it to the CCGs that succeeded NHS Surrey.
58. Historically public health funding in Surrey has been below the level of assessed need. Government stated policy is to rectify this underfunding. However, DH's commitment to increase funding by 10% each year (to return funding to the level of assessed need) is not included in illustrative 2015/16 allocations in the Provisional Local Government Finance Settlement.
59. Local welfare provision (Social Fund) was also a new responsibility transferred to the Council from 1 April 2013. The Social Fund provides emergency loans to vulnerable people. Less than eight months after transferring this responsibility, in December 2013, the Provisional Local Government Finance Settlement was the first indication to local authorities that the £1.1m funding is likely to cease from 1 April 2015. There is concern that the need for the Social Fund support is likely to continue, or even rise as the Government implements its welfare reform programme.
60. The Government will remove £0.9m carbon reduction commitment funding from 1 April 2014 to compensate HM Treasury for revenue lost as a result of schools being taken out of the carbon reduction scheme.
61. Extended rights to free travel faces a material reduction in funding of £0.4m from 1 April 2014. This reduction comes despite the Minister concerned reminding local authorities that their statutory home to school transport duties remain in force.
62. Community Right to Challenge became a new burden on the Council from 1 April 2013. December 2013's Provisional Local Government Finance Settlement first gave local authorities warning that funding will cease from 1 April 2015. The requirement for councils to provide the service to the community continues. Funding in 2014/15 is £9,000.



63. Other significant reductions and uncertainties include funding for localised council tax support and council tax freeze grant as discussed in the sections below.

### **Localisation of council tax support**

64. From 2013/14, the Department for Work & Pensions (DWP) ceased to provide a national council tax benefit scheme. At the same time, central government imposed funding reductions requiring councils to make choices about changes to eligibility and levels of support. District & Borough councils implemented their own local support schemes from 1 April 2013. The County Council 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.
65. At the same time and to allow councils to mitigate some of the above funding reductions, the Government localised some council tax exemptions and discounts. District & Borough councils made local decisions about the level of these or whether to withdraw them altogether.
66. There were several direct impacts of the changed arrangements:
- A reduction in council tax income. The central government subsidy previously paid into districts' & boroughs' collection funds ceased. The County Council bears its share of this loss (approximately 75%) estimated at approximately £45m in 2013/14.
  - A new grant for council tax support (to compensate councils partially for the cessation of subsidy). The Council's grant in 2013/14 was identified as £38m, received as part of baseline funding. However, the Government has rolled it into formula funding from 1 April 2014, where it is subject to the scale reductions that apply to that funding.
  - An increase in council tax yield from changes to discounts and exemptions. The approximate impact on the Council was an increase of £5m.
  - A reduction in the council tax base (reflecting eligibility to council tax support). The approximate impact on the Council was a decrease of £7m.
67. These impacts are continuing and imply a number of newly assumed risks. Firstly, the future level of central government formula funding will fall by more than -10% in 2014/15 and likely by more thereafter, though the rate for scaling the reduction is uncertain. Secondly, the cost of local support schemes will be subject to changes in price (council tax rises) and volume (numbers of claimants).
68. The changes to the council tax base arising from localisation need close monitoring. For example, changes in the volume and make-up of the claimant population will have different implications. Also, pensioner claimants are fully protected from localisation changes (in effect remaining on the old national scheme) so any change in their volume or composition of caseload could have material implications. These factors have, in part, been responsible for the bigger than anticipated aggregate collection fund surplus of £7.4m. In 2014/15 the Government will implement further welfare

reforms, which are likely to intensify pressure on individuals' ability to meet their council tax payments. As such the Council proposes to add £2.5m from the collection fund surplus to the Economic Downturn Reserve. The Council is working with the Surrey districts and boroughs to share and collate monitoring information.

### Local retention of business rates

69. The business rates retention system (BRRS) replaced formula grant as the core funding for local authorities from 1 April 2013. This is a major change arising from nearly two years' development. Under BRRS, district and borough councils continue to collect local business rates. They retain half of this income to share with the county council in their area (80:20 in the districts' & boroughs' favour). The remaining half is central government's share, which it redistributes back to local authorities.
70. This central share is combined with several existing specific grants that are rolled into SFA. DCLG allocates SFA to each authority as a baseline funding component and a Revenue Support Grant (RSG) component. Table 5 shows the Council's SFA allocations and comparison to national totals.

Table 5: Surrey County Council's Settlement Funding Allocation

	2013/14	2014/15	SCC change	National change	2015/16	SCC change	National change
RSG	£151.1m	£132.3m	-12.4%		£107.5m	-18.7%	
Baseline funding	£100.6m	£103.7m	3.1%		£106.8m	3.0%	
Settlement Funding Allocation	£251.7m	£236.0m	-6.2%	-9.4%	£214.3m	-9.2%	-13.2%

71. Under BRRS, the Government established a baseline funding level for each local authority. In effect this is the authority's portion of the local share (i.e. 50% of the estimated net business rates collected). This figure determined whether the authority pays a tariff to central government or receives a top-up.
72. If an authority has a business rates baseline (government estimate of its business rates income) 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 lower than its baseline funding level (as is the case for this council), the authority receives a top-up. All county councils receive a top-up.
73. In previous years, the Government has increased business rates multiplier annually by Retail Price Index (RPI). Under BRRS, the Government indicated it would continue this practice to increase tariffs and top-ups annually by RPI to maintain their value in real terms.
74. In his 2013 Autumn Statement, the Chancellor of the Exchequer announced the Government would support business by limiting the increase in the business rates multiplier to 2% for 2014/15. Recognising that this represents money taken from local government's funding base equivalent to the difference between RPI and 2%, the

Provisional Local Government Finance Settlement indicates a compensating grant (£1.1m for the Council) in 2014/15 and 2015/16. Uncertainty about the continuation of this funding beyond 2015/16 creates a funding risk.

75. The MTFP assumes that after 2014/15 the Council's income from local business rates and top-up grant from the Government will rise annually by RPI. However, there is a risk the Government may again choose to limit the increase in the business rates multiplier to a lower figure. The Council will review these assumptions in the next budget planning cycle when more information may be available.
76. Table 6 shows the calculation of the Council's top-up funding.

Table 6: Surrey County Council's top up funding 2013/14 and 2015/16

	2013/14	2014/15	2015/16
Funding baseline	£100.568m	£102.528m	£105.357m
/ess Business rates baseline	£43.862m	£44.718m	£45.951m
Top-up	£56.706m	£57.810m	£59.406m

77. BRRS alters the nature of the Council's funding risks. Under the previous funding system, the Government confirmed formula grant allocations annually in the local government finance settlement. These allocations did not vary during the year.
78. The Council's medium term financial planning makes the following assumptions for the new funding system:
- **Revenue support grant**  
Allocations will reduce, but will not change in-year. There is a risk that the government may adjust annual control totals between years.
  - **Business rates top-up grant**  
MTFP 2013-18 assumed this would receive an annual uplift equivalent to RPI. For 2014/15, the Government has limited the increase in the business rates multiplier to 2%, but has provided compensation for the difference by way of grant. MTFP 2014-19 assumes indexation for this grant will return to RPI after 2014/15.
  - **Business rates income**  
This is still relatively new and as such is uncertain and potentially volatile:
    - Under the previous funding system, central government bore the whole of the forecasting risk on business rates. BRRS shares this risk in Surrey: 50% by central government, 40% by the districts and boroughs, 10% by the County Council.
    - MTFP (2013-18) used the Government's baseline funding estimates for 2013/14's budget, assumed no real annual growth and inflationary business rate multiplier increases at forecast RPI.
    - MTFP (2014-19) uses the districts' & boroughs' mid-year estimates of 2013/14 business rates income as a baseline and adds 0.5% real growth annually and business rate multiplier increases limited to 2% for 2014/15 (as announced in the Chancellor's Autumn Statement) with subsequent years' indexation at forecast

RPI using HM Treasury's average of independent forecasters as at November 2013.

- Funding from 2015/16 onwards includes a government grant compensating for the difference between the capped business rates multiplier and RPI for 2014/15.
- The main drivers of volatility are the volume and value of successful valuation appeals, as these reduce expected business rates income. In April 2013, at the start of the new system, the districts & boroughs charged the full billable sum for any outstanding appeals to rate payers and paid it into the central pool. Any successful appeals after the start of the new system are 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, Districts & Boroughs made assumptions about the value of successful appeals in their estimates of business rates income. The County Council bears 10% of any appeals losses (districts & boroughs 40% and central government 50%) and has a recommendation to set aside £1.25m in a reserve as mitigation against potential business rates valuation appeals.
- An anomaly of the business rates system is a lack of incentive for 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. The Autumn Statement 2013 announced a commitment to resolve 95% of outstanding valuation appeals cases by July 2015 and to consult in 2014 on changes to increase transparency over rateable value assessments, improve confidence and allow faster resolution of well-founded challenges, preventing future backlogs.
- The Council also faces vulnerabilities associated with the loss of large site business ratepayers from the county area.

### **Council tax funding**

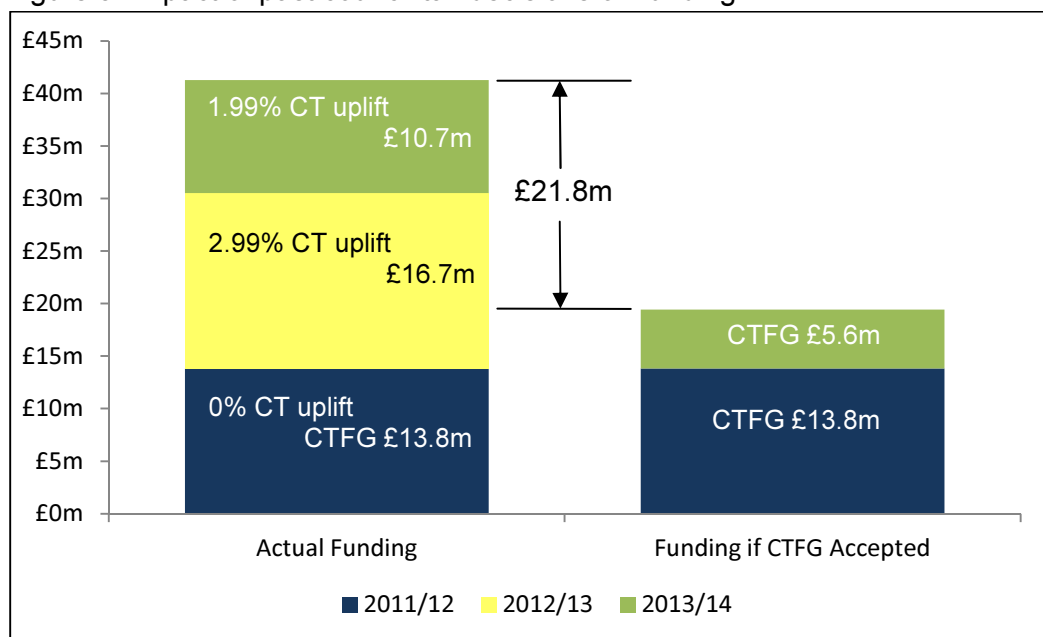
79. MTFP (2013-18) assumes council tax yield will increase by 2.5% annually through either an up-lift in the level of the tax or a compensating council tax freeze grant payment.

#### Council tax freeze grant

80. In June 2013 the Chancellor of the Exchequer announced in the Executive Summary of his Spending Round 2013 report that the Government was '*...making funding available for local authorities that choose to freeze their council tax in 2014-15 and 2015, and planning to set a council tax referendum threshold in each of those years that gives local people a say if their council tax rises by more than 2 per cent.*'. The report reiterated this point in its Overview chapter under the heading 'Fairness'. In the section on the departmental settlement for local government the report stated '*The Government ... plans to set the council tax referendum threshold at 2 per cent for 2014-15 and 2015-16.*'
81. The Provisional Local Government Finance Settlement confirmed the council tax freeze grant offered for 2014/15 as equivalent to 1% of an authority's council tax, payable for 2014/15 and 2015/16. It also confirmed the council tax freeze grant offered for 2015/16 as equivalent to 1% of an authority's council tax, payable for 2015/16.

82. Ministerial statements accompanying the provisional settlement added that *'Funding for the next two freeze years will also be built into the spending review baseline'*. While the current Comprehensive Spending Review is as far as Ministers can commit, it represents a fresh start in terms of Government financial planning and does not remove uncertainty about the continuation of council tax freeze grant funding beyond 2015/16. Extending the provision of council tax freeze grant increases the funding risk facing local government, particularly for authorities that depend on these grants for significant sums.
83. The Provisional Finance Settlement also stated the Secretary of State would decide the council tax referendum threshold in January 2014. At the time of writing (24 January 2014) the Secretary of State has not announced the threshold.
84. The Council declined the Government's offers of council tax freeze grant for 2012/13 and 2013/14, choosing to uplift council tax within the limits of what the Secretary of State declared as reasonable. By making these decisions, the Council has an additional £41.3m every year in its council tax base to sustain services to Surrey residents. This continuing funding for services is nearly £22m higher than if the Council had accepted the council tax freeze grants for 2012/13 and 2013/14. Figure 5 shows the impact of past council tax decisions on funding.

Figure 5: Impact of past council tax decisions on funding



85. Members have received several financial planning update briefings outlining the impact on the 2014/15 budget and MTFP (2014-19) of accepting or declining council tax freeze grant and of up-lifting council tax at different rates. Cabinet has explored the options in depth in workshops.
86. The Cabinet recommends proposals to increase council tax by 1.99% in 2014/15, giving a band D equivalent precept rate of £1,195.83, which raises £564m funding.

## Balancing the 2014/15 revenue budget and MTFP (2014-19)

87. The Council plans to balance its budget in 2014/15 through a combination of budget reductions and efficiencies, additional income, council tax up-lift of 1.99% and use of £26m from reserves to smooth the flow of funds between years.
88. As illustrated in Figures 3 and 4 (paragraphs 25 and 26), the £26m comprises a £13m excess of funding lost through Government grants partially offset by council tax uplifts, plus a £13m excess of service pressures and demands totaling £271m over the four years to 2014/15, less savings and efficiencies over the same period of £258m.
89. The Council plans to balance its five year MTFP through a combination of service transformation mechanisms, earlier and deeper implementation of planned productivity and efficiency savings, and making the case to central government to secure a fairer distribution of national funding to the Council to help meet the disproportionately high and uncontrollable demand pressures the Council faces e.g. School places and the needs of an increasingly ageing population. Table 7 outlines the revenue funding proposals.
90. This strategy is working and protecting the long term future of services for Surrey residents. However, if its effectiveness falls, the Council would need to make significant reductions to the services residents receive.
91. To help ensure success, the Chief Executive and Chief Finance Officer will establish a mechanism to track and monitor progress on the implementation of robust plans for achieving all the MTFP efficiencies systematically.

Table 7: Revenue funding for MTFP 2014-19

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
<b>Total spending</b>	<b>1,688</b>	<b>1,647</b>	<b>1,629</b>	<b>1,660</b>	<b>1,699</b>	<b>1,745</b>
Council tax *	-550	-571	-578	-592	-607	-622
Retained business rates	-44	-46	-47	-49	-51	-53
UK Government grants	-923	-853	-849	-854	-854	-858
Other income (incl fees, charges, investments and reimbursements)	-148	-151	-155	-158	-167	-171
Use of reserves and balances	-23	-26	0	0	0	0
<b>Total funding</b>	<b>-1,688</b>	<b>-1,647</b>	<b>-1,629</b>	<b>-1,653</b>	<b>-1,679</b>	<b>-1,704</b>
Additional savings required				-7	-20	-41

\* this includes growth in the council tax, the collection fund surplus base as well as annual council tax up-lift

## Risks and uncertainties

92. Before balancing the 2014/15 revenue budget and MTFP (2014-19) in detail, the Council will need to confirm or substantiate its position on the following risks and uncertainties:

- the agreement with CCGs to allocate £25m from Surrey's pooled BCF budget to protect adult social care services;
- the Secretary of State's referendum limit for uplifts to council tax;
- the growth in the business rates base for Surrey;
- the Government's Final Local Government Financial Settlement;
- formal notification of £9.0m revenue grants assumed for 2014/15, including waste private finance initiative (PFI) grant of £1.9m;
- details of directorates' and services' budgets, including efficiencies and savings plans.

## **Capital programme 2014-19**

### **Capital budget planning**

93. The Council set a five year capital programme totalling £699m in the MTFP (2013-18). A significant element of this relates to the supply of new school places (£261m) and the recurring programme of transportation and highways maintenance (£179m).
94. For the MTFP (2014-19), Cabinet has reviewed the capital programme including extending it to 2018/19. The updated capital programme amounts to £760m investment in Surrey. The review focused on the continuing forecast growth in school pupil numbers and the importance residents place on good roads.

### **Capital position 2013/14**

95. The forecast in-year variance on the 2013/14 capital budget as at 31 December 2013 is an overspend of +£7.0m against the approved revised budget of £224.6m. The main reasons for the overspend are +£29.3m invested in long term capital investment assets through the Revolving Infrastructure & Investment Fund, offset by material spend profile changes:
- acquiring land for waste schemes (-£5.9m);
  - school basic need (-£5.4m)
  - archaeological finds at Guildford Fire Station (-£3.0m);
  - schools changing to replacement boiler specification (-£2.0m);
  - deliveries of fire vehicle and equipment replacement programme (-£1.6m);
  - Safe cycle bid delayed due to the weather - grant extended until May 2014 (-£1.5m);
  - rephasing refurbishments of some short stay schools (-£1.2m); and
  - obtaining planning permission to improve a travellers' site (-£1.1m).
96. To complete these projects, the Council will need to carry forward the related funding to future years. This decision will be proposed as part of the end of year budget report, towards the end of April 2014 and if approved, the amounts will be added to the capital programme for 2014-19.

## Capital expenditure

97. 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. The capital programme in MTFP (2013-18) and MTFP (2014-19) recognise the number of school places required as 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 Surrey.
98. For 2014/15 the capital investment in school places has increased from £81m to £105m. Overall, for the period 2014-19, the Council will invest an additional £135m on top of the existing school place capital programme. The existing and revised budget for the capital programme includes average savings targets for procurement efficiency on capital schemes of 40% for primary schools and 20% for secondary schools.
99. The Council will review demand for school places beyond 2017/18 annually and reflect it in the capital programme. During 2013 the Council successfully bid for a grant to contribute to the cost of providing new school places. MTFP (2014-19) incorporates this £16m targeted basic need capital grant.
100. In 2012 independent benchmarking confirmed that Surrey had one of the road networks in the country most in need of repair, with 17% of roads classed as needing urgent repair compared to national average of 10%.
101. In 2010 a Department for Transport review advised that the best approach to managing this problem would be long term planned repairs, as opposed to short term pot hole repairs. For example, planned repairs have a ten year guarantee compared to a two year guarantee for reactive repairs. The Council fully adopted this principle into its road maintenance strategy and in 2012 approved a £100m investment programme to resurface 312 miles of road over five years (known as Project Horizon).
102. This single investment programme will not only help Surrey reach the UK average for road condition but has also enabled contractor negotiations and design innovations which have secured an additional 15% saving, which the Council is reinvesting in the wider programme.
103. The original Project Horizon programme was planned using 2010 data. Since then four severe weather events have accelerated the deterioration of the network. In response to this, works planned for later in the programme have been brought forward. This avoids further deterioration and prevents additional pressure on the revenue repairs budget, which is already under considerable strain due to a doubling of pothole volumes from 2010 to 2012 as a result of severe weather. A one off release of £5m from the severe weather reserve has alleviated this pressure in 2013.
104. Table 8 shows the original Project Horizon budget profile, £20m per year for 5 years, and the proposed revised profile. Budget totalling £11m has already been reprofiled into 2013/14. Table 8 also shows the additional revenue impact of bringing forward this expenditure, should it be necessary to borrow to fund this expenditure.



Table 8: Proposed reprofiling of Project Horizon

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£m	£m	£m	£m	£m	£m
Original profile	20	20	20	20	20	100
Revised profile	31	24	15	15	15	100
<b>Change</b>	<b>+11</b>	<b>+4</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>	<b>0</b>
Additional revenue cost	0.2	1.5	1.9	1.9	0.9	6.4

105. The Council plans to invest £20.7m in IT over the five years to 2018/19. This includes £12m for new equipment and infrastructure, a £7.5m replacement and renewal programme, plus £1.2m of projects to improve infrastructure for adult social care and the telecommunications network. By making this investment, the Council is enabling and supporting further service efficiencies.

106. Table 9 summarises the Council's £760m capital programme for the five years of MTFP (2014-19). Appendix A5 shows it in more detail. Inclusion of a project in the capital programme does not give authorisation for work to start on the scheme. Cabinet requires a detailed and robust business case before considering a project for approval.

Table 9: Summary capital expenditure programme

Scheme category	2014/15	2015/16	2016/17	2017/18	2018/19	2014-19
	£m	£m	£m	£m	£m	£m
School places	105	69	72	49	32	<b>327</b>
Recurring programme	74	63	60	62	67	<b>326</b>
Strategic capital projects	38	32	18	11	8	<b>107</b>
<b>Total</b>	<b>217</b>	<b>164</b>	<b>150</b>	<b>122</b>	<b>107</b>	<b>760</b>

## Capital funding

107. The Council funds its capital programme from: government grants, third party contributions, revenue reserves and borrowing.

### Government grants

108. Government departments have announced some, but not all, capital grants for 2014/15 and even fewer for 2015/16 in the Provisional Financial Settlement. The Provisional Financial Settlement is for consultation and the Final Financial Settlement may change. Government departments commonly announce additional grants during the financial year, so the Council includes a forecast for these. £19.5m of the £82.5m capital grants funding the programme remain to be announced.

109. Central government provides capital grants to local authorities in two categories: ring fenced grants 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.
110. Table 10 shows those grants for 2014/15 announced in the provisional settlement, those the Council still expects and whether they are ring fenced or not.

Table 10: Government capital grants 2014/15

	<b>Provisional settlement 2014/15 £m</b>
<b>Capital grants announced</b>	
Ring fenced grants	
Targeted school places	16.3
Walton bridge 2014/15	0.4
Local sustainable transport fund	3.4
Superfast broadband	1.3
Non ring fenced grants	
School places	12.0
Schools kitchens	1.0
Integrated transport block	9.4
Highways maintenance	15.3
Fire capital grant	1.1
Department of Health capital grant	2.2
IMT adults infrastructure grant	0.6
<b>Total capital grants announced</b>	<b>63.0</b>
<b>Capital grants yet to be announced</b>	
Ring fenced grants	
Schools devolved formula capital	2.2
Non ring fenced grants	
Carbon reduction - schools	3.3
Schools capital maintenance	10.3
Unspecified government grants	3.7
<b>Total capital grants yet to be announced</b>	<b>19.5</b>
<b>Total grants</b>	<b>82.5</b>

111. Capital grants for years beyond 2015/16 are not known and MTFP (2014-19) includes an estimate for each year. The Council reviews this estimate each year and makes equivalent adjustments to the capital programme.

#### Third party contributions

112. The Council also uses contributions from third parties to fund its capital programme. Third party contributions come largely from developers as community infrastructure levies and planning gain agreements under Section 106. MTFP (2014-19) capital programme relies on £35m third party funding.

#### Revenue reserves

113. The Council uses reserves to fund capital items. It replenishes these reserves from revenue. The main two revenue reserves are the Fire Vehicle & Equipment Reserve and

IT Equipment Reserve. MTFP (2014-19) capital programme relies on £15m funding from revenue reserves.

#### Borrowing

114. The Council borrows to fund the part of the programme remaining after applying the above three funding sources. Over the five years of MTFP (2014-19), the Council expects to borrow £295m to balance the capital programme.

115. Table 11 summarises the Council's estimated capital funding for the period 2014-19.

Table 11: Capital funding 2014/15 to 2018/19

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2014-19 £m
Government grants	83	90	91	77	74	<b>415</b>
Third party contributions	3	5	8	9	10	<b>35</b>
Revenue reserves	5	4	1	2	3	<b>15</b>
Borrowing	126	65	50	34	20	<b>295</b>
<b>Total</b>	<b>217</b>	<b>164</b>	<b>150</b>	<b>122</b>	<b>107</b>	<b>760</b>

#### Capital receipts

116. Capital receipts have previously formed an element of the funding for the Council's capital programme. Because the Council can apply capital receipts more flexibly to fund its investments, the Chief Finance Officer supports the proposal for the Council to use these resources to fund its additional portfolio of investments.

#### Additional portfolio of investments

117. On 23 July 2013, Cabinet approved a portfolio of investments, covering investment in property and assets and in new models for service delivery. This supports the Council's stated intentions of enhancing financial resilience in the longer term. These arrangements will allow for investment in schemes that will support economic growth in Surrey provided that these schemes are consistent with the Investment Strategy outlined in the Cabinet report of 23 July 2013.

118. The strategic approach to investment is based upon the following:

- prioritising use of the Council's cash reserves and balances to support income generating investment through a Revolving Investment & Infrastructure Fund to meet the initial revenue costs of funding initiatives that will deliver savings and enhance income in the longer term (some of which may be used to replenish the Revolving Investment & Infrastructure Fund);
- using the Revolving Investment & Infrastructure Fund to support investments in order to generate additional income for the Council that can be used to provide additional financial support for the delivery of functions and services

- investing in a diversified and balanced portfolio to manage risk and secure an annual overall rate of return to the Council;
- investing in schemes that have the potential to support economic growth in the county;
- retaining assets where appropriate and undertaking effective property and asset management, and if necessary associated investment, to enhance income generation.

## Reserves & balances

119. 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 sum of council tax plus settlement funding, i.e. between £16m to £20m. This is normally sufficient to cover unforeseen circumstances and the risk of higher than expected inflation. The Council brought forward £31.8m general balances at 1 April 2013. The Council has applied £11.9m to support the 2013/14 budget, leaving £19.9m. Going into 2014/15 the Chief Finance Officer recommends the level of general balances remains the same. This approach is considered prudent when combined with the proposal to remove the risk contingency from within the revenue budget, leaving general balances to provide some mitigation against the risk of non-delivery of service reductions & efficiencies in 2014/15.

120. Earmarked reserves are funds set aside for specific purposes and agreed by the Cabinet. The forecast total balance for all earmarked reserves carried forward at 31 March 2014 is £106.8m, up from £94.0m brought forward on 1 April 2013.

121. The Chief Finance Officer supports that the Council applies £20.1m from the Budget Equalisation Reserve (including £13.0m contributed by the unused risk contingency from 2013/14), plus £5.8m of other reserves to smooth funding between years and provide £25.9m support to the 2014/15 budget. Contributions from reserves comprise the following.

Budget Equalisation Reserve – unused 2013/14 risk contingency	£13.0m
Budget Equalisation Reserve – unapplied revenue grants	£1.5m
Budget Equalisation Reserve – other	<u>£5.6m</u>
Budget Equalisation Reserve – total contribution	£20.1m
Waste Site Contingency Reserve	£0.3m
Equipment Renewal Reserve	£1.8m
Interest Rate Reserve	<u>£3.7m</u>
Other reserves – total contribution	£5.8m
Total contributions from reserves	<u>£25.9m</u>

122. To help mitigate future reductions in government grants and to help minimise council tax up-lifts in future, the Council created a Revolving Investment & Infrastructure Fund to provide the revenue costs of funding initiatives that will deliver savings and enhance income in the longer term.

123. Appendix A6 sets out the Council's policy on reserves and balances. Appendix A7 summarises the level of each of the Council's earmarked reserves.

## **TREASURY MANAGEMENT AND BORROWING STRATEGY**

124. 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 2 sets out updated versions of the County Council's treasury management policy statement and treasury management strategy.
125. The treasury management strategy since 2009/10 has followed a cautious approach as a direct result of the Council's Icelandic bank experience. Moving forward into 2014/15, changes are proposed to the treasury management strategy reflecting the current economic climate and Council's risk appetite.
126. The changes are detailed in Annex 2, and are summarised below.
- To maximise the benefit of current unprecedented low interest rates and high cash balances and set a minimum cash balance of £47m.
  - To maintain the current counterparty list of institutions to which the Council will place short term investments to reflect market opinion and formal rating criteria.
  - To maintain the monetary limit for the two instant access accounts (Lloyds and RBS) at £60m whilst they have nationalised status and therefore minimum risk, and to reassess when the nationalised status ceases.
  - To maintain the Council's Minimum Revenue Provision policy.

### **CONSULTATION:**

127. During October 2013 and January 2014, the Leader Deputy Leader, Chief Executive and Chief Finance Officer held a series of workshops and face-to-face meetings with key partners and stakeholder groups, including representatives of Surrey's business community, voluntary sector and trade unions. The feedback from these workshops and meetings was incorporated into the Council's budget scenario planning workshops and briefing sessions.
128. 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 and gives the results reasonable longevity. There are further details on the methodology and results in Appendix A8. The summary headlines were 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.

## **RISK MANAGEMENT AND IMPLICATIONS:**

129. The Council maintains an integrated risk framework to manage the significant challenges it faces and the associated emerging risks. The Council's risk management strategy and framework ensure an integrated and coordinated approach to risk across the organisation. The Strategic Risk Forum, chaired by the Chief Finance Officer, provides a clear direction for managing risk and strengthening resilience to support the achievement of priorities and delivery of services. The group consists of directorate risk leads and representatives from emergency management, health and safety and internal audit. The Council's Risk and Resilience Forum, comprising service risk and business continuity representatives, focuses on operational risk and shares learning and best practice through formal meetings and quarterly workshops
130. The Leadership Risk Register contains the Council's strategic risks and is reviewed by the Strategic Risk Forum prior to monthly review by the Continual Improvement Board ahead of review by the Chief Executive and Strategic Directors. Each strategic risk is cross referenced to risks on directorate risk registers and shows clear lines of accountability for each risk at both senior management and Cabinet Member levels. Audit & Governance Committee reviews the Leadership Risk Register at each meeting and refers any issues to the appropriate Select Committee or Cabinet Member.
131. The specific risks and opportunities facing the Council that are particularly relevant to the budget and recorded in the Leadership Risk Register are:
- erosion of the Council's main sources of funding (council tax and government grant)
  - management of service demand, delivery of the major change programmes and associated efficiencies;
  - development and maintenance of significant partnerships.
132. Senior management and members regularly monitor and manage these risks through boards, groups and partnerships to ensure that opportunities are exploited and the resulting risks are controlled to a tolerable level.
133. The Chief Finance Officer is satisfied the proposed budget, including increased rigour to monitoring progress towards delivery of efficiencies, general balances and reserves are sensible to address these risks.

## **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

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

## **SECTION 151 OFFICER COMMENTARY**

135. As required by legislation, the Chief Finance Officer has written a separate report, which is attached at Annex 1.

## **LEGAL IMPLICATIONS – MONITORING OFFICER**

136. In view of the uncertainty highlighted in paragraph 7 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 Financial Settlement result in 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 County Council in due course.

## **EQUALITIES AND DIVERSITY**

137. In approving the budget and the Council tax precept, the Cabinet and Full Council must comply with the Public Sector Equality Duty in section 149 of the Equality Act 2010 which requires it to have due regard to the need to:
- “eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
  - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
  - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.”
138. To inform decision making, an analysis of the potential impact of the proposals set out in the MTFP (2014-19) on Surrey’s residents with one or more of the protected characteristics identified by the Equality Act 2010 will be made available at the meeting of the Council’s Cabinet on 25 March 2014. This analysis will also set out the actions that the Council is taking, or will undertake, to mitigate any negative impacts that could arise.
139. The equality impact analysis undertaken for the proposed MTFP (2014-19) will build on the analysis of savings in the MTFP (2013-18). It will include full assessments of new savings proposals and further analysis of proposals where there is a significant change from those presented previously.
140. The analysis will include an overall council wide analysis and a summary of the implications of the proposals for each Directorate. Detailed analysis, undertaken through Equality Impact Assessments, will be made available on the Council’s website.
141. Where Cabinet is required to take specific decisions about the implementation of savings proposals, additional equalities analysis will be presented at the point where a decision is made. This will be submitted alongside relevant Cabinet reports. Directorates will also continue to monitor the impact of these changes to services and will take appropriate action to mitigate additional negative impacts that may emerge as part of this ongoing analysis.
142. In approving the overall budget and precept at this stage, the Cabinet and 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 following proposals referenced in this report which have been identified as requiring new Equality Impact Assessments:

- Family, Friends and Community programme (Adult Social Care)
- Planned savings and income generation relating to the Fire and Rescue Service (Customers and Communities)
- Members' Allocation Funding and Community Improvement Fund (Customers and Communities)
- Disbanding the Legacy Team (Chief Executive's Office)
- Public Value Programme (Children, Schools and Families)
- Review of transport provision (Environment and Infrastructure)
- Planning review (Environment and Infrastructure)
- Countryside programme (Environment and Infrastructure).

143. As part of the Government's welfare reform programme, council tax benefit has been replaced by localised council tax support schemes. In Surrey, these schemes are the responsibility of the Borough and District Councils and were put in place from April 2013. Surrey County Council responded in its role as a consultee on each of the proposed schemes. During 2013/14, Surrey County Council responded to consultations from four of the Borough and District Councils that consulted on changes to their schemes for 2014/15. The Districts and Boroughs need to take account of relevant impacts in their decisions on the schemes. Surrey County Council identified a number of specific equality impacts that may require monitoring. These remain a consideration as decisions are taken relating to the support available under each scheme in the future.

### Other Implications

144. The potential implications for the following Council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail 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

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

146. The detailed budget will be presented to the Cabinet on 25 March 2014.



## **Contact Officer**

147. Sheila Little, Chief Finance Officer and Deputy Director for Business Services  
Tel 020 8541 9223

## **Consulted**

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

## **Annexes**

Annex 1 Chief Finance Officer Statutory Report (Section 25 report)  
Annex 2 Treasury management strategy report  
Annex 3 Council tax requirement

## **Appendices:**

Appendix A1 More than 50 Ways Surrey County Council adds value  
Appendix A2 National economic outlook and public spending  
Appendix A3 Provisional government grants for 2014/15 to 2018/19  
Appendix A4 Revenue budget proposals  
Appendix A5 Capital programme proposals 2014/15 to 2018/19  
Appendix A6 Reserves & balances policy statement  
Appendix A7 Projected earmarked reserves and general balances 2013/14 and 2014/15  
Appendix A8 SIMALTO results

Appendix B1 Treasury Management Policy  
Appendix B2 Prudential indicators – summary  
Appendix B3 Global economic outlook and the UK economy  
Appendix B4 Treasury management scheme of delegation  
Appendix B5 Institutions  
Appendix B6 Approved countries for investments  
Appendix B7 Annual minimum revenue provision (MRP) policy statement

## **Sources and background papers:**

- DCLG revenue and capital Provisional Local Government Financial Settlement papers from the Government web-site
- Budget working 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
- Financial resilience report, Grant Thornton, 2013
- Spending Round 2013 (26 June 2013)
- 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

- 1.1. 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.
- 1.2. The Council must have due regard to the report when making decisions on the budget and precept.
- 1.3. The Chief Finance Officer for the County Council is Sheila Little (in the post of Chief Finance Officer and Deputy Director for Business Services Directorate).
- 1.4. 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.
- 1.5. 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 (2013-18) and which continues as a core principle as the council moves forward to the next 5 year MTFP (2014-19).
- 1.6. Although the Council has successfully delivered significant efficiency savings & service reductions in each of the last three financial years (2010/11 £68m, 2011/12 £61m, 2012/13 £66m, and is forecast to deliver further savings for 2013/14 of £60m, including the budget assumptions for the next MTFP (2014-19) making a total of around £492m over the nine year period.
- 1.7. The Council sets out how it has increased value, reduced unit costs and provided better quality services to residents in its "More than 50 Ways Surrey County Council adds value" booklet, attached as Appendix 1 to the main report.
- 1.8. The level of savings delivered so far continue to 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 (2014-19).
- 1.9. Further significant risks exists due to:
  - a. the continuing unprecedented level of economic uncertainty: austerity seems likely to continue for at least a decade.

- b. the on-going revisions to the basis of local government funding. This current financial year, 2013/14, saw the start of council tax benefit localisation support and the local retention of business rates; looking ahead the expansion of the health and social care integration transformation, involving re-alignment of social care funding, the implications of the upcoming Care Bill, and on-going changes to local authorities responsibilities and funding for these, all increase the uncertainty around the level of actual funding the council will receive in the future.
  - c. The increasing tendency for late Government announcements of Financial Settlement details makes the challenge of effective financial planning more difficult, reducing the opportunity to consult effectively with stakeholders.
  - d. Funding issues related to top slicing of grants and allocations.
- 1.10. The Council remains correctly focused on long term financial resilience and is proactively planning to apply one-off general reserves & balances totaling £26m to achieve a balanced budget in 2014/15 (as set out in paragraphs 1.29 to 1.32). This will enable the Council to further pursue the medium term strategy focused on securing a fair share of Government funding for this Council for the services where demand is uncontrollable by the Council: adult social care and school places in particular.
- 1.11. 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 2013/14 this contingency was increased to £13m as a one off reflecting that efficiencies are getting harder to deliver and sustain. However, the risk contingency has not been used in any past year and the expectation is not to have to use it again for 2013/14. Although there remains a high level of efficiencies to deliver in the up-dated MTFP(2014-19), the proposal to reduce (in 2014/15) and then remove (from 2015/16) the risk contingency is sensible; since including it only increases the efficiencies required to be delivered in any one year.
- 1.12. However, to recognise the risk of non-delivery of efficiencies going forwards the proposal to establish a mechanism to regularly track and monitor progress on the implementation of robust plans for achieving the efficiencies across the whole MTFP period, will ensure early action can be taken if it emerges that any plans are non-deliverable.
- 1.13. The above risks apply where the Council continues with its long term financial strategy of below inflation annual council tax up-lifts to secure the long term funding required to sustain service delivery. For the new MTFP (2014-19) the proposal to amend the council tax strategy from 2.5% annual up-lift, to be marginally below the level of intended council tax referendum threshold indicated in the Spending Round 2013, of 2% (for 2014/15 and 2015/16),

represents a continuation of this long term strategy. Council tax up-lifts of 1.99% are used throughout this proposed MTFP period.

- 1.14. For the last two years this has meant declining the Governments council tax freeze grant offers and instead put in place sensible council tax up-lifts. For 2014/15 and 2015/16 the Provisional Financial Settlement has indicated further council tax freeze grants at 1% (for two years for 2014/15 and for 1% year for 2015/16). Although the Government have indicated that these grants will be added to the 'review' base for that period, there is no certainty beyond 2015/16, whereas the council tax up-lift is in the Councils long term base budget.
- 1.15. Accepting these grants would be inconsistent with the Council's long term strategy and would erode the Council's funding base: particularly important to this Council because of the high dependence upon council tax funding as a result of low central Government grant support and high service demand pressures.
- 1.16. It must be recognised that, at the date of writing this paper, the Government have yet to confirm the referendum threshold level for 2014/15 or 2015/16, although this Council has been consulting on budget proposals based on the Governments clearly stated intent to set the level at 2% for each year. This intent was stated several times in the Spending Round 2013 announcements published on 26 June 2013; deliberately issued in the summer to assist councils with their financial planning. If the Council has to amend its proposed council tax strategy (and lower the level of council tax up-lifts) once confirmation of the referendum threshold is known, then the council will have to:
  - impose a more significant Council Tax up-lift in 2015/16 and subsequent years; and/or
  - make significant cuts to front line services.
- 1.17. In the event that the referendum limit is announced after the Full Council agrees the budget, including council tax precept, for 2014/15, the Council will separately consider any appropriate action.

### **Financial management arrangements**

- 1.18. For 2012/13 the Council received another unqualified opinion on the Council's financial statements and an unqualified conclusion on the Council's arrangements for securing value for money. Indeed, the Council was rated as 'good or better' in terms of its financial resilience, when the top rating achievable is usually good. Further, the Council is recognised in Grant Thornton's national report on all of its local authority clients (which present 40% of local authorities) for its high quality and robust long term financial planning.
- 1.19. This was the first year under the newly appointed auditor, Grant Thornton. The Chief Finance Officer worked closely with the new auditors to ensure a smooth transition and will continue this positive working in future years.

- 1.20. 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.
- 1.21. The system for monitoring the progress on the implementation of efficiency savings has been sustained during 2013/14: regular review of efficiencies by the Chief Executive and senior officers before onward reporting and scrutiny by the Leader and Cabinet as well as Council Overview Scrutiny Committee. This will continue during 2014/15 alongside the additional mechanism whereby the Chief Executive and Chief Finance Officer will regularly review the progress of plans to deliver efficiencies across the whole MTFP period (not just 2014/15) highlighting any significant issues to the Leader and Cabinet as appropriate.
- 1.22. Throughout 2013/14 the Council Overview Scrutiny Committee, comprising of the Chairmen of all other Select Committees, continued to scrutinise all Cabinet budget monitoring reports following presentation to Cabinet. The capital programme was monitored closely by the Chief Executive and senior officers each month, in advance of formal reporting to Cabinet.
- 1.23. The above approaches will be continued into 2014/15 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 2014/15.

### **Budget process**

- 1.24. The budget planning process, established in 2011, following a 'lean' process review, was developed further for this MTFP (2014-19) process. The main enhancements were:
- broader representation and more discursive workshop style to the face to face engagement with the business & voluntary sector communities, and trade unions
  - regular all Member briefings at each phase
  - specific induction training programme to support in particular the newly elected Councillors following the May 2013 elections.
- 1.25. 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 2013 and into January 2014, guided by advice from the Chief Executive, Strategic Directors and Chief Finance Officer.

**MTFP (2014-19) budget assumptions**

1.26. The table 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.

	<b>Assumption</b>	<b>Comments</b>
Pay inflation: Surrey Pay	1.6% each year	These proposals follow a three year pay freeze for senior officers and flat rate increases for other staff on Surrey pay. Negotiations are being conducted to cover the next two years
Pay inflation: National pay	1% each year	
General price inflation	2014/15 2.1% 2015-19 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 was central to developing the MTFP (2013-18). Consultation with the Government and Surrey borough & district councils was extensive throughout 2012 and 2013.  The Council modeled a range of likely outcomes in its scenario planning.
Interest rates	Minimal changes in base rates during 2014/15	All existing long term debt is fixed interest and so not subject to interest rate variation.  MTFP allows for new borrowing at on average 5%, but rates may vary 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.
Demand led pressures	Demand pressures in: Children, Schools & Families and Adult Social Care directorates	Both directorates are experiencing increasing demand on services over the MTFP period reflecting: <ul style="list-style-type: none"> <li>• increases in Surrey's population aged +80, dementia care;</li> <li>• increases in Surrey's school age population;</li> <li>• legislative changes affecting vulnerable adults' entitlement and eligibility for support from the council.</li> </ul> There is an increasing risk that these demand pressures may be understated, leading directly to revenue budget overspends in 2014/15.
Identified efficiency and other service savings	£190m over 2014-19	Efficiency & service reductions identified by Strategic Directors and their proposed budget targets will be very challenging to implement, so the Chief Executive and Chief Finance Officer will add a mechanism to track delivery of these savings.  Some degree of risk is recognised (see paragraphs 1.8 to 1.13)

	<b>Assumption</b>	<b>Comments</b>
Other funding, efficiency and savings to be found	£41m between 2016/17 and 2018/19	The budget is balanced for the two remaining years of the current Comprehensive Spending Review CSR – 2014/15 and 2015/16. A new CSR will follow the general election in 2015 and depending on its outcome additional savings or funding may be required.

- 1.27. The Chief Finance Officer's opinion is the general assumptions are realistic but the proposed efficiency and other service savings are ambitious and there is substantial risk they will not all be achieved within the required timescale. To mitigate this risk, the Chief Executive and Chief Finance Officer will establish a more robust mechanism regularly to monitor and report progress in planning delivery of savings.
- 1.28. 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 2014/15. As in 2013/14, 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**

- 1.29. The final accounts for 2012/13 show available general balances at 31 March 2013 of £19.9m. The latest budget monitoring position for 2013/14, as at 31 December 2013, forecasts that this level will remain at £19.9m by 31 March 2014. Appropriate levels of general balances are necessary to be maintained so that the Council can respond to unexpected emergencies. The recent adverse weather and flooding may require use of some of these balances in the coming months.
- 1.30. Details of earmarked balances are set out in Appendix A7. To enable the Council's financial strategy to secure a fair share of Government support for uncontrollable service demands to be met, the budget proposal is to apply £26m of these earmarked reserves to the 2014/15 budget: importantly, £20.1m of this is from the Budget Equalisation Reserve which is the carry forward reserve set up to smooth spending across financial years. The remainder is sensible to use after reviewing the reasons for holding each balance, an annual process.
- 1.31. During the current financial year, the Cabinet has agreed to use the Severe Weather Reserve, £5m, to improve the condition of roads, reducing the longer term deterioration of road conditions and reducing future maintenance liability. At the end of this financial year, it is proposed to create a new reserve to mitigate against the potential liability for business rate appeals, £1.25m. Also to Add £2.5m from the aggregate surplus on the districts' and boroughs' collection funds to the Economic Downturn Reserve.



- 1.32. The Chief Finance Officer confirms that the level of reserves and balances represents a prudent and sensible level for the Council: ensuring funds are set aside for likely future commitments, particularly necessary in the current uncertain financial climate, whilst not holding excessive balances when services are facing increasing demands.

### **Financial standing**

- 1.33. 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. During the current financial year, 2013/14, the Council has repaid a loan of £68m using cash balances as part of an active strategy of reducing cash balances while interest rates are low. However, the MTFP (2014-19) 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.

### **Risk assessment**

- 1.34. 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 2013/14 and will continue into 2014/15. 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 2014/15.
- 1.35. The specific risks relating to the financial environment 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;
  - increased reliance on partnership working to manage service delivery and maximise efficient service delivery, in particular integration of health and social care, and,
  - the increasing uncertainty over future local government funding, exacerbated by late announcements.
- 1.36. The Chief Finance Officer is satisfied that the proposed budget, including risk contingency, general balances & reserves sufficiently addresses these risks, Additional resilience has been assured over the long term through sustaining the earmarked reserve for long term investment & infrastructure initiatives and

creation of a reserve to mitigate against potential business rate appeal successes.

### **Future years**

- 1.37. 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 2014/15 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.
- 1.38. 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 Review (CSR) will introduce further government grant cuts, meaning any changes to services over the MTFP (2014-19) period must be sustainable in the long term. It ought to be recognized that the content of the next CSR will be particularly hard to forecast in view of it being a new Parliament.

### **Conclusion**

- 1.39. 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:
- a. the achievement of efficiencies & service reductions year on year;
  - b. the transfer of uncertainty regarding the level of funding to local authority as a result of the local government funding changes introduced from April 2013;
  - c. the volatility implicit in the level of service demands;
  - d. the current economic situation and long term austerity faced by the country.
- 1.40. The above means monitoring of the whole MTFP (2014-19) period is recommended throughout 2014/15 to validate assumptions and timescales.

More than  
**50** ways  
Surrey County Council  
adds  
value



Surrey County Council is constantly looking to improve the value it provides for its residents, businesses and service users. By being brave, innovative and actively seeking to work with partners the county council has provided this. Here are more than 50 examples of what we have done over the last few years or are on schedule to deliver.

1

### PUBLIC VALUE REVIEW PROGRAMME 2009-2012

Nearly **£300m** saved over five years thanks to thorough review of 29 services.



2

### OPERATION HORIZON PROGRAMME

Capital investment of **£100m** over five years to bring roads up to the highest standard, reduce operating costs and provide wider economic benefits. Cost saving of **£16 million** with extended 10 year warranties and investment in employment and skills.



### MANAGEMENT OF SUPPLIERS AND JOINING UP PROCUREMENT

Improved management of suppliers and collaborative South East region procurement on track to deliver **£100m** savings over four years.



### CONTRACTS TO LOCAL SUPPLIERS

Increased proportion of contracts awarded to local businesses to **52%**, spending more than **£364m** with 4,500 local suppliers.



3

4

### 2012 OLYMPICS

Hosting the Olympic cycling events boosted economic, business and volunteering opportunities across Surrey – worth collectively over **£800m**.



### BETTER PROCUREMENT

New highways contract has led to **£28m** savings over four years and improved maintenance of roads.



### CONSTRUCTION WASTE RECYCLING PROJECT

Working with other councils to provide savings of **£8.5m** a year, as well as promoting economic growth, apprenticeships, and reducing the negative environmental impact.



### ROADWORKS PERMIT SCHEME

Introduction of road permit scheme for utility firms reducing traffic and saving the economy around **£6.5m** per year.



### HIGH-SPEED BROADBAND

Delivery of **99.7%** high-speed broadband across the county by the end of 2014 set to boost the local economy by **£28m**.



### SCHOOL PLACES

Reduced costs for providing school places by **40%** through working jointly with Hampshire County Council.



### USE OF OFFICES

Reducing office space has cut the cost per employee by nearly **20%** to £3,700 over two years.



### YOUTH SERVICE TRANSFORMATION

Transformation of the youth service has reduced total budget by **£4.5m** over three years and increased activities for young people and performance.



### BUILDSURREY WEBSITE

Introduction of BuildSurrey – **£4m** of contracts have already been awarded to local businesses through the website.



### SCHOOL IMPROVEMENT

Additional investment in school improvement of **£2m** per year already seeing better Ofsted results.



### INCOME GENERATION

Dividends of **£2m** for council from its joint venture on school improvement – for re-investment in services.



### PROPERTY INVESTMENT

On track to generate over **£5m** per year net income from property by 2017/18.



### WINTER PREPARATIONS

**£5m** set aside to repair damaged roads after winter and 16,000 tonnes of salt stockpiled to help keep the county moving.



### YOUTH JUSTICE

Due to new focus on youth justice services, the number of young people not in employment, education or training (NEET) has fallen from 840 to **450** over 12 months.



### PRODUCTIVITY

Working more productively using the 'lean process re-engineering' concept developed by Toyota has saved **£5m** per year.



### ENERGY USE

Surrey County Council has reduced its energy costs by **£1m**.



## SURREY AND EAST SUSSEX COUNTY COUNCIL SHARED SERVICES

Partnership working with East Sussex County Council on shared transactional services has delivered **£0.5m** saving a year.



## CONTROLLING STREETLIGHTS

**12%**, or nearly £0.4m, reduction in annual energy costs.



## SURREY SWITCH AND SAVE

Encouraging people to switch energy suppliers has saved Surrey residents **£123,000** over the last 12 months.



## WASTE DISPOSAL AND RECYCLING

Increased recycling rate to **52%** by supporting district and borough waste collection through investment in improved sorting and handling facilities.



## UNICORN SINGLE PUBLIC SECTOR NETWORK

**Innovative** partnership working with public services in Berkshire has delivered a higher capacity, more resilient electronic network and led to annual savings of **£0.5m**.



## IMPROVED SOFTWARE SYSTEM COSTS

Better deals on software has reduced costs by **50%** from £3m per year to **£1.5m**.



## SCHOOL IMPROVEMENT

Negotiated **better** deals with providers of school support services, saving money for taxpayers.



## MODERN LIBRARIES

Unit cost of each library visit reduced by nearly **7%** in two years due to increased online visits.



### HELPING PEOPLE WITH LEARNING DIFFICULTIES

Unit cost of helping people with learning difficulties has reduced by nearly **9%** over two years despite a 4.5% increase in numbers of people.



### ACCESS TO SOCIAL CARE SERVICES

Introduced 8am-8pm working hours in the five acute hospitals on weekdays and 9am-5pm at weekends, **increasing** evening and weekend discharges.



### SERVICES AT THE HEART OF THE COMMUNITY

Citizen **hubs** established in the heart of communities run by volunteers to improve access to key services and provide information and advice about care and support.



### PROCUREMENT

Surrey County Council named as one of the country's **top** 10 councils to do business with and recognised in an award from Prime Minister for supporting small businesses through our procurement process.



### REDUCTION IN BUS SUBSIDY

Re-negotiated bus subsidies have saved nearly **£5m** over three years, limiting loss of services through redesign of the network and re-procurement.



### TRADING STANDARDS

The rapid action team has stopped more than **£1.2m** being handed over to common by unsuspecting victims since forming in 2003.



### DEMENTIA FRIENDLY SURREY

Working together with clinical commissioning groups to help communities to become more **supportive** and inclusive places for people with dementia and their families.



### SURREY FAMILY SUPPORT PROGRAMME

Helping families most in need of support by **coordinating** work with other agencies and focusing more on prevention.





**HOME FIRE SAFETY VISITS**

Review of the home fire **safety** visits has led to savings and improved the speed and efficiency of the service.



**COMMUNITY PARTNERED LIBRARIES INITIATIVE**

Radical new approach to running libraries service with six libraries staffed by **volunteers** and a further four planned.



**SERVICES FOR YOUNG PEOPLE**

A secure online **app** has helped youth workers do tasks on the move and saved thousands annually on paperwork, freeing up more time for them to spend with young people.



**WASTE DISPOSAL**

An online app developed in-house for a van and trailer permit scheme has stopped residents forking out around **£1m** a year on trade waste being disposed of for free.



**SERVICES FOR YOUNG PEOPLE**

Developing income generation from outdoor education centres for our young people to make them **self-funding**.



**PUBLIC SERVICE TRANSFORMATION**

Transforming services through **collaboration** on emergency services, family support, health and social care, assets, skills and employment and justice services by working better with other organisations.



**SKILLS**

The UK's first Masters **degree** in highway engineering introduced in collaboration with Brighton University to train the next generation of public sector road managers.



**SOCIAL ENTERPRISES**

Surrey Deaf Services established as a community interest company to enable users to **shape** the service.



**RECRUITMENT AND TRAINING**

Establishment of Surrey Academy to nurture, mentor and **invest** in newly qualified social workers, reducing reliance on expensive locums.



**SUBSTANCE MISUSE AND HOUSING SUPPORT**

Contracts for drug misuse work set to save over **20%** (£0.3m) and improve services.



**CHILDREN'S SOCIAL CARE**

Despite a 16% increase in the numbers of children in **care**, spending has reduced by **£1.5m** over two years.



**ADVERTISING TRAFFIC REGULATION ORDERS**

Changes to the way we advertise traffic regulation orders will result in a saving of **£105,000** per year.



**WASTE DISPOSAL AND RECYCLING**

Waste campaign has reduced Surrey waste by **2%** in two years, reducing landfill tax.



**REDUCING FRAUD**

Joint working with all 11 districts and boroughs set to eliminate fraudulent claims for single person discount on council tax and save **£300k** a year.



**TRANSFERRING RISK AND REDUCING INSURANCE LIABILITY**

Driving tougher deals with contractors has led to insurance savings of up to **£100,000** per year.



**REIGATE AND BANSTEAD – SURREY BOARD**

**Collaboration** with Reigate & Banstead Borough Council set to boost area's economy and infrastructure.



## National economic outlook and public spending

A.2.1. 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.2.2. 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 2018/19. The Office for Budget Responsibility (OBR) recently assessed this target in their December 2013 report and forecast that in 2018/19 the cyclically adjusted current budget (CACB) will be in surplus by 1.6%. Table A2:1 summarises OBR's forecast.

A.2.3. The amount of money the Government borrows each year, Public Sector Net Borrowing (PSNB), is due to fall to -0.1% (net surplus) of Gross Domestic Product (GDP) by 2018/19 compared with 7.3% in 2012/13. Furthermore, OBR expects the Government's cumulative borrowing or total amount of debt owed, Public Sector Net Debt (PSND), to peak at 80% of GDP in 2015/16 before falling in the years thereafter.

Table A2:1: UK borrowing levels as a percentage of GDP between 2012/13 and 2018/19

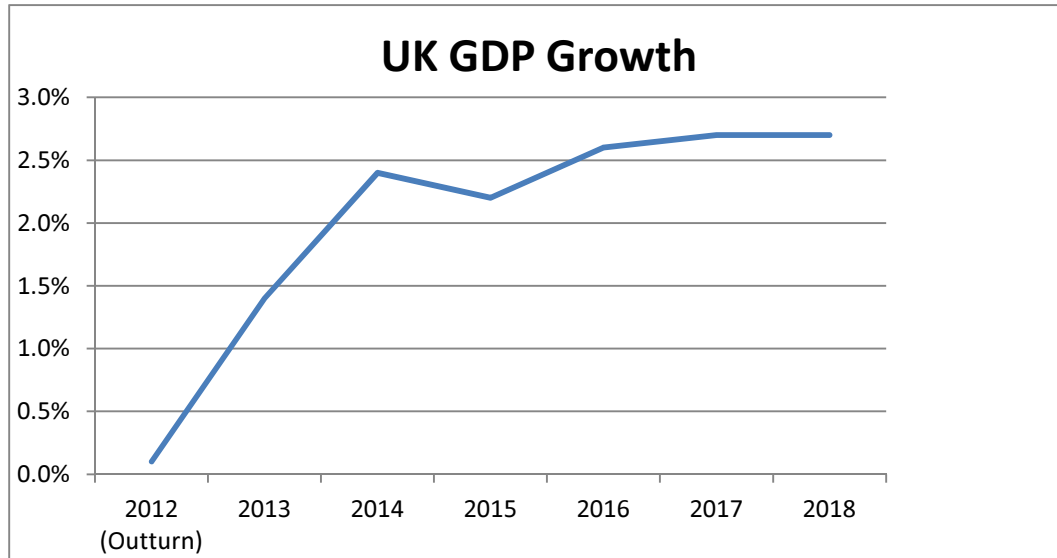
	Per cent of GDP						
	Outturn		Forecast				
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Cyclically adjusted surplus on current budget	<b>-3.6</b>	-2.9	-2.0	-1.4	-0.2	0.7	1.6
Public Sector Net Borrowing <sup>1</sup>	<b>7.3</b>	6.8	5.6	4.4	2.7	1.2	-0.1
Public Sector Net Debt	<b>73.9</b>	75.5	78.3	80.0	79.9	78.4	75.9

<sup>1</sup> Excluding Royal Mail and APF Transfers

Source: Office for Budget Responsibility, *Economic and Fiscal Outlook December 2013*

A.2.4. The OBR forecast for growth in 2013 has been revised upwards from 0.6% to 1.4% as the economy has performed more strongly in 2013 than forecast in March as a result of stronger than expected growth in private consumption and growth in residential investment. However, expansion seen in 2013 is not expected to be sustained as productivity and real earnings growth in the economy have remained relatively weak. It is therefore expected that quarterly GDP growth will slow into 2014 and then strengthen gradually as productivity and real growth earnings pick up and provide a foundation for a more sustained upswing. Graph A2:1 shows the OBR's growth figures for the next five years.

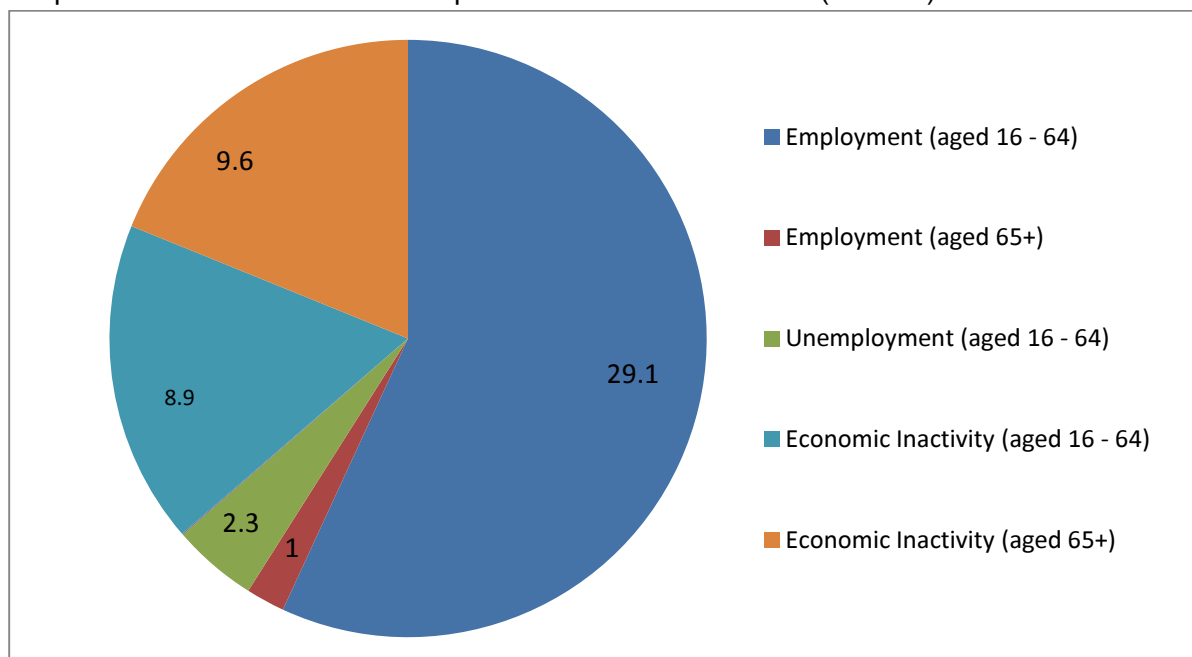
Graph A2:1 UK GDP growth:



Source: Office for Budget Responsibility, *Economic and Fiscal Outlook December 2013*

A.2.5. National unemployment is continuing to decline. For the period between September to November 2013, compared with the period between June to August 2013, the number of people in employment increased by 280,000 to reach 30 million. Meanwhile, the number of unemployed people fell by 167,000 to reach 2.3 million and the number of economically inactive people aged from 16 to 64 fell by 22,000 to reach 8.9 million. Notably, for people aged 65 and over, 1 person in 10 was in work, the highest employment rate for this age group since comparable records began in 1992 and up from 9.2% compared with a year earlier.

Graph A2:2: UK Labour Market September to November 2013 (millions)

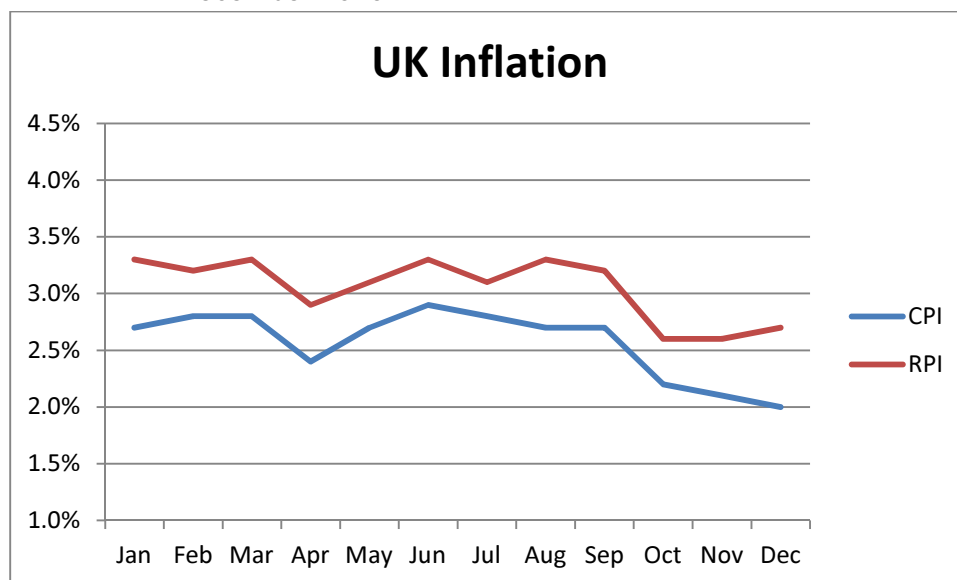


Source: Office for National Statistics, *Summary of Labour Market Statistics January 2014*

A.2.6. The Consumer Price Index (CPI) in the year to December 2013 grew by 2.0%, down from 2.1% in November. It is the first time since November 2009 that inflation has

been at or below the 2% target set by the government. The largest contributions to the fall in the CPI rate came from prices for food & non-alcoholic beverages and recreational goods & services. These were partially offset by an upward contribution from motor fuels. The overall price increase for gas and electricity in December 2013 was slightly larger than the rises a year earlier resulting in a small upward contribution to inflation.

Graph A2:3: UK annual inflationary measures of CPI and RPI between January 2013 and December 2013.



Source: Office for National Statistics, Consumer Price Inflation December 2013.

A.2.7. 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. In the three months to November unemployment fell to 7.1%, a fraction above the 7% level where the BoE said it would begin considering raising interest rates. However, despite the sharp fall in unemployment, the BoE has stressed that it will not rush to raise interest rates even if the 7% threshold were to be hit in the near future. UK inflation fell to its target level of 2% in December and the BoE has stated that there is currently no immediate pressure to raise interest rates to reduce cost pressures in the economy. The BoE has also stated that it will not raise interest rates until it has seen a pickup in wages growth and a more established recovery and that when the time does come to raise interest rates it will only do so gradually.

A.2.8. On 5 December 2013 the Chancellor George Osborne presented the Autumn Statement to Parliament which reinforced the continuing need to reduce spending in order to tackle the deficit and reduce public debt. There will be an extra £1bn of cuts from the budgets of government departments for each of the next three years, a cap on total welfare spending will be introduced next year and the state pension age is to increase to 68 in the mid-2030s and to 69 in the late 2040s. The UK public finances are expected to be in surplus by 2018/19. Underlying public sector net borrowing – which excludes the impact of the Royal Mail pension scheme and the Asset

Purchase Facility transfer – is set to fall to 6.8% of gross domestic product this year, down from the 7.3% forecast by the OBR in March. It is then predicted to fall to 5.6% next year and go on declining; reaching 1.2% in 2017/18 and by 2018/19 a small surplus is expected. While the Chancellor has announced new, further departmental savings for government departments, local government has been protected from further cuts.

A.2.9. The Government's economic plan focuses on the following areas:

- *Cutting the deficit* - the deficit is down by a third but more than £60bn more of cuts are still required over the next five years.
- *Reducing income tax* – the personal allowance will be increased to £10,000 from April, fuel duty will be frozen and tax free childcare will be available for working families.
- *Creating more jobs* - by backing small businesses and enterprises with better infrastructure and lower job taxes.
- *Cutting immigration and welfare* - immigration needs to be controlled and the welfare bill managed in order to relieve pressure on public services and prevent abuse of the welfare system. A welfare cap will be introduced next year although state pensions will not be included in the cap.
- *Delivering the best schools and skills* – an additional 20,000 apprenticeships will be created and there will be continued focus on raising standards in education.

A.2.10. The Institute for Fiscal Studies (IFS) states that the Government will in future have little scope for spending beyond core functions such as health, pensions, social security and education. The IFS has also reiterated its long-standing prediction that the next Government would need to consider raising taxation or delay further fiscal tightening because the squeeze on the public sector was so severe. Even though the Government plans to run a budget surplus in 2018-19, health and school spending is protected, pensioner numbers are growing and spending on debt interest is likely to keep rising because interest rates will be on their way up. It is calculated that only a third of the spending cuts have yet been implemented and, after 2016, the projected rate of annual real reductions will need to increase from the current average of 2.3% to 3.7%.

## Provisional government grants for 2014/15 to 2018/19

UK government grants	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s
<b>Business rates retention grants</b>						
Revenue support grant and business rates top-up	210,276	191,245	168,382	160,998	154,066	154,066
<b>Dedicated schools grant</b>	<b>600,732</b>	<b>546,541</b>	<b>542,923</b>	<b>544,923</b>	<b>546,923</b>	<b>546,923</b>
<b>Other government grants</b>						
ACL, Skills Funding Agency	2,446	2,446	2,446	2,446	2,446	2,446
Adoption reform	-	-	-	-	-	-
Area of ONB grant	137	137	137	137	137	137
Asylum Seekers	1,640	2,000	2,000	2,000	2,000	2,000
Better Care Fund	-	-	25,000	25,000	25,000	25,000
Bikeability	240	240	240	240	240	240
Business rates cap (Sec 31 grant)	-	1,088	1,088	1,088	1,088	1,088
Community right to challenge	9	9	-	-	-	-
Council tax localisation transition grant	-	-	-	-	-	-
Education Funding Agency	19,331	15,063	15,063	15,063	15,063	15,063
Education services grant (ESG)	16,600	14,387	11,510	11,510	11,510	11,510
Extended rights to free travel	835	318	318	318	318	318
Fire pensions	6,769	7,532	9,867	10,080	8,949	11,992
Fire (revenue)	379	395	404	404	404	404
GUM services (Public Health)	0	3,300	3,300	3,300	3,300	3,300
LACSEG (local authority central spend equivalent grant) refund	-	-	-	-	-	-
Lead local flood authorities	375	375	250	250	250	250
Local Sustainable Transport Fund	750	630	-	-	-	-
Local Sustainable Transp. Fund (large bid)	1,725	2,009	-	-	-	-
Local Sustainable Transp. Fund (Town Centres & High Streets)	-	75	230	-	-	-
Local Reform and Community Voices DH	700	721	721	721	721	721
Music Grant	1,043	1,064	1,064	1,064	1,064	1,064
New Homes Bonus	2,825	3,897	4,941	6,825	8,117	8,117
New Homes Bonus-returned topslice	855	350	891	891	891	891
PE and sport release	-	2,523	981	-	-	-
Police and Crime Panel	-	68	68	68	68	68
Private Finance Initiative	11,900	10,949	10,949	16,949	18,949	15,903
Public health	23,237	25,561	28,117	30,928	34,021	37,423
Pupil Premium	15,049	17,579	17,579	17,579	17,579	17,579
Registration service	21	18	18	18	18	18
Remand	-	104	104	104	104	104
Restorative justice development	-	18	18	18	18	18
Right to Control Trailblazers	165	-	-	-	-	-
SEN pathfinder	165	-	-	-	-	-
SEN reform grant	-	150	-	-	-	-
Social care reform	1,865	-	-	-	-	-
Social fund (incl. administration)	1,162	1,145	-	-	-	-
South-east protected landscape	33	33	33	33	33	33
Troubled families (Family Support Prog.)	879	352	-	-	-	-
Youth Justice Board	896	839	839	839	839	839
<b>Total other government grants</b>	<b>112,030</b>	<b>115,374</b>	<b>138,175</b>	<b>147,872</b>	<b>153,126</b>	<b>156,525</b>
<b>Total government grants</b>	<b>923,038</b>	<b>853,161</b>	<b>849,481</b>	<b>853,795</b>	<b>854,117</b>	<b>857,516</b>

note: any minor casting anomalies are due to roundings.

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## Revenue budget proposals

A.4.1. This appendix contains the overall budget position for the council, then by directorate. Each budget is prefaced by a commentary outlining the 14/15 budget position, future issues affecting the directorate over the subsequent four years and how the directorate is going to manage the situation

A.4.2. The categories are in order:

- Adults Social Care
- Children, Schools & Families, including delegated schools
- Customer & Communities
- Environment & Infrastructure
- Business Services
- Chief Executive Office (including Public Health)
- Central Income & Expenditure

A.4.3. 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).

A.4.4. This appendix outlines the draft 2014/19 revenue budget by:

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

A.4.5. In approving the budget and the Council tax precept, the Cabinet and full Council must comply with the Public Sector Equality Duty in section 149 of the Equality Act 2010 which requires it to have due regard to the need to:

- “eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.”

A.4.6. In approving the overall budget and precept at this stage, the Cabinet and 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 following proposals referenced in this report which have been identified as requiring new Equality Impact Assessments:

- Family, Friends and Community programme (Adult Social Care)
- Planned savings and income generation relating to the Fire and Rescue Service (Customers and Communities)
- Members’ Allocation Funding and Community Improvement Fund (Customers and Communities)
- Disbanding the Legacy Team (Chief Executive’s Office)
- Public Value Programme (Children, Schools and Families)
- Review of transport provision (Environment and Infrastructure)

- Planning review (Environment and Infrastructure)
- Countryside programme (Environment and Infrastructure)

## Overall

### Draft Income & Expenditure category summary

	MTFP					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Funding</b>						
Local taxation - Council Tax	(550,420)	(571,343)	(578,083)	(592,517)	(607,297)	(622,469)
Local taxation - Business rates	(43,863)	(45,525)	(47,165)	(48,917)	(50,834)	(52,876)
UK Government grants	(923,038)	(853,161)	(849,481)	(853,795)	(854,117)	(857,516)
Other bodies grants	(18,302)	(22,626)	(22,663)	(22,701)	(22,739)	(22,778)
Fees & charges	(80,676)	(81,907)	(84,417)	(87,665)	(91,448)	(95,061)
Property income	(3,681)	(3,899)	(3,984)	(4,071)	(4,160)	(4,251)
Income from investment	(578)	(522)	(450)	(344)	(5,295)	(5,191)
Joint working income	(24,149)	(23,166)	(23,121)	(23,081)	(23,045)	(23,015)
Reimbursements and recovery of costs	(20,554)	(18,587)	(19,309)	(20,160)	(20,530)	(20,762)
<b>Total funding</b>	<b>(1,665,261)</b>	<b>(1,620,736)</b>	<b>(1,628,673)</b>	<b>(1,653,251)</b>	<b>(1,679,406)</b>	<b>(1,703,920)</b>
<b>Expenditure</b>						
Service staffing	313,262	306,829	307,354	307,386	308,827	311,589
Service non-staffing	853,109	871,579	860,233	892,429	929,929	972,944
Schools - net expenditure	521,855	468,246	461,086	460,105	460,105	460,105
Additional savings				(6,669)	(19,455)	(40,718)
<b>Total expenditure</b>	<b>1,688,226</b>	<b>1,646,653</b>	<b>1,628,673</b>	<b>1,653,251</b>	<b>1,679,406</b>	<b>1,703,920</b>
<b>Funded by reserves</b>	<b>22,965</b>	<b>25,917</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Proposed gross expenditure revenue budget 2014/19

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Revenue summary	£000s	£000s	£000s	£000s	£000s	£000s
Personal Care & Support	302,142	306,147	309,643	324,639	345,730	376,131
Service Delivery	20,524	20,685	19,980	19,270	18,540	18,701
Policy & Strategy	3,509	3,029	3,051	3,073	3,092	3,110
Commissioning	80,038	82,492	83,070	83,656	84,244	84,900
Strategic Director	412	416	420	425	428	432
<b>Adults Social Care</b>	<b>406,625</b>	<b>412,768</b>	<b>416,165</b>	<b>431,063</b>	<b>452,034</b>	<b>483,275</b>
Strategic Services	3,207	2,841	2,516	2,537	2,560	2,560
Children's Service	86,408	89,686	92,001	92,260	94,156	94,156
Schools and Learning	214,040	211,519	214,953	218,289	224,010	224,010
Services for Young People	21,094	26,329	26,654	26,805	27,181	27,181
<b>Children, Schools &amp; Families</b>	<b>324,749</b>	<b>330,375</b>	<b>336,124</b>	<b>339,891</b>	<b>347,907</b>	<b>347,907</b>
<b>Schools Delegated Budgets</b>	<b>521,855</b>	<b>468,246</b>	<b>461,086</b>	<b>460,105</b>	<b>460,105</b>	<b>460,105</b>
Fire Service	45,752	46,724	46,944	45,809	45,090	48,565
Cultural Services	23,917	23,213	23,709	24,218	24,741	25,274
Customer Services	4,010	3,906	3,964	4,045	4,125	4,208
Trading Standards	2,480	2,521	2,566	2,614	2,663	2,711
Community Partnership & Safety	3,476	2,992	3,039	3,087	3,136	3,186
County Coroner	1,075	1,243	1,266	1,289	1,313	1,337
Directorate Support	2,167	1,648	1,686	1,725	1,765	1,806
<b>Customer &amp; Communities</b>	<b>82,877</b>	<b>82,247</b>	<b>83,174</b>	<b>82,787</b>	<b>82,833</b>	<b>87,087</b>
Environment	87,344	89,621	85,397	86,036	88,534	91,917
Highways	52,689	53,406	54,418	55,927	56,509	58,132
Directorate-wide services (including savings to be allocated)	2,771	2,509	2,183	2,107	2,148	2,015
<b>Environment &amp; Infrastructure</b>	<b>142,804</b>	<b>145,536</b>	<b>141,998</b>	<b>144,070</b>	<b>147,190</b>	<b>152,064</b>
Property Services	39,889	40,009	38,755	40,171	41,803	43,587
Information Management & Technology	23,244	25,546	24,920	25,073	25,584	26,105
Finance & strategic support	10,563	10,787	11,433	11,861	12,406	12,655
HR & Organisational Development	11,447	11,411	11,070	11,207	11,427	11,651
Shared Services	8,640	8,708	8,152	8,230	8,382	8,538
Procurement	3,444	3,481	3,544	3,508	3,571	3,635
<b>Business Services</b>	<b>97,227</b>	<b>99,942</b>	<b>97,874</b>	<b>100,050</b>	<b>103,173</b>	<b>106,171</b>
Strategic Leadership	472	444	445	447	447	449
Emergency Management	499	531	541	549	560	570
Communications	1,892	1,820	1,851	1,883	1,917	1,950
Legal & Democratic Services	9,899	8,543	8,513	8,677	10,353	9,022
Policy & Performance	3,292	3,931	3,988	4,045	4,102	4,161
Magna Carta	0	300	0	0	0	0
Public Health	26,994	28,361	30,417	32,228	34,321	37,723
<b>Chief Executive Office</b>	<b>43,048</b>	<b>43,930</b>	<b>45,755</b>	<b>47,829</b>	<b>51,700</b>	<b>53,875</b>
<b>Central Income &amp; Exp</b>	<b>69,041</b>	<b>63,610</b>	<b>56,496</b>	<b>64,125</b>	<b>63,919</b>	<b>64,154</b>
<b>Public service transformation network</b>	<b>0</b>	<b>0</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>(10,000)</b>
<b>Additional savings</b>				<b>(6,669)</b>	<b>(19,455)</b>	<b>(40,718)</b>
<b>Total expenditure</b>	<b>1,688,226</b>	<b>1,646,653</b>	<b>1,628,673</b>	<b>1,653,251</b>	<b>1,679,406</b>	<b>1,703,920</b>

## **Adult Social Care**

**Acting Strategic Director: Dave Sargeant**

**Strategic Finance Manager: Paul Carey-Kent**

### **Financial commentary**

- A.4.7. The base revenue expenditure budget for the Adult Social Care Directorate in 2013/14 is £338m and the proposed budget is £339m, giving an overall increase of £1m.
- A.4.8. This overall budget for 2014/15 includes £59m to deal with service pressures, a combination of demographic and inflationary pressures and the need to replace savings covered by one-off means in 2013/14.
- A.4.9. The pressures emerging from 2013/14 and updating of demographic projections for 2014/15 total £59m, offset by the £1m increase in the budget and £5m of other funding changes. The Directorate has, therefore, included in its budget savings of £53m.
- A.4.10. This makes 2014/15 a particularly challenging year and it is thus the dominant year in considering the Directorate's MTFP. Monitoring for 2013/14 shows that expenditure, particularly for individually commissioned 'spot' care services, is significantly above budgeted levels. A number of one-off measures and funding sources are being utilised to mitigate these pressures year, but few of these are expected to be available next year; and in spite of those measures a £5.8m overspend is forecast for 2013/14 (as at the end of December 2013).
- A.4.11. Details of the savings programme to achieve that are being finalised, and joint work will be carried out with the Chief Executive and Chief Finance Officer to confirm the programme and gain assurance that the 2014/15 budget can be delivered.
- A.4.12. Future years of the MTFP are also challenging with ambitious savings targets for the Friends, Family and Community programme (a further £20m in 2015-18 on top of the £10m planned for 2014/15) and £4.9m of as-yet-unallocated savings in 2015/16. Although the priority is therefore to address the 2014/15 budget, future years still require careful consideration especially in light of the risks associated with the Care Bill and potential market pressures. This will make it important to work successfully with the Clinical Commissioning Groups (CCGs) in order to make best use of the Better Care Funding from 2015/16.

## Adults Social Care

### Draft Income & Expenditure category summary

	MTFP					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Funding</b>						
UK Government grants	(2,030)	(222)	(222)	(222)	(222)	(222)
Other bodies grants	(14,297)	(18,309)	(18,309)	(18,309)	(18,309)	(18,309)
Fees & charges	(38,173)	(41,911)	(43,377)	(45,555)	(48,149)	(51,489)
Joint working income	(11,971)	(11,080)	(10,830)	(10,580)	(10,330)	(10,080)
Reimbursements and recovery of costs	(2,222)	(2,222)	(2,222)	(2,222)	(2,222)	(2,222)
<b>Total funding</b>	<b>(68,693)</b>	<b>(73,744)</b>	<b>(74,960)</b>	<b>(76,888)</b>	<b>(79,232)</b>	<b>(82,322)</b>
<b>Expenditure</b>						
Service staffing	73,632	70,853	70,633	70,394	70,085	70,643
Service non-staffing	332,993	341,915	345,532	360,669	381,950	412,632
<b>Total expenditure</b>	<b>406,625</b>	<b>412,768</b>	<b>416,165</b>	<b>431,063</b>	<b>452,034</b>	<b>483,275</b>
<b>Net budget supported by Council Tax and general government grants</b>	<b>337,932</b>	<b>339,024</b>	<b>341,205</b>	<b>354,175</b>	<b>372,802</b>	<b>400,952</b>

### Draft service summary

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
Funding	(68,693)	(73,744)	(74,960)	(76,888)	(79,232)	(82,322)
<b>Expenditure by service:</b>						
Personal Care & Support	302,142	306,147	309,643	324,639	345,730	376,131
Service Delivery	20,524	20,685	19,980	19,270	18,540	18,701
Policy & Strategy	3,509	3,029	3,051	3,073	3,092	3,110
Commissioning	80,038	82,492	83,070	83,656	84,244	84,900
Strategic Director	412	416	420	425	428	432
	406,625	412,768	416,165	431,063	452,034	483,275
<b>Adults Social Care</b>	<b>337,932</b>	<b>339,024</b>	<b>341,205</b>	<b>354,175</b>	<b>372,802</b>	<b>400,952</b>

## **Children, Schools & Families.**

**Strategic Director: Nick Wilson**

**Strategic Finance Manager: Paula Chowdhury**

### **Budget 2014/15**

A.4.13. The base revenue expenditure budget for the Children, Schools and Families Directorate in 2013/14 is £325m and in 2014/15 the proposed budget is £330m, giving an overall net increase of £5m.

A.4.14. This overall budget for 2014/15 includes increased funding of £12.2m for service pressures:

- £4.2m for specific demand led pressures around child protection and Special Education Needs (SEN); and
- £8.0m for general inflation, pay inflation and general demographic growth.

A.4.15. The Directorate also has included in its budget planned savings for 2014/15 to the value of £9.1m. This has been allocated to each of the individual services:

- Schools and Learning £4.3m;
- Children's Services £3m; and
- Services for Young People £1.8m.

A.4.16. The schools delegated base revenue budget in 2013/14 is £522m and in 2014/15 is proposed at £468m. The year on year reduction is as a result of the Dedicated Schools Grant reducing by -£63.1m, the post 16 funding reducing by -£4.3 and the pupil premium funding reducing by -£2.5m, for schools converting to academies. These reductions are then off-set by some small increases and transfers of responsibilities from centrally managed services to schools totaling £15.7m.

A.4.17. The provisional DSG settlement in December for children with learning disabilities in schools post 16 is £2.5m less than is required given that the full cost of placements is now expected to be funded from the allocation. This was unexpected and was therefore not planned for. Schools Forum has been informed and we will need to manage the funding risk together.

A.4.18. The total Children, Schools and Families budget, including schools, for 2014/15 is £798m, compared to £847m in 2013/14.

### **Medium Term Financial Plan 2014/19**

A.4.19. Over the five year period of the MTFP, the Directorate is anticipating budget pressures as a result of funding reductions, demand led budgets and general demographic increases. The pressure on the schools funding will increase as more schools convert to become academy taking significant funding with them and reduced growth funding and the potential ring-fencing of Early Years. The Special Education Need high needs block continues to have significant demand growth pressures as the school population increases.

A.4.20. School improvement continues to be a major priority for the County Council, with key performance targets being set around the funding allocation of £1.9m.

- A.4.21. The Directorate has made savings of over £56m over the last five years while facing the further challenge of £24m 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.
- A.4.22. One of the key areas of funding risk for the Directorate is around the Dedicated Schools Grant (DSG). The high needs block within the DSG, which funds the special education needs services, has not received growth funding, yet this is an area where demand is increasing as the overall school population increases. This growth issue coupled with the 2014/15 funding shortfall on post 16 learning disabilities, means that from 2015/16 there could be an approx £7m shortfall within DSG.
- A.4.23. Another major funding risk for the Directorate and the wider County Council is the continual reduction of the Education Services Grant (ESG). This grant is part of the general County Council funding for school improvement and contributes towards Directorate and Corporate overheads. As schools convert to academy status the ESG reduces and for 2014/15 the financial impact is estimated at £2m. In addition to this continual academy conversion reduction, the government has announced the possibility of a 20% reduction on this grant from 2015/16. This grant reduction has been built into the 2014/19 planning.
- A.4.24. 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 is 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.
- A.4.25. The County Council has been successful in its bid to be part of the governments Public Services Transformation Network (PSTN). The Directorate is building on the national work around Troubled Families and one of the PSTN projects is to expand this work further and develop an integrated Family Support Programme with partner agencies sharing the costs and the fiscal and non-fiscal benefits. The second PSTN partnership project is about skilling up 14-19 year olds so that they are marketable in the future labour market.

**Children, Schools & Families****Draft Income & Expenditure category summary**

	MTFP					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Funding</b>						
Dedicated Schools Grant	(109,211)	(108,826)	(110,826)	(112,826)	(114,826)	(114,826)
Other UK Government grants	(4,676)	(4,796)	(4,294)	(4,294)	(4,294)	(4,294)
Other bodies grants	(1,084)	(1,084)	(1,084)	(1,084)	(1,084)	(1,084)
Fees & charges	(25,974)	(24,569)	(25,359)	(26,165)	(27,086)	(27,086)
Property income	(27)	(27)	(27)	(27)	(27)	(27)
Joint working income	(2,774)	(2,774)	(2,774)	(2,774)	(2,774)	(2,774)
Reimbursements and recovery of costs	(6,511)	(6,511)	(6,511)	(6,511)	(6,511)	(6,511)
<b>Total funding</b>	<b>(150,257)</b>	<b>(148,587)</b>	<b>(150,875)</b>	<b>(153,681)</b>	<b>(156,602)</b>	<b>(156,602)</b>
<b>Expenditure</b>						
Service staffing	106,975	105,326	107,221	107,516	108,211	108,211
Service non-staffing	217,774	225,049	228,903	232,375	239,696	239,696
<b>Total expenditure</b>	<b>324,749</b>	<b>330,375</b>	<b>336,124</b>	<b>339,891</b>	<b>347,907</b>	<b>347,907</b>
<b>Net budget supported by Council Tax and general government grants</b>	<b>174,492</b>	<b>181,788</b>	<b>185,249</b>	<b>186,210</b>	<b>191,305</b>	<b>191,305</b>

**Draft service summary**

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
Funding	(150,257)	(148,587)	(150,875)	(153,681)	(156,602)	(156,602)
<b>Expenditure by service:</b>						
Strategic Services	3,207	2,841	2,516	2,537	2,560	2,560
Children's Service	86,408	89,686	92,001	92,260	94,156	94,156
Schools and Learning	214,040	211,519	214,953	218,289	224,010	224,010
Services for Young People	21,094	26,329	26,654	26,805	27,181	27,181
	324,749	330,375	336,124	339,891	347,907	347,907
<b>Children, Schools &amp; Families</b>	<b>174,492</b>	<b>181,788</b>	<b>185,249</b>	<b>186,210</b>	<b>191,305</b>	<b>191,305</b>



## Schools

## Income &amp; Expenditure category summary

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Funding</b>						
UK Government grants	(521,855)	(468,246)	(461,086)	(460,105)	(460,105)	(460,105)
<b>Total funding</b>	<b>(521,855)</b>	<b>(468,246)</b>	<b>(461,086)</b>	<b>(460,105)</b>	<b>(460,105)</b>	<b>(460,105)</b>
<b>Expenditure</b>						
Schools - net expenditure	521,855	468,246	461,086	460,105	460,105	460,105
<b>Total expenditure</b>	<b>521,855</b>	<b>468,246</b>	<b>461,086</b>	<b>460,105</b>	<b>460,105</b>	<b>460,105</b>
<b>Net Budget supported by Council Tax and general government grants</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Customers and Communities.****Strategic Director: Yvonne Rees & Susie Kemp****Strategic Finance Manager: Susan Smyth****Financial commentary**

- A.4.26. The Directorate faces pressures of £6.0m over the five year planning period, predominately due to expected inflation of £5.9m, which need to be covered by efficiency actions. In addition there are expected increases in grant funded Fire pension expenditure of £5.2m. Savings of £6.1m and generation of £2.5m additional income are planned over the five year period. These actions, together with £0.7m of budget virements to other directorates, result in a net reduction to the Directorate budget of £3.3m over the 5 year period. There are no significant volume changes expected.
- A.4.27. The Fire service is continuing to implement the Public Safety Plan on a phased basis and the budget is based upon an improved understanding of service pressures and changes to the timing at which savings are assessed as achievable. The Fire Service has planned savings and income generation of £6.3m over the 5 year period. This includes £2.2m of efficiency improvements from property reconfigurations linked to capital investment, and a further £3.3m through planned operational efficiencies and the implementation of staff agency arrangements. £0.9m of the savings from the reconfigurations is being used to fund the relocation of an appliance to a new station at Salfords. The innovative contingency crewing pilot has been extended, with a review during 2014/15.
- A.4.28. The reduced value of contributions to the Fire Vehicle and Equipment Replacement Reserve, as a result of expenditure being funded by government grant, continues for three years saving £1.5m and helping to fund overall pressures. Current plans, which will be kept under review in light of changing vehicle needs and future grant settlements, reinstate the full contribution in 2017/18.
- A.4.29. Across the rest of Customers and Communities there are planned savings and increased income of £2.3m. These include reductions to Members' Allocation Funding and the Community Improvements Fund totalling £0.5m, together with reductions as a result of staffing efficiencies across a number of services.

**Customer & Communities**  
**Draft Income & Expenditure category summary**

	MTFP					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Funding</b>						
UK Government grants	(10,658)	(11,455)	(13,799)	(14,012)	(12,881)	(15,924)
Other bodies grants	(2,921)	(3,233)	(3,270)	(3,308)	(3,346)	(3,385)
Fees & charges	(9,137)	(8,705)	(8,807)	(8,914)	(9,023)	(9,131)
Property income		(145)	(148)	(151)	(154)	(157)
Joint working income	(280)	0	0	0	0	0
Reimbursements and recovery of costs	(531)	(1,300)	(1,645)	(2,229)	(2,401)	(2,428)
<b>Total funding</b>	<b>(23,527)</b>	<b>(24,838)</b>	<b>(27,669)</b>	<b>(28,614)</b>	<b>(27,805)</b>	<b>(31,025)</b>
<b>Expenditure</b>						
Service staffing	57,323	56,184	54,642	53,818	54,303	55,183
Service non-staffing	25,554	26,063	28,532	28,969	28,530	31,904
<b>Total expenditure</b>	<b>82,877</b>	<b>82,247</b>	<b>83,174</b>	<b>82,787</b>	<b>82,833</b>	<b>87,087</b>
<b>Net Budget supported by Council Tax and general government grants</b>	<b>59,350</b>	<b>57,409</b>	<b>55,505</b>	<b>54,173</b>	<b>55,028</b>	<b>56,062</b>

**Draft service summary**

	2012/13	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
Funding	(23,527)	(24,838)	(27,669)	(28,614)	(27,805)	(31,025)
<b>Expenditure by service:</b>						
Fire Service	45,752	46,724	46,944	45,809	45,090	48,565
Cultural Services	23,917	23,213	23,709	24,218	24,741	25,274
Customer Services	4,010	3,906	3,964	4,045	4,125	4,208
Trading Standards	2,480	2,521	2,566	2,614	2,663	2,711
Community Partnership & Safety	3,476	2,992	3,039	3,087	3,136	3,186
County Coroner	1,075	1,243	1,266	1,289	1,313	1,337
Directorate Support	2,167	1,648	1,686	1,725	1,765	1,806
	82,877	82,247	83,174	82,787	82,833	87,087
<b>Customer &amp; Communities</b>	<b>59,350</b>	<b>57,409</b>	<b>55,505</b>	<b>54,173</b>	<b>55,028</b>	<b>56,062</b>

**Environment & Infrastructure****Strategic Director: Trevor Pugh****Strategic Finance Manager: Susan Smyth****Financial commentary**

- A.4.30. Environment & Infrastructure faces pressures and growth of £18m (including funding changes) over the five year planning period. This primarily relates to inflation of £24.4m across all budgets including waste disposal, highways and local bus contracts. Two additional pressures are anticipated. Local bus contract savings planned for 2013/14 have not been delivered in anticipation of a wider review of transport provision (see below). Together with increased costs of bus services this results in a pressure of £0.5m. Secondly, changes to the highway repairs regime and associated lump sum payments are expected to result in an additional cost of £0.4m. Other changes include the reversal of prior year one-off savings, and annual changes to expected waste disposal spend resulting from volume and costs. Further uncertainties remain, including implications of the transfer of Bus Service Operators Grant and the possible transfer of maintenance responsibility for Highway Agency assets to local authorities.
- A.4.31. Pressures and growth are offset by planned savings of £6.6m over the five year planning period. These include highway maintenance efficiencies and reductions (£2.1m) including reducing costs through collaboration and reduced overheads, expected savings through a review of transport provision (£2m), savings from the ongoing “one team” organisational review (£0.8m) and from ongoing reviews of support and other services (£0.9m, including directorate support services, planning & development, network management, sustainability and road safety), countryside (£0.4m) and waste disposal (£0.3m).
- A.4.32. In the longer term waste management efficiencies are planned, 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. Highway maintenance efficiencies from a more effective investment strategy and improved supply chain are also being investigated.

**Environment & Infrastructure**  
**Draft Income & Expenditure category summary**

	MTFP					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Funding</b>						
UK Government grants	(3,528)	(3,601)	(992)	(762)	(762)	(762)
Fees & charges	(7,096)	(6,411)	(6,557)	(6,707)	(6,860)	(7,018)
Joint working income	(4,037)	(4,123)	(4,214)	(4,307)	(4,402)	(4,500)
Reimbursements and recovery of costs	(2,748)	(2,352)	(2,405)	(2,459)	(2,515)	(2,572)
<b>Total funding</b>	<b>(17,409)</b>	<b>(16,487)</b>	<b>(14,168)</b>	<b>(14,235)</b>	<b>(14,539)</b>	<b>(14,851)</b>
<b>Expenditure</b>						
Service staffing	21,667	20,926	20,906	21,140	20,746	21,096
Service non-staffing	121,137	124,610	121,093	122,930	126,444	130,968
<b>Total expenditure</b>	<b>142,804</b>	<b>145,536</b>	<b>141,998</b>	<b>144,070</b>	<b>147,190</b>	<b>152,064</b>
<b>Net Budget supported by Council Tax and general government grants</b>	<b>125,395</b>	<b>129,049</b>	<b>127,830</b>	<b>129,835</b>	<b>132,651</b>	<b>137,213</b>

**Draft service summary**

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
Funding	(17,409)	(16,487)	(14,168)	(14,235)	(14,539)	(14,851)
<u>Expenditure by service:</u>						
Environment	87,344	89,621	85,397	86,036	88,534	91,917
Highways	52,689	53,406	54,418	55,927	56,509	58,132
Directorate-wide services (including savings to be allocated)	2,771	2,509	2,183	2,107	2,148	2,015
	142,804	145,536	141,998	144,070	147,190	152,064
<b>Environment &amp; Infrastructure</b>	<b>125,395</b>	<b>129,049</b>	<b>127,830</b>	<b>129,835</b>	<b>132,651</b>	<b>137,213</b>

**Business Services****Strategic Director: Julie Fisher****Strategic Finance Manager: Susan Smyth****Financial commentary**

- A.4.33. Savings of £6.2 m will be delivered over the five years through continued efficiency improvements, increased income and enhanced partnership working across Business Services. Self service capability will be significantly improved for services creating efficiency improvements in Business Services and improved quality of delivery for customers. Working in partnership will drive benefits from economies of scale, and the directorate will continue to strengthen and enhance partnership arrangements that we have across our IT infrastructure, procurement and transactional services exemplified by our partnership with East Sussex. Securing improved commercial arrangements with suppliers for the council and for partners will deliver savings in Business Services and the council as a whole. The Directorate will continue to develop its business support offer and deliver income from the provision of transactional and professional consultancy services to partners and other external organisations.
- A.4.34. The directorate budget includes additional strategic investment in IMT of £2m in 2014/15 and £1m per annum thereafter. This investment will deliver enhanced functionality to drive efficiency and productivity improvements across the council, particularly in relation to the modern worker programme which equips staff and members with appropriate technology to carry out their roles. The directorate budget includes inflationary costs of £11.8m over the planning period, which include updated assumptions regarding energy inflation however there remain uncertainties regarding this in the medium to longer term. The budget has been adjusted for recent announcements regarding the grant funding for the Local Assistance scheme which will discontinue after 2014 / 15. Assuming that support to vulnerable people will continue to be provided by the council at the current levels of expenditure creates a cost pressure of £0.5m.

**Business Services****Draft Income & Expenditure category summary**

	<b>MTFP</b>					
	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Funding</b>						
UK Government grants	(1,162)	(1,145)				
Fees & charges	(100)	(102)	(104)	(106)	(108)	(110)
Property income	(3,654)	(3,727)	(3,809)	(3,893)	(3,979)	(4,067)
Joint working income	(5,066)	(5,167)	(5,281)	(5,397)	(5,516)	(5,637)
Reimbursements and recovery of costs	(5,073)	(5,789)	(6,106)	(6,312)	(6,447)	(6,586)
<b>Total funding</b>	<b>(15,055)</b>	<b>(15,930)</b>	<b>(15,300)</b>	<b>(15,708)</b>	<b>(16,050)</b>	<b>(16,400)</b>
<b>Expenditure</b>						
Service staffing	40,305	40,329	40,450	40,822	41,556	42,303
Service non-staffing	56,922	59,613	57,424	59,228	61,617	63,868
<b>Total expenditure</b>	<b>97,227</b>	<b>99,942</b>	<b>97,874</b>	<b>100,050</b>	<b>103,173</b>	<b>106,171</b>
<b>Net Budget supported by Council Tax and general government grants</b>	<b>82,172</b>	<b>84,012</b>	<b>82,574</b>	<b>84,342</b>	<b>87,123</b>	<b>89,771</b>

**Draft service summary**

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Funding	(15,055)	(15,930)	(15,300)	(15,708)	(16,050)	(16,400)
<b>Expenditure by service:</b>						
Property Services	39,889	40,009	38,755	40,171	41,803	43,587
Information Management & Technology	23,244	25,546	24,920	25,073	25,584	26,105
Finance & strategic support	10,563	10,787	11,433	11,861	12,406	12,655
HR & Organisational Development	11,447	11,411	11,070	11,207	11,427	11,651
Shared Services	8,640	8,708	8,152	8,230	8,382	8,538
Procurement	3,444	3,481	3,544	3,508	3,571	3,635
	97,227	99,942	97,874	100,050	103,173	106,171
<b>Business Services</b>	<b>82,172</b>	<b>84,012</b>	<b>82,574</b>	<b>84,342</b>	<b>87,123</b>	<b>89,771</b>

**Chief Executive's Office****Asst Chief Executive Officer: Susie Kemp****Strategic Finance Manager: Susan Smyth****Financial commentary**

- A.4.35. The Chief Executive's Office faces ongoing pressures of £1.5m over the 5 year planning period. This is predominately due to expected inflation of £1.3m, but also £0.2m has been added to the Legal budget to reflect the increased costs due to both the number and complexity of child protection cases. The budget has also been adjusted across this period for the £1.5m cost of holding 4-yearly County Council elections in 2017/18.
- A.4.36. Savings of £1.1m are planned over the 5 year period. Of this £0.3m was achieved early during 2013/14. The remaining £0.8m is planned through the creation of an in-house advocacy team (£0.4m) within Legal and through disbanding the Legacy team (£0.4m) that transferred into the directorate during 2013/14.
- A.4.37. There is a one-off £1m budget to mark the 800th celebration of the Magna Carta allocated to revenue (£0.3m) and capital (£0.7m).
- A.4.38. Health and wellbeing with a gross budget of £0.7m transferred into the Chief Executive's Office from Adult Social Care during 2013/14 along with associated government grant funding of £0.5m.
- A.4.39. The roll out of superfast broadband continues across the county with a capital budget of £9.8m within 2014/15 to finish installing within those areas not covered by a commercial installation.
- A.4.40. The Assistant Chief Executive, Susie Kemp, took on responsibility for Public Health during 2013/14 and this is now being reported as part of the Chief Executive's Office.



## Public Health

- A.4.41. The Health and Social Care Act 2012 transferred substantial public health 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 2014/ 15 £25.6m grant allocation. This is designed to cover all the services that transferred from the PCT, however there remains £3.3m of funding relating to Genito-Urinary Medicine (GUM) Services that were incorrectly excluded from the grant and we are therefore looking to recover this separately. Discussions will proceed on this basis, and a balanced budget position will be finalised within the resources available.
- A.4.42. The budget plan assumes that savings will be made to the benefit of the council as a whole, by funding services which meet the Public Health Outcomes Framework in other directorates.
- A.4.43. A further national risk also needs to be noted. It has emerged during the first year of public health responsibility that there is some ambiguity over whether local authorities have been appropriately funded for their responsibilities to pay prescription charges relating to public health services. This risk is estimated to be around £2m. The budget has been prepared assuming appropriate funding will be granted by the government, should charges for this be made to the council.
- A.4.44. 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.4.45. For 2014/15 the budget will fund the council's in undertaking the five mandatory requirements from the Health and Social Care Act 2012:
- commissioning appropriate access to sexual health services
  - commissioning the NHS Health Check programme
  - commissioning the national child measurement programme
  - ensuring that plans are in place to protect the population's health
  - ensuring NHS commissioners receive the public health advice they need
- A.4.46. In addition 15 non-mandatory services continue to be commissioned guided by local needs such as stop smoking, drug and alcohol misuse services, obesity initiatives and accidental injury prevention as outlined in the Health and Social Care Act 2012.
- A.4.47. In 2015 responsibility for some health 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 NHS budget currently allocated to these services will come to Local Authorities. A newly formed transition group is progressing this transfer.

**Chief Executive's Office (incorporating Public Health)****Draft Income & Expenditure category summary**

	MTFP					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Funding</b>						
UK Government grants	(23,936)	(28,929)	(30,985)	(32,796)	(34,889)	(38,291)
Fees & charges	(196)	(209)	(213)	(218)	(222)	(227)
Joint working income	(21)	(22)	(22)	(23)	(23)	(24)
Reimbursements and recovery of costs	(3,469)	(413)	(420)	(427)	(435)	(444)
<b>Total funding</b>	<b>(27,622)</b>	<b>(29,573)</b>	<b>(31,640)</b>	<b>(33,464)</b>	<b>(35,569)</b>	<b>(38,986)</b>
<b>Expenditure</b>						
Service staffing	12,934	12,764	13,179	13,398	13,629	13,856
Service non-staffing	30,114	31,166	32,576	34,431	38,071	40,020
<b>Total expenditure</b>	<b>43,048</b>	<b>43,930</b>	<b>45,755</b>	<b>47,829</b>	<b>51,700</b>	<b>53,875</b>
<b>Net budget supported by Council Tax and general government grants</b>	<b>15,426</b>	<b>14,357</b>	<b>14,115</b>	<b>14,365</b>	<b>16,131</b>	<b>14,889</b>

**Draft service summary**

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
Funding	(27,622)	(29,573)	(31,640)	(33,464)	(35,569)	(38,986)
<b>Expenditure by service:</b>						
Strategic Leadership	472	444	445	447	447	449
Emergency Management	499	531	541	549	560	570
Communications	1,892	1,820	1,851	1,883	1,917	1,950
Legal & Democratic Services	9,899	8,543	8,513	8,677	10,353	9,022
Policy & Performance	3,292	3,931	3,988	4,045	4,102	4,161
Magna Carta	0	300	0	0	0	0
Public Health	26,994	28,361	30,417	32,228	34,321	37,723
	<b>43,048</b>	<b>43,930</b>	<b>45,755</b>	<b>47,829</b>	<b>51,700</b>	<b>53,875</b>
<b>Chief Executive's Office (incorporating Public health)</b>	<b>15,426</b>	<b>14,357</b>	<b>14,115</b>	<b>14,365</b>	<b>16,131</b>	<b>14,889</b>

**Undistributed to directorate****Income & Expenditure category summary**

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
<b><u>Funding</u></b>						
<b>Total funding</b>	0	0	0	0	0	0
<b><u>Expenditure</u></b>						
Service non-staffing			(10,000)	(16,669)	(29,455)	(50,718)
<b>Total expenditure</b>	0	0	(10,000)	(16,669)	(29,455)	(50,718)
<b>Net Budget supported by Council Tax and general government grants</b>	0	0	(10,000)	(16,669)	(29,455)	(50,718)

**Draft service summary**

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
Public Service Transformation Network			(10,000)	(10,000)	(10,000)	(10,000)
Additional Savings				(6,669)	(19,455)	(40,718)
			(10,000)	(16,669)	(29,455)	(50,718)

**Central Income & Expenditure****Strategic Director: Julie Fisher****Deputy Chief Finance Officer: Kevin Kilburn****Financial commentary**

A.4.48. 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 a sound financial standing both now and in the future.

A.4.49. The gross expenditure under this budget has reduced by £9.2m to £59.8m for the 2014/15 financial year. A significant part of this reduction, £8m, is in relation to the risk contingency budget. Over recent years the council has held a risk contingency budget to cover for savings and reductions not being made in full. The risk contingency budget has not had to be used despite the Council achieving nearly £200m of savings since 2010. As a result of a review of the appropriate level of contingency, this budget has been reduced in 2014-15 to £5m and has been removed thereafter completely. Any failure to make savings in future years will have to be met by reductions elsewhere.

A.4.50. In 2013/14 the budget included £1m in relation to the estimated cost of auto-enrolment of employees to the Pension Fund. The costs materialising from this have been less than originally estimated and so this £1m has been removed from the 2014/15 budget. The service revenue budgets reflect the cost to the Council of employees participating in the pension fund.

A.4.51. These reductions are partially offset by increases in relation to two 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 review was completed during 2013/14 and will increase the employer contributions by £2.5m from 2014/15.

A.4.52. For the remainder of the five year plan the central income and expenditure budgets increases to -£800m due mainly to the revenue financing of the council's capital programme alongside reductions in the anticipated levels of Government Funding.

## Central Income and Expenditure

### Draft Income & Expenditure category summary

	MTFP					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Funding</b>						
Local taxation - Council Tax	(550,420)	(571,343)	(578,083)	(592,517)	(607,297)	(622,469)
Local taxation - Business Rates	(43,863)	(45,525)	(47,165)	(48,917)	(50,834)	(52,876)
UK Government grants	(245,982)	(225,942)	(227,278)	(228,778)	(226,138)	(223,092)
Income from investment	(578)	(522)	(450)	(344)	(5,235)	(5,191)
<b>Total funding</b>	<b>(840,843)</b>	<b>(843,332)</b>	<b>(852,976)</b>	<b>(870,556)</b>	<b>(889,504)</b>	<b>(903,628)</b>
<b>Expenditure</b>						
Service staffing	426	447	324	298	298	298
Service non-staffing	68,615	63,163	56,173	63,827	63,621	63,856
<b>Total expenditure</b>	<b>69,041</b>	<b>63,610</b>	<b>56,497</b>	<b>64,125</b>	<b>63,919</b>	<b>64,154</b>
<b>Net budget supported by reserves</b>	<b>(771,802)</b>	<b>(779,722)</b>	<b>(796,479)</b>	<b>(806,431)</b>	<b>(825,585)</b>	<b>(839,474)</b>

### Draft service summary

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
Funding	(840,843)	(843,332)	(852,976)	(870,556)	(889,504)	(903,628)
<b>Expenditure by service</b>						
Protected Salaries & Relocation	426	447	324	298	298	298
Pensions Back-funding	8,606	11,139	11,332	11,529	11,731	11,938
Redundancy & Compensation	4,360	5,749	3,919	3,739	2,738	2,731
Impact of NI Changes				6,000	6,000	6,000
Corporate initiatives		250	-500	-1,000	-1,000	-1,000
Risk Contingency	13,000	5,000				
Changes to Pension Fund Contributions	1,000					
Land Drainage Precept	1,071	1,098	1,125	1,153	1,182	1,212
Contributions to/from reserves	3,597	3,338	-279	-1,083	-656	-637
Interest Payable	15,942	14,762	15,895	17,782	17,739	17,701
Minimum Revenue Provision	21,039	21,827	24,680	25,707	25,887	25,911
	<b>69,041</b>	<b>63,610</b>	<b>56,497</b>	<b>64,125</b>	<b>63,919</b>	<b>64,154</b>
<b>Central Income and Expenditure</b>	<b>(771,802)</b>	<b>(779,722)</b>	<b>(796,479)</b>	<b>(806,431)</b>	<b>(825,585)</b>	<b>(839,474)</b>

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## Capital programme proposals 2014/15 to 2018/19

	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	TOTAL £000s
<b><u>Overall Summary</u></b>						
School basic need	105,011	69,012	71,963	49,106	32,187	327,279
Total recurring programmes	73,520	63,431	59,967	61,732	67,231	325,881
Total projects	38,241	32,013	17,680	10,989	7,429	106,351
<b>Total Capital Schemes</b>	<b>216,772</b>	<b>164,456</b>	<b>147,610</b>	<b>121,827</b>	<b>106,847</b>	<b>759,511</b>

### **Adult Social Care**

#### **Recurring programmes**

Major adaptations	800	800	800	800	800	4,000
<b>Total recurring programmes</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>4,000</b>

#### **Projects**

Wellbeing centres	105					105
In-house capital improvement scheme	250	250	250	250	250	1,250
User led organisation hubs	100	100	100			300
<b>Total projects</b>	<b>455</b>	<b>350</b>	<b>350</b>	<b>250</b>	<b>250</b>	<b>1,655</b>

<b>Total Capital Schemes</b>	<b>1,255</b>	<b>1,150</b>	<b>1,150</b>	<b>1,050</b>	<b>1,050</b>	<b>5,655</b>
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### **Children, Schools & Families**

#### **Recurring programmes**

Adaptations for children with disabilities	299	299	299	299	299	1,495
Foster carer grants	300	300	300	300	300	1,500
Schools devolved formula capital (ring-fenced grant)	2,231	2,231	2,231	2,231	2,231	11,155
<b>Total recurring programmes</b>	<b>2,830</b>	<b>2,830</b>	<b>2,830</b>	<b>2,830</b>	<b>2,830</b>	<b>14,150</b>

<b>Total Capital Schemes</b>	<b>2,830</b>	<b>2,830</b>	<b>2,830</b>	<b>2,830</b>	<b>2,830</b>	<b>14,150</b>
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### **Customer & Communities**

#### **Recurring programmes**

Fire vehicles & equipment reserve	2,695	3,698	1,104	1,408	1,820	10,725
Local committee allocations	385	385	385	385	385	1,925
<b>Total recurring programmes</b>	<b>3,080</b>	<b>4,083</b>	<b>1,489</b>	<b>1,793</b>	<b>2,205</b>	<b>12,650</b>

<b>Total Capital Schemes</b>	<b>3,080</b>	<b>4,083</b>	<b>1,489</b>	<b>1,793</b>	<b>2,205</b>	<b>12,650</b>
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	2014/15	2015/16	2016/17	2017/18	2018/19	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
<b><u>Environment &amp; Infrastructure</u></b>						
<b>Recurring programmes</b>						
Highway maintenance	31,592	21,018	21,018	21,018	26,018	<b>120,664</b>
Bridge strengthening	1,956	1,956	1,956	1,956	1,956	<b>9,780</b>
Flooding & drainage	776	776	776	776	776	<b>3,880</b>
Local transport schemes	4,000	4,000	4,000	4,000	4,000	<b>20,000</b>
Maintenance at closed landfill sites	416	100	100	100	100	<b>816</b>
Rights of Way and byways	85	85	85	85	85	<b>425</b>
Road safety schemes	200	200	200	200	200	<b>1,000</b>
Safety barriers	256	256	256	256	256	<b>1,280</b>
Traffic signal replacement	550	550	550	550	550	<b>2,750</b>
Economic regeneration projects	1,000	1,000	1,000	1,000	1,000	<b>5,000</b>
Highways Vehicle Replacement	200	200	200	200	200	<b>1,000</b>
<b>Total recurring programmes</b>	<b>41,031</b>	<b>30,141</b>	<b>30,141</b>	<b>30,141</b>	<b>35,141</b>	<b>166,595</b>
<b>Projects</b>						
Walton Bridge-ring fenced grant	444					<b>444</b>
Basingstoke Canal Improvements	500	500	500			<b>1,500</b>
Local sustainable transport fund grant	50					<b>50</b>
Local sustainable transport fund grant (large bid)	3,335					<b>3,335</b>
CIL funded schemes	378	2,002	4,576	5,354	5,479	<b>17,789</b>
S.106 funded schemes	2,500	1,700	1,700	1,700	1,700	<b>9,300</b>
<b>Total projects</b>	<b>7,207</b>	<b>4,202</b>	<b>6,776</b>	<b>7,054</b>	<b>7,179</b>	<b>32,418</b>
<b>Total Capital Schemes</b>	<b>48,238</b>	<b>34,343</b>	<b>36,917</b>	<b>37,195</b>	<b>42,320</b>	<b>199,013</b>
<b><u>Chief Executive Office</u></b>						
<b>Recurring programmes</b>						
Community building grant scheme	150	150	150	150	150	750
<b>Total recurring programmes</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>750</b>
<b>Projects</b>						
Magna Carta	700					700
Economic Development-Broadband	9,792					9,792
<b>Total projects</b>	<b>10,492</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,492</b>
<b>Total capital schemes</b>	<b>10,642</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>11,242</b>



	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	TOTAL £000s
<b>Business Services</b>						
<b>School basic need</b>	105,011	69,012	71,963	49,106	32,187	<b>327,279</b>
<b>Recurring programmes</b>						
Carbon reduction - Schools <sup>1</sup>	3,332	3,332	3,332	3,332	3,332	<b>16,660</b>
Schools - Disability Discrimination Act	456	466	477	487	497	<b>2,383</b>
Schools capital maintenance, including children's centres	10,328	10,328	10,328	10,328	10,328	<b>51,640</b>
Carbon reduction - Corporate	1,186	1,212	1,239	1,264	1,289	<b>6,190</b>
Fire risk assessments	365	373	382	390	398	<b>1,908</b>
Minor works/disability access	178	182	186	190	194	<b>930</b>
Non schools structural maintenance	5,526	5,604	5,683	5,797	5,913	<b>28,523</b>
IMT Equipment	2,000	2,500	2,500	2,500	2,500	<b>12,000</b>
IT Equipment Replacement Reserve	2,258	1,430	430	1,730	1,654	<b>7,502</b>
<b>Total recurring programmes</b>	<b>25,629</b>	<b>25,427</b>	<b>24,557</b>	<b>26,018</b>	<b>26,105</b>	<b>127,736</b>
<b>Projects</b>						
Portesbury SEN School	10,589	2,756	210			<b>13,555</b>
Cultural Services		1,250				<b>1,250</b>
Fire Station reconfiguration	600	4,500	900	3,500		<b>9,500</b>
Fire Stations minor works	200	200				<b>400</b>
Guildford Fire Station	560					<b>560</b>
Merstham Library		200	1,000			<b>1,200</b>
Fire training tower replacement	500					<b>500</b>
SEN strategy	750	2,250	7,044			<b>10,044</b>
Short Stay Schools		2,000				<b>2,000</b>
Youth Transformation	200					<b>200</b>
Projects to enhance income	250	1,455				<b>1,705</b>
Projects to re-provision and deliver capital receipts	1,510	1,540				<b>3,050</b>
Telephones Unicorn Network (BT)	150	150	140	185		<b>625</b>
School Kitchens	983	982				<b>1,964</b>
Trumps Farm Solar Panels		3,800				<b>3,800</b>
Land Acquisition for Waste	850					<b>850</b>
Merstham Youth		1,100				<b>1,100</b>
Expansion of Coroners Court	152					<b>152</b>
Gypsy Sites		2,653				<b>2,653</b>
Reigate Priory School	500	500	500			<b>1,500</b>
Replace aged demountables	1,685	985				<b>2,670</b>
Joint Public Sector Property Projects		1,140	760			<b>1,900</b>
Adults Social Care Infrastructure Grant	608					<b>608</b>
<b>Total projects</b>	<b>20,087</b>	<b>27,461</b>	<b>10,554</b>	<b>3,685</b>	<b>0</b>	<b>61,786</b>
<b>Total capital schemes</b>	<b>150,727</b>	<b>121,900</b>	<b>107,074</b>	<b>78,809</b>	<b>58,292</b>	<b>516,801</b>

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## **Reserves & balances policy statement**

### **Introduction**

A.6.1. 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.6.2. 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.6.3. 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.6.4. This policy statement is concerned with general balances and earmarked reserves as defined above.

### **Purpose of balances and reserves**

A.6.5. The Council has traditionally maintained a small general balance in order to provide a contingency against unforeseen overspendings or a major unexpected event.

A.6.6. 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.6.7. While general balances are unallocated, earmarked reserves are held for specific purposes and to mitigate against potential future known or predicted liabilities.

### **Level of balances and reserves**

A.6.8. 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 sum of council tax plus settlement funding, i.e. between £16m to £20m. This is normally sufficient to cover unforeseen circumstances and the risk of higher than expected inflation. The Council brought forward £31.8m general balances at 1 April 2013. The Council has applied £11.9m to support the 2013/14 budget, leaving £19.9m. Going into 2014/15 the Chief Finance Officer recommends the level of general balances remains the same. This approach is considered prudent when combined with the proposal to remove the risk

contingency from within the revenue budget, leaving general balances to provide mitigation against the risk of non-delivery of service reductions & efficiencies in 2014/15.

A.6.9. The level of earmarked reserves will vary according to specific prevailing financial circumstances, in particular linked to risk and uncertainty.

A.6.10. In this context the Chief Finance Officer report on the budget for 2014/15 recommends:

- holding general balances to £19.9m, combined with;
- reducing the risk contingency within the revenue budget to £5m (from £13m in 2013/14) to mitigate against the risk of non-delivery of the service reductions & efficiencies included in budget proposals.

### **Proposed policy for 2014/15**

A.6.11. 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.6.12. 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.

**Projected earmarked reserves and general balances 2013/14 and 2014/15**

	Brought forward 1 Apr 2013 £m	Forecast 31 Mar 2014 £m	Proposal to balance 2014/15 budget £m	Forecast 1 Apr 2014 £m
<b>Earmarked revenue reserves</b>				
Investment Renewals Reserve	13.3	10.6		10.6
Equipment Replacement Reserve	3.1	2.8	-1.8	1.0
Vehicle Replacement Reserve	5.1	5.2		5.2
Waste Site Contingency Reserve	0.3	0.3	-0.3	0.0
Budget Equalisation Reserve	6.1	23.5	-20.1	3.4
Financial Investment Reserve	1.6	1.6		1.6
Street Lighting PFI Reserve	5.8	6.2		6.2
Insurance Reserve	7.4	7.2		7.2
Severe Weather Reserve	5.0	0.0		0.0
Eco Park Sinking Fund	8.0	11.6		11.6
Investment Reserve	0.0	0.0		0.0
Revolving Infrastructure & Investment Fund	19.5	20.3		20.3
Child Protection Reserve	3.6	2.2		2.2
Interest Rate Reserve	3.2	4.7	-3.7	1.0
Economic Downturn Reserve	4.4	6.0		8.5
Business Rates Appeals Reserve	0.0	0.0		1.3
General Capital Reserve	7.6	4.6		4.6
<b>Total earmarked revenue reserves</b>	<b>94.0</b>	<b>106.8</b>	<b>-25.9</b>	<b>84.7</b>
<b>General balances</b>	<b>31.8</b>	<b>19.9</b>	<b>0</b>	<b>19.9</b>

Note: Council approved use of £11.9m general balances to support the 2013/14 budget

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## Public budget survey 2012/13 using SIMALTO modeling

### Headline findings

A.8.1. 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.8.2. 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:

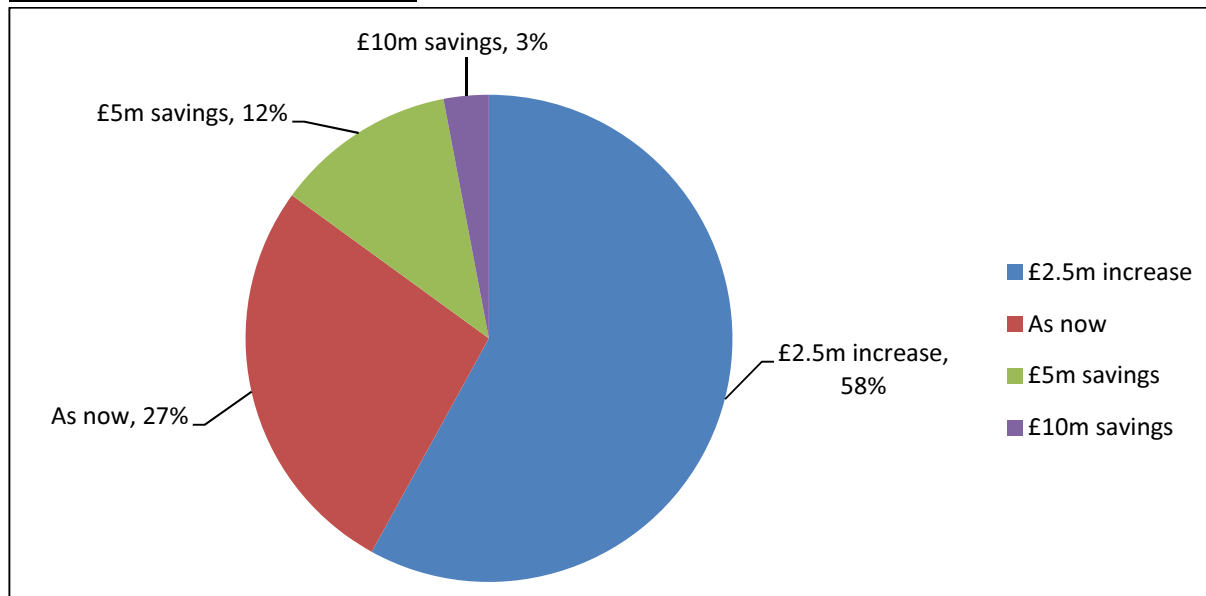
- Fire and Rescue services
- Highways maintenance
- Residential care for dementia sufferers
- Independent living for older people

A.8.3. 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.8.4. Figure A.8:1 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 A.8:1: Residents' budget scenario choice once informed of impact of their spending decisions (face-to-face sample)





A.8.5. Table A.8.1 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.8.6. 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 A.8.1: 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
<b>Council Tax change</b>	-	-	-	-	-	<b>+£6</b>
1 NEET support centres	<i>5 fewer</i>	<i>5 fewer</i>	As now	As now	As now	<b>More apprenticeships</b>
2 Children's centres	<i>6 fewer</i>	<i>6 fewer</i>	<i>6 fewer</i>	As now	As now	As now
3 Dementia care	<i>100 fewer</i>	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	<b>100 more</b>
5 Day centres	<i>Close 1</i>	<i>Close 1</i>	As now	As now	As now	As now
6 Learning difficulties	<i>20 fewer</i>	<i>20 fewer</i>	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	<i>Large reduction</i>	<i>Large reduction</i>	<i>Large reduction</i>	<i>Small reduction</i>	<i>Small reduction</i>	As now
9 Trading standards	<i>Halve protection</i>	<i>Halve protection</i>	<i>Halve protection</i>	As now	As now	As now
10 Arts & heritage	<i>No support</i>	<i>No support</i>	<i>No support</i>	<i>No support</i>	As now	As now
11 Road maintenance	As now	As now	As now	As now	<b>Increase</b>	<b>Increase</b>
12 Recycling centres	<i>Less hours</i>	<i>Less hours</i>	<i>Less hours</i>	<i>Less hours</i>	<i>Less hours</i>	As now
13 Bus routes	<i>Many fewer</i>	<i>Many fewer</i>	<i>Many fewer</i>	<i>Fewer</i>	As now	As now
14 Countryside estate	<i>Close all</i>	<i>Close all</i>	<i>Close all</i>	<i>Deteriorate</i>	As now	As now

A.8.7. Table A.8.2 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 A8.2: 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.8.8. 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.8.9. 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.8.10. 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 or cost more than others, and residents (councils) cannot spend the same money twice.

### Method

A.8.11. The council prepared a matrix grid of 14 different services on which the level of service provision might be changed from 2012 to 2013<sup>1</sup>. 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.8.12. 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).

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<sup>1</sup> 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.8.13. 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.8.14. When comparing the results between both samples, there are only very slight differences between their preferences.

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# Treasury management strategy statement and prudential indicators 2014/19

## Key issues and decisions

To set the Council's prudential indicators for 2014/15 to 2018/19, approve the minimum revenue provision (MRP) policy for 2014/15 and agree the treasury management strategy for 2014/15.

## Introduction

- 2.1. Each year the County Council is required to update and approve its policy framework and ongoing strategy for treasury management in order to reflect changes in market conditions, regulation, and 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 strategy statement and Appendix B.1 sets out the Council's treasury management policy statement.
- 2.2. 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 2014/15, no significant changes are proposed to the treasury management strategy reflecting the current economic climate and Council's risk appetite. The proposed position can be summarised as follows.
  - As a result of unprecedented low investment interest rates, and in order to help reduce counterparty risk, reduce the minimum cash balance further to £47m. However, officers will keep a watching brief on the financial markets with a view to reversing the current internal borrowing policy, if the market conditions change.
  - Maintain the current counterparty list of institutions with which the Council will place short term investments, with the approved lending list reflecting market opinion as well as formal rating criteria.
  - Maintain the monetary limit for the two instant access accounts at £60m since both have nationalised status and therefore minimum risk. That will be reassessed in the event that either institution has been fully refloated on the market, thus falling out of the Government's protection umbrella.
  - Approve the Prudential Indicators in Appendix B.2.
  - Maintain the Schedule of Delegation as set out in Appendix B.4.
  - Maintain the Council's minimum revenue provision policy as set out in Appendix B.7.

## Background

- 2.3. 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 security and liquidity initially before considering investment return.

- 2.4. 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.
- 2.5. The Chartered Institute Public Finance and Accountancy (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

- 2.6. 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 outturn:
- treasury management policy, strategy statement and Prudential indicators report (this report), consisting of:
    - the capital plans (including prudential indicators);
    - a minimum revenue provision (MRP) policy, indicating how the Council intends to fulfil its duty to make a prudent provision towards the reduction in the overall borrowing requirement,
    - 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, consisting of:
    - 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.
- 2.7. The treasury management policy, strategy statement and prudential indicators report is required to be adequately scrutinised before being recommended to the Full County Council. This role is undertaken by the Audit and Governance Committee.



## Treasury management strategy for 2014/15

2.8. The strategy for 2014/15 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.

2.9. 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

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

2.11. 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

2.12. 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. Capita Asset Services provides daily, weekly and quarterly newsletters and update meetings are held with Capita Asset Services twice a year.

2.13. The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training.

This especially applies to members responsible for scrutiny. Training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

### **Capital prudential indicators 2014/15 to 2018/19**

- 2.14. 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.
- 2.15. 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. The prudential indicators in this report are calculated for the whole medium term financial plan (MTFP) period. 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.
- 2.16. The prudential indicators are set out in Appendix B2.

### **Borrowing**

- 2.17. The capital expenditure plans set out in Appendix A5 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 appropriate borrowing facilities. The strategy covers the relevant treasury and prudential indicators, the current and projected debt positions and the annual investment strategy.
- 2.18. Table 2.1 summarises the Council's treasury portfolio position at 31 March 2013, with forward projections. The table shows the actual external debt 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 2.1: Current portfolio position

External debt	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual £m	Projected £m	← ----- £m	Estimated ----- £m	----- £m	----- £m	----- £m
<b>Capital Finance Requirement</b>	<b>560</b>	<b>659</b>	<b>770</b>	<b>808</b>	<b>831</b>	<b>841</b>	<b>837</b>
Less Other Long Term Liabilities	-57	-70	-80	-77	-72	-67	-63
Borrowing Requirement	503	589	690	731	759	774	774
Actual External Debt at 31 March	314	246	301	334	346	354	354
<b>Under/(over) borrowing</b>	<b>189</b>	<b>343</b>	<b>389</b>	<b>397</b>	<b>413</b>	<b>420</b>	<b>420</b>

2.19. 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 2014/15 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.

2.20. 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

2.21. The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Table 2.2 provides Capita's central view on interest rates. For clarification, the Public Works Loans Board (PWLB) certainty rate is a 0.20% reduction to local authorities who provide the required information on their plans for long-term borrowing and associated capital spending. Appendix B3 sets out a summarised report on global economic outlook and the UK economy.

Table 2.2: Prospects for interest rates

Annual average	Bank rate %	PWLB borrowing rates (including certainty rate adjustment)		
		5 year %	25 year %	50 year %
December 2013	0.50	2.50	4.40	4.40
March 2014	0.50	2.50	4.40	4.40
June 2014	0.50	2.60	4.50	4.50
September 2014	0.50	2.70	4.50	4.50
December 2014	0.50	2.70	4.60	4.60
March 2015	0.50	2.80	4.60	4.70
June 2015	0.50	2.80	4.70	4.80
September 2015	0.50	2.90	4.80	4.90
December 2015	0.50	3.00	4.90	5.00
March 2016	0.50	3.10	5.00	5.10
June 2016	0.75	3.20	5.10	5.20
September 2016	1.00	3.30	5.10	5.20
December 2016	1.00	3.40	5.10	5.20
March 2017	1.25	3.40	5.10	5.20

- 2.22. Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 to surpass all expectations. Growth prospects remain strong for 2014, not only in the UK economy as a whole, but in all three main sectors: services, manufacturing and construction. One downside is that wage inflation continues to remain significantly below Consumer Price Index (CPI) inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent.
- 2.23. A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. There are, therefore, concerns that a UK recovery currently based mainly on consumer spending and the housing market, may not endure much beyond 2014. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

2.24. The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of government debt to GDP ratios, in some countries, continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to indicate the use of higher quality counterparties for shorter time periods.
- Investment returns are likely to remain relatively low during 2014/15 and beyond.
- Borrowing interest rates have risen during 2013 and are on a rising trend, albeit slow. The policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years. Looking forward, this will be carefully monitored to avoid incurring unnecessarily high borrowing costs, as the council does reach the point of needing to borrow to finance new capital expenditure and/or to refinance maturing debt, in the near future.
- 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.

### **Treasury Management Delegation**

2.25. The Treasury Management Scheme of Delegation is set out in Appendix B.4.

### **Borrowing strategy**

2.26. 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 December 2013, the level of under-borrowing amounted to around £250m. 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.

2.27. Against this background and the risks within the economic forecast, caution will be adopted with the 2014/15 treasury operations. The Chief Finance Officer will monitor interest rates and gilt yields in financial markets, and adopt a pragmatic approach to changing circumstances.

2.28. The crucial question is 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 returns 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 cost of borrowing.

2.29. How the current internal borrowing gap will eventually be bridged will depend on market projections over 2014/15 and beyond and officers will take advice from the

Council's treasury consultant as to the future directions of the market over the next year. In the current low interest rate environment, which is not expected to change in the immediate short term, the Council remains well placed to take advantage of its internal borrowing strategy in terms of funding capital expenditure from reserves, and then refinancing at the optimum time over the medium term future. In order to facilitate this, the Full County Council agreed to reduce the minimum cash level from £135m to £49m at its meeting on 12 February 2013.

- 2.30. There remains 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.
- 2.31. There are two possible risks in 2014/15:
- The risk of a 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 instance, long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
  - The risk of a sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in the anticipated rate of US tapering of asset purchases, or in world economic activity, or in inflation expectations. In this instance, the portfolio position will be reappraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.
- 2.32. The UK is still 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 has recently returned to the Bank of England's Monetary Policy Committee's (MPC's) target of 2%, any deterioration, i.e., a rise in 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) 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.
- 2.33. Any decisions will be reported to the appropriate decision making body at the next available opportunity.

### **Treasury management limits on activity**

- 2.34. 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.

2.35. Cabinet is asked to recommend the Council approves the treasury indicators and limits in Table 2.3.

Table 2.3: Treasury indicators and limits

	2014/15 to 2018/19		2013/14 year end projection	
	Lower	Upper	£m	
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%	0	0%
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	4%
10 years and above	25%	100%	237	96%
<b>Total external borrowing</b>			<b>237</b>	<b>100%</b>

### **Policy on borrowing in advance of need**

2.36. 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**

2.37. 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).

- 2.38. 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).
- 2.39. 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. Such a decision will be dependent on the level of the premium levied on the redemption.
- 2.40. All rescheduling will be reported to the Audit & Governance Committee at the earliest meeting following its action.

## **Annual investment strategy**

### **Investment policy**

- 2.41. 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, in line with this guidance.
- 2.42. 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 Capita Asset Services ratings service, potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.
- 2.43. 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.
- 2.44. 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, e.g. Financial Times, share prices and other information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. 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.



- 2.45. 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. No changes to limits and criteria are recommended, given the Council's desired prudent risk level.
- 2.46. 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**

- 2.47. 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).
- 2.48. 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.
- 2.49. 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 Capita Asset Services on all active counterparties that comply with the criteria below.
- 2.50. 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. 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 Debt Management Account Deposit Facility (DMADF)
  - Local authorities, parish councils etc
  - Supranational institutions
  - Enhanced Cash/Corporate bonds pooled funds: AAAs1 (or equivalent)

### **Country and Sector Considerations**

2.51. 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**

2.52. 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**

- 2.53. All investments will be limited to 364 days. Further internal restrictions may be applied on recommendations from Capita Asset Services.
- 2.54. The proposed criteria for specified and non-specified investments are shown in Appendix B5 for approval.

### **Country limits**

- 2.55. 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, which has seen its AAA rating reduced.

### **In-house funds**

- 2.56. 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**

- 2.57. The Council will seek to maximise its return on investments by retaining its 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**

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

### **Investment returns expectations**

- 2.59. The Bank Rate is forecast by Capita Asset Services to remain unchanged at 0.5% before starting to rise from quarter 4 of 2014. Capita Asset Services forecasts the financial year ends (March) as:

2013/14	2014/15	2015/16	2016/17
0.50%	0.50%	0.50%	1.25%

- 2.60. 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.

2.61. 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:

2014/15	0.50%
2015/16	0.50%
2016/17	1.00%
2017/18	1.25%

### **Investment treasury indicator and limit**

2.62. 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.

2.63. The Council is asked to approve the treasury indicator and limit.

Table 2.4: Maximum principal sum invested >364 Days

	<b>2014/15</b> <b>% of portfolio</b>	<b>2015/16</b> <b>% of portfolio</b>	<b>2016/17</b> <b>% of portfolio</b>
Principal sums invested > 364 days	0	0	0

2.64. 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.

2.65. 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**

2.66. 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.

2.67. 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.

2.68. The current position is that 55% 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 2.5.

**Table 2.5: Balances owed on Icelandic bank deposits**

<b>Counterparty</b>	<b>Period (days)</b>	<b>Principal £000</b>	<b>Rate %</b>	<b>Principal repaid £000</b>	<b>Principal outstanding £000</b>
Glitnir	364	5,000	6.25%	4,192	808
Glitnir	366	5,000	6.20%	4,193	807
Landsbanki	732	10,000	5.90%	5,520	4,480
		20,000		13,905	6,095

2.69. Previous provision has been made within the Council's accounts for an irrecoverable amount regarding the Icelandic bank debt. It is anticipated that the position could be finally ascertained and closed at some juncture in 2014 with a final irrecoverable amount decided and included in the Council's accounts.

### **Investment risk benchmarking**

2.70. 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**

2.71. 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**

2.72. 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 is recommended to be set at £47m 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**

2.73. 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.

### **Additional Portfolio of Investments**

2.74. On 23 July 2013, Cabinet approved a portfolio of investments, covering investment in property and assets and in new models for service delivery. This supports the Council's stated intentions of enhancing financial resilience in the longer term. These arrangements will allow for investment in schemes that will support economic growth in Surrey provided that these schemes are consistent with the Investment Strategy outlined in the Cabinet report of 23 July 2013.

2.75. The strategic approach to investment is based upon the following:

- prioritising use of the Council's cash reserves and balances to support income generating investment through a Revolving Investment and Infrastructure Fund (the Investment Fund) to meet the initial revenue costs of funding initiatives that will deliver savings and enhance income in the longer term (some of which may be used to replenish the Investment Fund);
- using the Investment Fund to support investments in order to generate additional income for the council that can be used to provide additional financial support for the delivery of functions and services;
- investing in a diversified and balanced portfolio to manage risk and secure an annual overall rate of return to the Council;
- investing in schemes that have the potential to support economic growth in the county;
- retaining assets where appropriate and undertaking effective property and asset management, and if necessary associated investment, to enhance income generation.

### **Performance indicators**

2.76. 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.

2.77. These indicators will be reported to the Audit & Governance Committee in the quarterly and half yearly reports, due after 30 September 2014, and the Treasury Management Annual Report for 2014/15.

#### **End of year investment report**

2.78. 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**

2.79. The Council does not currently employ an external fund manager.

#### **Minimum revenue provision**

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

#### **Lead/contact officer:**

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Capital        Wai Lok, Senior Accountant  
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#### **Appendices:**

Appendix B.1	Treasury Management Policy
Appendix B.2	Prudential indicators – summary
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'

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## 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.

## Prudential indicators

### Capital expenditure

B.2.1. Table B2.1 sets out actual and estimated capital expenditure and its funding for 2012/13 to 2018/19. 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 2012/13 - 2018/19

	2012/13 Actual £m	2013/14 Projected £m	2014/15 ← ----- £m	2015/16 ----- £m	2016/17 Estimated ----- £m	2017/18 ----- £m	2018/19 ----- £m	→
Capital expenditure	143	219	217	164	149	122	106	
Financed by:								
Government grants	107	105	82	90	91	77	74	
Capital receipts	1	0	0	0	0	0	0	
Revenue, reserves and third party contributions	7	4	8	9	9	12	12	
<b>Net financing need for the year*</b>	<b>28</b>	<b>110</b>	<b>127</b>	<b>65</b>	<b>49</b>	<b>33</b>	<b>20</b>	

\*Capital expenditure to be met by borrowing

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

B.2.2. Table B2.2 sets out the Council's capital financing requirement (CFR). The CFR represents capital expenditure funded 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 locally determined resources will increase the CFR. The CFR will reduce by the minimum revenue provision (MRP).

B.2.3 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 underlying need to borrow.

Table B2.2: Capital financing requirement (CFR) 2012/13 to 2018/19

	2012/13 Actual £m	2013/14 Projected £m	2014/15 ← ----- £m	2015/16 ----- £m	2016/17 Estimated £m	2017/18 ----- £m	2018/19 ----- £m
Opening CFR	541	560	659	770	808	831	841
Add new borrowing:							
MRP and other financing movements*	-9	-11	-16	-27	-26	-23	-24
Net Financing Need**	28	110	127	65	49	33	20
Closing CFR	560	659	770	808	831	841	837
<b>Total CFR movement</b>	19	99	111	38	23	10	-4

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

**The Council's gross borrowing requirement**

B.2.4. Table B2.3 sets out the Council's gross debt compared to the CFR. Gross borrowing refers to an authority's total external borrowing. The Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the proceeding year plus the estimates for the following two financial years. This allows some flexibility for early borrowing in advance of need, but ensures that borrowing is not undertaken for revenue purposes.

Table B2.3: Gross borrowing requirement 2012/13 to 2018/19

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>Actual</b>	<b>Projected</b>	← -----	<b>Estimated</b>	-----	→	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Gross borrowing	314	246	301	334	346	354	354
<b>CFR</b>	<b>560</b>	<b>659</b>	<b>770</b>	<b>808</b>	<b>831</b>	<b>841</b>	<b>837</b>

**The Council's operational boundary**

B.2.5. 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.

The operational boundary has been set to ensure there is sufficient headroom to borrow up to the Authority's CFR if the cost of carry or interest rate environment are expected to change during the next 12 months to the extent that makes this an appropriate action.

Table B2.4: Operational boundary 2012/13 to 2018/19

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>Actual</b>	<b>Projected</b>	<b>← ----- Estimated ----- →</b>				
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	523	530	719	753	768	758	751
Other long term liabilities	69	82	92	88	84	79	75
<b>Total</b>	<b>592</b>	<b>612</b>	<b>811</b>	<b>841</b>	<b>852</b>	<b>838</b>	<b>826</b>
Actual external debt	314	246	301	334	346	354	354

**The Council's authorised limit**

B.2.6. 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 limit 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 2018/19

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>Actual</b>	<b>Projected</b>	<b>← -----</b>	<b>-----</b>	<b>Estimated</b>	<b>-----</b>	<b>→</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	582	594	797	833	850	842	835
Other long term liabilities	69	82	92	88	84	79	75
<b>Total</b>	<b>651</b>	<b>676</b>	<b>889</b>	<b>921</b>	<b>934</b>	<b>921</b>	<b>910</b>
Actual external debt	314	246	301	334	346	354	354

**Ratio of financing costs to net revenue stream**

B.2.7. 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.

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

	<b>2013/14 Projected</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
		←	-----	<b>Estimated</b>	-----	→
Ratio of financing costs to net revenue stream	4.46%	4.63%	5.19%	5.50%	4.48%	4.85%

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

B.2.8. 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 all future years.

**Table B2.7: Estimated incremental impact of capital investment decisions on council tax 2014/15 to 2018/19**

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Band D Council Tax	£15.37	£28.23	£33.25	£35.05	£34.70

These prudential indicators show the full revenue costs of the proposed capital programme and do not reflect the impact of the current internal borrowing strategy which has the effect of reducing the actual finance costs as the external borrowing entered into is reduced.<sup>1</sup>

The revenue implications of potential, yet to be identified, investment opportunities that meet the Council's long term capital strategy criteria, will be funded from the investment returns of such investments. If there is a delay in the realisation of sufficient returns then costs will be funded from the Council's Revolving Infrastructure & Investment Fund.

<sup>1</sup> The revenue budgets for interest paid, received and the minimum revenue provision do reflect the internal borrowing and reduced cash balances strategies



## Global economic outlook and the UK economy

### The global economy

- B.3.1. The sovereign debt crisis has eased during 2013 which has been a year of comparative calm after the hiatus of the Cyprus bailout in the spring. The Eurozone (EZ) finally escaped from seven quarters of recession in Q2 of 2013 but growth is likely to remain weak and so will dampen UK growth. The ECB's pledge to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2012 figures) in Greece of 176%, Italy 131%, Portugal 124%, Ireland 123% and Cyprus 110%, remain a cause of concern, especially as many of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth, i.e., these debt ratios are continuing to deteriorate.
- B.3.2. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable and continues to struggle to meet Eurozone targets for fiscal correction. Many commentators still view a Greek exit from the Euro as inevitable and there are concerns that austerity measures in Cyprus could also result in an exit. The question remains as to how much damage an exit by one country would do and whether contagion would spread to other countries. However, the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks. It looks increasingly likely that Slovenia will be the next country to need a bailout.
- B.3.3. Sentiment in financial markets has improved considerably during 2013 as a result of a firm Eurozone commitment to support struggling countries and to keep the Eurozone intact. However, the foundations to this current "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under Eurozone imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 26% and unemployment among younger people of over 50%. The Italian political situation is also fraught with difficulties in maintaining a viable coalition to implement a Eurozone imposed austerity programme and undertake overdue reforms to government and the economy.

### The USA

- B.3.4. The economy has managed to return to reasonable growth in Q2 2013 of 2.5% y/y and 2.8% in Q3, in spite of the fiscal cliff induced sharp cuts in federal expenditure that kicked in on 1 March 2013, and increases in taxation. The Federal Reserve has continued to provide huge stimulus to the economy through its \$85bn per month asset purchases programme of quantitative easing (QE). However, it is expected that this level of support will start to be tapered down early in 2014. It has also pledged

not to increase the central interest rate until unemployment falls to 6.5%; this is unlikely to happen until early 2015.

- B.3.5. Consumer, investor and business confidence levels have improved markedly in 2013. The housing market has turned a corner and house sales and increases in house prices have returned to healthy levels. Many house owners have, therefore, been helped to escape from negative equity and banks have also largely repaired their damaged balance sheets so that they can resume healthy levels of lending. All this portends well for a reasonable growth rate looking forward.

### **China**

- B.3.6. Concerns that Chinese growth could be heading downwards have been allayed by recent stronger statistics. There are still concerns around an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also increasing concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

### **Japan**

- B.3.7. The initial euphoria generated by “Abenomics”, the huge QE operation instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and the introduction of other economic reforms, appears to have stalled. However, at long last, Japan has seen a return to reasonable growth and positive inflation during 2013 which augurs well for the hopes that Japan can escape from the bog of stagnation and deflation, and so help to support world growth. The fiscal challenges though are huge: the gross debt to GDP ratio is about 245% in 2013 while the government is currently running an annual fiscal deficit of around 50% of total government expenditure. Within two years, the central bank will end up purchasing about Y190 trillion (£1,200 billion) of government debt. In addition, the population is ageing due to a low birth rate and will fall from 128m to 100m by 2050.

### **The United Kingdom**

- B.3.8. Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth strongly rebounded in 2013, Q1 (+0.3%), Q2 (+0.7%) and Q3 (+0.8%), to surpass all expectations as all three main sectors, services, manufacturing and construction contributed to this strong upturn. The Bank of England has therefore upgraded growth forecasts in the August and November quarterly Inflation Reports for 2013 from 1.2% to 1.6% and for 2014 from 1.7% to 2.8% with 2015 unchanged at 2.3%. The November Report stated that:
- B.3.9 *In the United Kingdom, recovery has finally taken hold. The economy is growing robustly as lifting uncertainty and thawing credit conditions start to unlock pent up demand. But significant headwinds, both at home and abroad, remain and there is a long way to go before the aftermath of the financial crisis has cleared and economic conditions normalise. That underpins the MPC’s intention to maintain the*

*exceptionally stimulative stance of monetary policy until there has been a substantial reduction in the degree of economic slack. The pace at which that slack is eroded, and the durability of the recovery, will depend on the extent to which productivity picks up alongside demand. Productivity growth has risen in recent quarters, although unemployment has fallen by slightly more than expected on the back of strong output growth.*

B.3.10. Growth is expected to be strong for the immediate future. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth.

### **Forward guidance**

B.3.11. The Bank of England issued forward guidance in August 2013 which said that the Bank will not start to consider raising interest rates until the jobless rate (Labour Force Survey/ILO, i.e., not the claimant count measure) has fallen to 7.0% or below. This would require the creation of about 750,000 jobs and was forecast to take three years in August, but revised to possibly Q4 2014 in November 2013. The UK unemployment rate currently stands at 2.5 million, i.e., 7.6 % on the LFS/ILO measure. The Bank's guidance is subject to three provisos, mainly around inflation; breaching any of them would sever the link between interest rates and unemployment levels.

B.3.12. This actually makes forecasting Bank Rate much more complex given the lack of available reliable forecasts by economists over a three-year plus horizon. The recession since 2007 was notable for how unemployment did not rise to the levels that would normally be expected in a major recession and the August Inflation Report noted that productivity had sunk to 2005 levels. There has, therefore, been a significant level of retention of labour, which will mean that a significant amount of GDP growth can be accommodated without a major reduction in unemployment.

### **Credit conditions**

B.3.13. While the Bank Rate has remained unchanged at 0.5% and QE has remained unchanged at £375bn in 2013, the Funding for Lending Scheme (FLS), aimed at encouraging banks to expand lending to small and medium size enterprises, has been extended. The FLS certainly seems to be having a positive effect in terms of encouraging house purchases although levels are still far below the pre-crisis level. The FLS is also due to be bolstered by the second phase of Help to Buy aimed at supporting the purchase of second hand properties, which is now due to start in earnest in January 2014. While there have been concerns that these schemes are creating a bubble in the housing market, the house price increases outside of London and the south east have been minimal. However, bank lending to small and medium enterprises continues to remain weak and inhibited by banks still repairing their balance sheets and anticipating tightening of regulatory requirements.

**Inflation**

B.3.14. Inflation has fallen from a peak of 3.1% in June 2013 to 2.0% in December 2013.

**AAA rating**

B.3.15. The UK has lost its AAA rating from Fitch and Moody's but that has caused little market reaction.

**Capita Asset Services forward view**

B.3.16. Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets, i.e., equities or safer bonds.

B.3.17. There could well be volatility in gilt yields over the next year as financial markets await the long expected start of tapering of asset purchases by the Fed. The timing and degree of tapering could have a significant effect on both Treasury and gilt yields. Equally, at the time of writing, the political deadlock and infighting between Democrats and Republicans over the budget, and the raising of the debt limit, has only been kicked further down the road, rather than fully resolved. Solving these issues could have a significant effect on gilt yields during 2014.

B.3.18. The longer run trend is for gilt yields and PwLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities. The overall balance of risks to economic recovery in the UK is currently evenly weighted. However, only time will tell just how long this period of strong economic growth will last as it remains exposed to vulnerabilities in a number of key areas.

B.3.19. The interest rate forecasts in this strategy are based on an initial assumption that there will not be a major resurgence of the Eurozone debt crisis, or a break-up of the EZ, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where Eurozone institutions and governments eventually do what is necessary, but only when all else has been tried and failed. Under this assumed scenario, growth within the Eurozone will be tepid for the next couple of years and some Eurozone countries experiencing low or negative growth will, over that time period, see a significant increase in total government debt to GDP ratios.

B.3.20. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one or more countries. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a resurgence of the Eurozone debt crisis. While the ECB has adequate resources to manage a debt crisis in a small Eurozone country, if one or more of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to Eurozone politicians.

## B.3.21. Downside risks currently include:

- UK strong economic growth is currently very dependent on consumer spending and recovery in the housing market. This is unlikely to endure much beyond 2014 as most consumers are up to maximum on borrowing and wage inflation is less than CPI inflation, so disposable income is being eroded.
- A weak rebalancing of UK growth to exporting and business investment causing a major weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partners, the EU and US, depressing economic recovery in the UK.
- Prolonged political disagreement over the US Federal Budget and raising of the debt ceiling.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates, e.g., Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable; this will cause major difficulties in implementing austerity measures and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- Problems in other Eurozone heavily indebted countries, e.g., Cyprus and Portugal, which could also generate safe haven flows into UK gilts, especially if it looks likely that one or more countries will need to leave the Eurozone.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Geopolitical risks, e.g., Syria, Iran, North Korea, which could trigger safe haven flows back into bonds.

## B.3.22. The potential for upside risks to UK gilt yields and PWLB rates include:

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities.
- A reversal of Sterling's safe haven status on a sustainable improvement in financial stresses in the Eurozone.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- In the longer term, an earlier than currently expected reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

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## 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's
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's.

### **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 one of 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.

	<b>Minimum ‘High’ credit criteria</b>
DMA deposit facility	-
Term deposits: local authorities	-
Term deposits: part 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**

Type	Fitch				Moody's			S&P		Maximum Value	Maximum Term
	ST	LT	VIA*	Sup	ST	LT	FSR	ST	LT		
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 them being nationalised or part nationalised by the UK government.
- 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) £60m (per call account) is made available to invest in overnight high interest call accounts with RBS and Lloyds TSB. 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 1 January 2014**

	Fitch Ratings				Moody's Ratings			S&P Ratings	
	S/T	L/T	Viab.	Su pp	S/T	L/T	Str.	S/T	L/T
<b>UK</b>		AA+				AA1			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+	A2	A-
Nationwide Building Society	F1	A	A	1	P1	A2	C	A1	A
Barclays	F1	A	A	1	P1	A2	C-	A1	A
Santander (UK)	F1	A	A	1	P1	A2	C-	A1	A
<b>Australia</b>		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-
<b>Canada</b>		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	AA1	B	A1+	AA-
<b>Finland</b>		AAA				AAA			AAA
Nordea Bank	F1+	AA-	AA-	1	P1	AA3	C	A1+	AA-
<b>Germany</b>		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
Landwirtschaftliche Rentenbank	F1+	AAA		1	P1	AAA		A1+	AAA
<b>Norway</b>		AAA				AAA			AAA
DnB NOR Bank	F1	A+	A+	1	P1	A1	C-	A1	A+
<b>Singapore</b>		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-
<b>Sweden</b>		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	A1	C-	A1	A+
<b>Switzerland</b>		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
- Norway
- Singapore
- Sweden
- Switzerland

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### Minimum revenue provision (MRP) policy statement

- B.7.1. 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.7.2. 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 valuer indicates otherwise)
Vehicles, equipment & plant	10-15 years
IT Equipment (Hardware)	3-10 years
Infrastructure:	
- bridge strengthening	40 years
- lighting	20 years
- structural maintenance	12 years
- minor works	7 years
Intangible Assets (such as computer software)	5 years
Economic regeneration	1% or 0% MRP charged.

- B.7.3. In accordance with provisions in the guidance, MRP will be first charged in the year following the date that an asset becomes operational.
- B.7.4. 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.7.5. 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.7.6. 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.

## Council tax requirement

- 3.1. Cabinet has considered the information in the Officer reports and the feedback and representations from: the public, the business community, voluntary sector and employees. Following consideration, Cabinet proposes and recommends the County Council sets a balanced and sustainable revenue and capital budget for the next five years on 11 February 2014. This is set out in the Council Budget Report 2014-2019 and annexes.
- 3.2. The Local Government Finance Act 2012 changed districts' and boroughs' arrangements for council tax support. Districts and boroughs implemented the new arrangements from 1 April 2013. These changes affect the number and value of taxable properties (tax base). Further information about these changes is in the main report, paragraphs 64 to 68.
- 3.3. Districts and boroughs provided the County Council with estimated council tax base and council tax collection fund balance figures well before the legislative deadline of 31 January. The collection fund balance is the difference between the estimated council tax collectable for the current year (2013/14) and that actually collected. The districts and boroughs confirmed the council tax collection fund balance at £7,352,104.00. The Council will use £4,857,544 of this balance to support the 2014/15 budget and add £2,494,560 to the Economic Downturn Reserve.
- 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 2014/15 is based on:

	£	£
Gross expenditure		1,646,653,401.89
Other income		-150,707,012.66
<b>Budgeted revenue expenditure</b>		<b>1,495,946,389.23</b>
Council tax collection fund balance	-7,352,104.00	
Applied from reserves and balances	-25,917,224.46	
<b>Reserves and Balances including council tax collection fund</b>		<b>-33,269,328.46</b>
<b>Budgeted net expenditure</b>		<b>1,462,677,060.77</b>
Business rates income		-45,525,000.00
Business rates retention system		-192,333,000.00
Other Government grant		-660,828,000.00
<b>COUNCIL TAX REQUIREMENT</b>		<b>563,991,060.77</b>

- 3.6. The tax base is the number of Band D equivalent properties for precepting purposes. For 2014/15 it is as follows:

<b>Billing authority</b>	<b>Number of Band D equivalent properties</b>
Elmbridge	60,968.00
Epsom & Ewell	31,107.87
Guildford	53,188.10
Mole Valley	38,631.00
Reigate & Banstead	57,001.00
Runnymede	31,099.00
Spelthorne	36,555.00
Surrey Heath	36,237.02
Tandridge	36,193.90
Waverley	52,037.00
Woking	38,613.58
<b>Total</b>	<b>471,631.47</b>

- 3.7. Therefore the basic amount of council tax is

$$£563,991,060.77 \div 471,631.47 = £1,195.83$$

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

<b>Valuation band</b>	<b>£</b>
A	797.22
B	930.09
C	1,062.96
D	1,195.83
E	1,461.57
F	1,727.31
G	1,993.05
H	2,391.66

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

<b>Billing authority</b>	<b>£</b>
Elmbridge	74,230,222.44
Epsom & Ewell	37,557,254.18
Guildford	64,630,646.62
Mole Valley	46,631,182.73
Reigate & Banstead	68,767,330.83
Runnymede	37,289,117.17
Spelthorne	45,013,925.65
Surrey Heath	44,379,315.63
Tandridge	43,429,951.44
Waverley	63,113,040.71
Woking	46,301,177.37
<b>TOTAL</b>	<b>571,343,164.77</b>

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

17 April 2014	17 October 2014
23 May 2014	21 November 2014
27 June 2014	5 January 2015
1 August 2014	12 February 2015
8 September 2014	16 March 2015

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*County Council Meeting –11 February 2014*

## **REPORT OF THE CABINET**

The Cabinet met on 17 December 2013 and 4 February 2014. The report from the meeting to be held on 4 February 2014 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 17 December 2013 meeting are included within the agenda at item 11. The minutes of the 4 February 2014 meeting will be submitted to the next County Council meeting. 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 10 February 2014).

For members of the public all non-confidential reports are available on the web site ([www.surreycc.gov.uk](http://www.surreycc.gov.uk)) or on request from Democratic Services.

### **1. STATEMENTS/UPDATES FROM CABINET MEMBERS**

#### **Tower Awards**

The Tower Awards for Customer Service Excellence recognise colleagues in Surrey who go above and beyond expectations in order to deliver outstanding customer service.

Nominations can come from colleagues, Members, or residents and are considered by a judging panel that meets quarterly. Winners are awarded a badge of membership and will join a group that is making a real change to Surrey.

A Tower Award is a badge of honour – it is a signal that your colleagues and customers recognise your dedication and hard work. So, if you know someone who deserves to be recognised for their exceptional customer service, please consider nominating them for a Tower Award. The online nomination form can be found on the Surrey public website.

**Helyn Clack**  
**Cabinet Member for Community Services**

## **2. RECOMMENDATIONS ON POLICY FRAMEWORK DOCUMENTS**

### ***CONFIDENT IN OUR FUTURE, CORPORATE STRATEGY 2014 – 2019***

The Cabinet will be considering Confident in our Future, Corporate Strategy 2014 – 2019 at its meeting on 4 February 2014. A copy of the Cabinet report is attached as an Appendix to this report and the recommendation arising from the Cabinet's meeting will be circulated as a supplementary paper.

## **3. REPORTS FOR INFORMATION / DISCUSSION**

*17 December 2013*

### **A SURREY CYCLING STRATEGY**

1. The County Council developed the Surrey Cycling Strategy to support the development of cycling as a means of transport and to secure economic, health and environmental benefits for Surrey. The Strategy also sets out plans to address the increase in cycle casualty rates and the local impacts of the increase in sports cycling and cycling events. Its aim is to get more people in Surrey cycling, more safely and it has a series of objectives to support the achievement of this aim.
2. The Strategy forms part of the Surrey Transport Plan and is the basis for the development of a series of Local Cycling Plans for each of the Surrey boroughs and districts, under the guidance of the Local Committees. It sets out clear plans and priorities, supported by appropriate governance structures to ensure a partnership approach and has been the subject of extensive public consultation which has informed the strategy.
3. It is supported by a new Framework for Coordinating and Approving Events on Surrey's Highway, which puts in place robust and transparent mechanisms for processes and decision-making governing events.
4. The 2012 Olympic Games positioned Surrey as a centre for cycling and presented a once in a lifetime opportunity to realise the economic, health and environmental benefits from this. Through a partnership approach, the Strategy seeks to ensure that the benefits of this legacy result in more Surrey residents cycling for transport and leisure and that all Surrey children have the opportunity to learn to ride a bike safely.
5. The issues and challenges in relation to cycling differ considerably in different parts of the county. For that reason, the strategy proposes the development of Local Cycling Plans, overseen by the Local Committees, which can properly reflect local circumstances.
6. A successful legacy also requires the County Council to take steps to tackle the rising levels of cyclist casualties, to encourage respect and consideration amongst all road users and to ensure that cyclists who come to the Surrey



countryside show respect and consideration for local communities. It also requires the County Council to continue to support major events that showcase our beautiful county and bring benefits to Surrey, but ensure that they are properly managed so as to minimise disruption and ensure no individual communities are affected by multiple events.

7. The Surrey Cycling Strategy has been developed through dialogue with key stakeholders and through an extensive public consultation exercise. The strategy sets out the County Council's commitment to getting more people in Surrey cycling more safely. It also sets out measures to tackle the increase in cyclist casualties on Surrey's roads and measures to address the impacts of the surge in popularity for sports cycling, particularly in parts of rural Surrey.
8. The strategy priorities and objectives are as follows:
  - Demonstrating leadership
  - Improving highway infrastructure for cycling for transport and health
  - Encouraging everyone to share the road
  - Giving every child in Surrey the opportunity to learn to ride a bike
  - Managing the impacts of sports cycling and events
  - Realising the economic and community benefits of sports cycling and events
  - Consultation analysis
  - Safety and Infrastructure
  - Sharing the road
  - Benefits for residents
  - Managing the impacts of sports cyclists
  - Realising the economic benefit to the Surrey economy
  - Major events
9. The increase in the number of events taking place on closed and open roads, has led to concerns from local communities regarding their impact, especially in rural areas. A Framework for Coordinating and Approving Events on the Highway is proposed, firstly to set out Surrey County Council's expectations of event organisers, and secondly to specify the criteria that will be considered by the County Council prior to permitting road closures under section 16A of the Road Traffic Regulation Act 1984.
10. The Framework defines the process by which event organisers apply for closed road events, including the requirement to consult with elected representatives, residents and businesses. Event plans will be scrutinised by a safety advisory group, and agreement for road closure will be subject to safe and satisfactory plans being in place.
11. **The Cabinet AGREED that:**
  1. The Surrey Cycling Strategy be approved as set out in Annex 1 to the Cabinet report submitted.

2. The role of Local Committees in developing affordable Local Cycling Plans be approved.
3. The continued engagement with Central Government to press for further funding for investment in cycling provision be approved.
4. Active engagement with the police and other local authorities in a similar position to Surrey on key aspects of cycling safety and regulations, as the basis for dialogue with central government, be approved.
5. The Framework for Coordinating and Approving Events on Surrey's Highway be approved as set out in Annex 3 to the Cabinet report submitted.

**B QUARTERLY REPORT ON DECISIONS TAKEN UNDER SPECIAL URGENCY ARRANGEMENTS: 1 OCTOBER – 31 DECEMBER 2013**

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 (Notice of Decisions), 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 have been four such decisions during the last quarter, as follows:

- (i) *Adoption of Forty Foot road, Leatherhead*

**Reason for Urgency:**

To respond to a formal petition concerning an unadopted road, which was not maintainable by the Highways Authority and was suffering from significant deterioration.

- (ii) *Treasury Management Issue*

**Reason for Urgency:**

The Local Government Association was acting on behalf of the Council. Given the continuing uncertainty over the timing and amount of the final settlement, the Council needed to ensure that it received best Value for Money and authorisation was needed by 25 October 2013.

- (iii) *Amendment to the Waste Contract to deliver the Waste Strategy*

**Reason for Urgency:**

To consider information not available when this item was previously considered by Cabinet on 23 July 2013 and to review the decision to vary the Council's Waste Contract, in the light of that update.

(iv) *Disposal of Perry Hill Lodge, Worplesdon*

**Reason for Urgency:**

To agree measures to complete the disposal of this property, as previously authorised.

**Mr David Hodge  
Leader of the Council  
31 January 2014**

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**SURREY COUNTY COUNCIL**

**CABINET**

**DATE:** 4 FEBRUARY 2014

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

**LEAD OFFICER:** DAVID MCNULTY, CHIEF EXECUTIVE

**SUBJECT:** *CONFIDENT IN OUR FUTURE, CORPORATE STRATEGY 2014-2019*



**SUMMARY OF ISSUE:**

The Cabinet are asked to endorse a refreshed version of *Confident in our future*, the Council's Corporate Strategy. The Strategy will then be presented to the County Council meeting on 11 February 2014 for approval alongside the Revenue and Capital Budget. Continued delivery of the Strategy will ensure that Surrey residents remain healthy, safe and confident about their future.

**RECOMMENDATIONS:**

It is recommended that the Cabinet endorses the refreshed version of *Confident in our future*, Corporate Strategy 2014-2019 and recommend that it be presented to the County Council meeting on 11 February 2014 for approval alongside the Revenue and Capital Budget 2014-2019.

**REASON FOR RECOMMENDATIONS:**

By reconfirming a long term vision for the county and setting priorities for the next financial year the refreshed Corporate Strategy provides a clear sense of direction for Council staff and signposts the Council's approach for residents, businesses and partner organisations. As part of the Council's Policy Framework (as set out in the Constitution) the Corporate Strategy must be approved by the County Council.

**DETAILS:**

**Background**

1. On 16 July 2013 the County Council approved a long term strategy for the Council: *Confident in our future*, Corporate Strategy 2013-2018. It was agreed that the Strategy would undergo a light touch refresh on an annual basis.

***Confident in our future, Corporate Strategy 2014-2019***

2. The key challenges outlined in the introduction to the Strategy remain. Namely meeting increasing demands for services while resources in real terms are reducing. By putting the Strategy into action the Council has already made good progress in meeting these challenges. The recently published document "[More than 50 ways Surrey adds value](#)" illustrates this, and a short description of progress made so far has been added to the refreshed Strategy document.

3. The strong progress made confirms the value of sticking to the long term Strategy the Council agreed in July 2013. The Council's vision, purpose, areas of focus, and values therefore remain unchanged:
- **The Council's purpose:**
    - To ensure that Surrey residents remain healthy, safe and confident about their future.
  - **The Council's vision for 2019:**
    - To be delivering great value for Surrey's residents.
  - **Six areas of focus** for the Council to achieve the vision:
    - **Residents:** Individuals, families and communities will have more influence, control and responsibility;
    - **Value:** We will create public value by improving outcomes for residents;
    - **Partnerships:** We will work with our partners in the interests of Surrey;
    - **Quality:** We will ensure high quality and encourage innovation;
    - **People:** We will develop and equip our officers and Members to provide excellent service; and
    - **Stewardship:** We will look after Surrey's resources responsibly.
  - **The Council's Values**
    - **Listen:** We actively listen to others;
    - **Responsibility:** We take responsibility in all that we do;
    - **Trust:** We work to inspire trust and we trust others; and
    - **Respect:** We treat people with respect and are committed to learning from others.
4. Elsewhere there are two key amendments to the Strategy. Firstly, the wording used to explain "what difference the Council makes" has been updated so that it matches that already being used in the Council's communications campaigns with residents and staff. The statements are being used to raise awareness of the important ways the Council adds value. Secondly, the specific list of outcome focussed priorities for the next financial year has been updated.
5. Circulated with this report is a plain text version of the refreshed Strategy: *Confident in our future*, Corporate Strategy 2014-2019 (**Annex 1** circulated separately).

<b>CONSULTATION:</b>
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6. The Council's long term strategy has been discussed at a range of events over recent months involving Members and officers from across the Council. These include the all Member seminar on 16th June, the Chief Executive's 6 month progress report and budget workshops.

## **RISK MANAGEMENT AND IMPLICATIONS:**

7. There are no direct risk management implications arising from this report.
8. The Council's Risk Strategy will be reviewed and updated to reflect the refreshed version of the Corporate Strategy.

## **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

9. The Corporate Strategy is developed in line with budget planning. It sets the strategic direction reflected in the Revenue and Capital Budget 2014/15 to 2018/19 which is presented separately to Cabinet at this meeting.

## **SECTION 151 OFFICER COMMENTARY**

10. The Corporate Strategy has been refreshed alongside the development of Council's future budget. The Revenue and Capital Budget 2014/15 to 2018/19 is presented separately to Cabinet at this meeting.

## **LEGAL IMPLICATIONS – MONITORING OFFICER**

11. There are no legal implications/legislative requirements arising directly from this report.

## **EQUALITIES AND DIVERSITY**

12. There are no direct equalities implications arising from this report. Equalities implications will continue to be considered in relation to the more detailed policies that stem from the overall Strategy.

## **OTHER IMPLICATIONS:**

13. The potential implications for the following council priorities and policy areas have been considered. There are no direct implications arising from this report but the priorities in the Corporate Strategy, Directorate Strategies and the Communications and Engagement Strategy ensure that the Council maintains a focus on each of these policy areas.

### **Corporate Parenting/Looked After Children**

The Council has a duty to act as an effective corporate parent. The Corporate Strategy contains a priority to "protect vulnerable children".

### **Safeguarding responsibilities for vulnerable children and adults**

The Corporate Strategy contains priorities to "protect vulnerable children" and "support vulnerable adults".

### **Public Health**

The Corporate Strategy contains a priority on "keeping families healthy".

### **Climate change/carbon emissions**

The Corporate Strategy contains a priority on "caring for our environment".

## **WHAT HAPPENS NEXT:**

- *Confident in our future*, Corporate Strategy 2014-2019 is presented to the County Council meeting on 11 February 2014 for approval.

- The set of key supporting strategies (e.g. Directorate Strategies) will be refreshed and presented to Cabinet alongside the Medium Term Financial Plan on 25 March 2014.
  - In readiness for the start of the 2014/15 financial year the refreshed suite of strategies will be published on the Council's website – this will include the fully designed version of the Corporate Strategy document and the accompanying video.
  - The full set of measures and targets for the Council's 2014/15 priorities will be finalised and progress will be reported quarterly on the Council's website.
  - The Chief Executive will submit six-monthly progress reports to the Council meetings in July and December 2014.
  - Select Committees continue to scrutinise work programmes and performance.
- 

**Lead Officer:**

David McNulty, Chief Executive

**Consulted:**

Cabinet Members

Council Overview and Scrutiny Committee (30 January 2014)

Council Leadership Team (CLT)

**Annexes:**

Annex 1: *Confident in our future*, Corporate Strategy 2014-2019

**Sources/background papers:**

- *Confident in our future*, Corporate Strategy 2013-2018, report to Council 16 July 2013
  - Chief Executive's six-monthly progress report, report to Council 10 December 2013
-



## What difference will this make?

The changes and improvements we will make over the next five years are all designed to achieve better outcomes for Surrey and its residents.



## Our priorities for 2014/15

There are some specific things we need to focus on in the next year to help us towards our long term goals. These reflect residents' priorities, current challenges, and areas where investment is needed now to realise future ambitions. The detailed measures and targets for the priorities below will be reported on through the year:

- Renew 100km of the county's roads
- Provide over 6,500 additional school places by September 2015
- Support young people and the local economy by creating an additional 500 apprenticeships
- Work with a further 500 families through a Family Support Programme, taking the total number supported to over 1,000
- Support more vulnerable people to live independent lives in Surrey
- Work with health partners to ensure Surrey residents benefit from health and social care integration through the Better Care Fund
- Invest up to £10m to support the response to flooding
- Deliver savings of over £65m in the 2014/15 financial year

## How will we make this happen?

There are a series of more detailed Strategies and plans that link this high level Corporate Strategy to the specific actions that teams and individuals will take to make it happen.

We will continue to engage with residents as we implement our Strategy. We will regularly review our progress and will publish updates against the goals we have set.

Please see our online Strategy Bookcase for more details.

# Confident in our future

Surrey County Council is performing strongly. We are working as "one team" with our partners to ensure Surrey residents receive high quality and value for money services. We are making a positive difference to people's lives every day. Yet there is no complacency. Our job continues to get tougher as demand increases while resources reduce.

**We are confident about Surrey's future. By continuing to build on our strengths and working together with residents and partners, we will find solutions to meet the challenge we face.**

## The challenge ahead

The challenge facing us is stark. We cannot afford to continue delivering the services needed in the way we deliver them today. There are ever growing demands for our existing services, in particular for school places and services for older people. There are new responsibilities that we have to meet. At the same time our resources in real terms will continue to reduce.

We must find sustainable answers so we can continue to support those residents who need us most and play our part in working with others to secure strong economic growth in Surrey.

### Key actions

Over the next five years we will invest:

- £200m in improving roads and easing congestion
- £198m additional funds to ensure vulnerable children and adults are supported
- £327m in providing over 13,000 additional school places

We will reduce our costs by more than £200m over the next five years

We will continue to involve service users in designing and delivering innovative and effective services

We will continue to develop effective partnerships to reduce costs and improve services

## Staying strong: developing innovative solutions

Many councils will respond to the challenge ahead by reducing their capacity and capability. We will not. We will continue to build on our strengths so we can achieve our priorities and long term goals for Surrey. There are more than 50 examples from the last year of how we have improved the value we provide for residents and businesses. We will continue to do this by working together as one team with residents and partners, and investing in our staff so they can provide excellent service.

Staying strong won't mean standing still. We will continue to focus on developing innovative solutions, adapting the way we work and seizing opportunities that will improve services and value for residents.

Everything we do will be focussed on ensuring all Surrey's residents remain healthy, safe and confident about their future.

This short document sets out our vision for 2019 and the steps we will take over the next five years to achieve it. We hope you understand our approach. If you have any comments please contact us at [david.hodge@surreycc.gov.uk](mailto:david.hodge@surreycc.gov.uk) or [david.mcnulty@surreycc.gov.uk](mailto:david.mcnulty@surreycc.gov.uk)

If you would like this information in large print, on tape, in easy-read, or in another language, please contact us on:

Tel: 03456 009 009 Minicom: 020 8541 9698

Fax: 020 8541 9575 Email: [contactcentre@surreycc.gov.uk](mailto:contactcentre@surreycc.gov.uk)

**Our purpose** – To ensure that Surrey residents remain healthy, safe and confident about their future

**Our vision for 2019** - To be delivering great value for Surrey residents

What we will focus on - This vision is ambitious. To achieve it there are six things we have to focus on and get right. These explain how we will transform the way we work with residents, businesses, partners and staff to tackle the issues facing Surrey and how we will navigate our way through the most difficult financial environment local government has faced for the last 80 years.

## Residents

**Individuals, families and communities will have more influence, control and responsibility**

Individuals, families and communities across Surrey have different needs and aspirations. To meet these it is crucial we develop new approaches that increase their control over how services are designed and delivered. This move to greater localism will develop in different ways. We will stimulate changes by engaging with and listening to residents, moving some decision-making powers and funding to local levels, and being transparent about what we do and how much it costs. We will work with adults and children who need support to shape the sort of services they receive so they can lead more independent and fulfilled lives. In everything we do we will treat all residents fairly and with respect.

## Value

**We will create public value by improving outcomes for residents**

In the way that a company seeks to maximise shareholder value, we will focus on generating increased value for residents. We have to reduce our spending by more than £200m over five years to 2019. This is a huge challenge. We will focus relentlessly on reducing our costs. We will deliver the things that are important for Surrey residents, maintain a rigorous focus on value for money, and find innovative solutions that can achieve more for less. This will include looking at different ways of delivering services such as joining up with partners and establishing arrangements to trade services.

## Partnerships

**We will work with our partners in the interests of Surrey**

Putting residents' interests first means setting aside organisational boundaries and traditional roles. We will work with whoever is best placed to help improve outcomes for Surrey residents. This could range from co-designing specific services with residents to formal arrangements with social enterprises or partners such as other councils, the private sector and the voluntary, community and faith sector. Only by remaining a strong organisation will we have the strength to support others in the voluntary, community and faith sector to make their contribution to Surrey's wellbeing. And we will be able to play our part in working with business partners to improve Surrey's competitiveness as the world economy recovers.

## Quality

**We will ensure high quality and encourage innovation**

However services change and whoever delivers them, we will pride ourselves on ensuring high quality at all times. This means working relentlessly with residents, businesses, partners and staff to find improvements and develop fresh approaches. We will focus on prevention; anticipating and avoiding problems before they arise. We will respond quickly to the changing demands - and seize the opportunities - that new technology can bring.

## People

**We will develop and equip our officers and Members to provide excellent service**

One of our key assets is the quality and commitment of the people who work for Surrey. We will invest in the people who work for Surrey. We will make sure that they have the right equipment training and development to support their work. This investment will improve our productivity and the quality of the work we do for residents. It will also support a one team culture where all officers and Members take responsibility for providing excellent service and work together in creative ways for the benefit of residents.

## Stewardship

**We will look after Surrey's resources responsibly**

When striving to fulfil our most pressing duties it is critical we use resources responsibly and safeguard them for future generations. We will continue to maintain rigorous financial and risk management so we have a sound basis for achieving current priorities and investing for future needs. We will focus on conserving Surrey's environment and will reduce our dependency on carbon and other scarce resources.

## Our values

Making these changes will not be easy and we will face some tough choices. To succeed we will need to live up to our values. These are at the heart of our goal to make a difference for Surrey residents.

### Listen

We actively listen to others

### Responsibility

We take responsibility in all that we do

### Trust

We work to inspire trust and we trust in others

### Respect

We treat people with respect and are committed to learning from others

County Council Meeting – 11 February 2014

**REPORT OF THE AUDIT & GOVERNANCE COMMITTEE**

- \*Mr Nick Harrison (Chairman)
- \*Mr W D Barker OBE (Vice Chairman)
- \*Mr Tim Evans
- \*Mr Will Forster
- \*Denis Fuller
- \* Tim Hall

\* = Present  
A = Apologies

**A. AUDIT & GOVERNANCE COMMITTEE: ANNUAL REPORT 2012/13**

1. The Audit & Governance Committee is accountable to full Council and welcomes scrutiny of its effectiveness in fulfilling its terms of reference and its impact on the improvement of governance, risk and control within the authority. An annual report is a useful way to develop understanding of the committee's role and functions and to demonstrate its impact. On 2 December 2013, the Audit & Governance Committee considered and endorsed its draft Annual Report for 2012/13.
2. The Audit & Governance Committee **COMMENDS** its 2012/13 Annual Report to the Council.

**Nick Harrison**  
**Chairman of the Audit and Governance Committee**  
**December 2013**

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# Audit and Governance Committee

Annual Report: 2012/13

## INTRODUCTION

Welcome to the second Annual Report of the Audit & Governance Committee. The committee members believe that an annual report to full Council is a useful way to develop understanding of the committee's role and functions. The Committee is accountable to full Council and welcomes scrutiny of its effectiveness in fulfilling its terms of reference and its impact on the improvement of governance, risk and control within the authority.

This report covers the work of the Audit & Governance Committee during the period **October 2012 – September 2013**. In addition to a summary of work undertaken, the report includes details of committee membership, officer support to the Committee and how the Committee has engaged with others.

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**Nick Harrison**  
**Chairman**  
**Audit & Governance Committee**

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## 1 THE ROLE OF THE AUDIT & GOVERNANCE COMMITTEE

Cipfa (the Chartered Institute of Public Finance and Accountancy) defines the purpose of an audit committee as:

*“...to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority’s financial and non-financial performance to the extent that it affects the authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process”*

Fundamental to the work of the Committee is having a clear understanding that the role of the committee is primarily concerned with assuring itself, and advising the Cabinet and County Council as necessary, that the Council’s policies are being implemented and has in place systems which provide adequate controls over the Council’s resources and assets to prevent the risk of loss through fraud and corruption. It is not the role of the Audit and Governance Committee to be responsible for or manage the arrangements themselves.

Key to the role of an audit committee is that it should be independent of the Cabinet and Scrutiny (Select Committee) functions of the authority, have clear reporting lines and rights of access to other committees (primarily the Cabinet and County Council) and that its members should be properly trained to fulfil the role. The terms of reference for the Audit and Governance Committee are as follows:

### **Regulatory Framework**

- To monitor the effective development and operation of the risk management and corporate governance arrangements in the council
- To monitor the effectiveness of the council’s anti-fraud and anti-corruption strategy
- To monitor compliance with the council’s corporate governance framework and advise or make recommendations to the Cabinet or County Council as appropriate
- To review the Annual Governance Statement and commend it to the Cabinet
- To conduct an annual review of the effectiveness of the system of internal audit
- To make proposals to appropriate Select Committees on suggested areas of scrutiny

### **Audit Activity**

- To consider the Chief Internal Auditor’s annual report and opinion, a summary of internal audit activity and the adequacy of management responses to issues identified
- To approve the annual Internal Audit & Inspection plan
- To consider periodic reports of the Chief Internal Auditor and internal audit activity
- To consider and comment upon the reports of the external auditor, including the annual audit letter

## **Accounts**

- To consider and approve the annual statement of accounts for Surrey County Council, the firefighters' pension fund accounts and the Surrey Pension Fund accounts
- To review the Council's Treasury Management strategy and consider periodic reports of treasury management activity
- To undertake statutory functions as required on behalf of the fire fighters' pension schemes\*.

\* This is not a normal function of an audit committee but is the most convenient way of undertaking a function that cannot be dealt with by the Cabinet.

## **Ethical Standards**

- To monitor the operation of the Member's Code of Conduct
  - To promote advice, guidance and training for Members and co-opted Members on matters related to the Code of Conduct.
  - To ensure the Council's complaints procedures operate effectively.
  - To grant dispensations to Members (including co-opted members) from requirements relating to interests set out in the Members' Code of Conduct.
- 

## **2 MEMBERSHIP OF THE COMMITTEE**

The Audit & Governance Committee is composed of six elected Members from across the political spectrum. Following the election, the Committee saw half its membership change, although stability was maintained with the retention of the existing Chairman and Vice-Chairman.

The Chairman of the Audit & Governance Committee is the Leader of the Residents' Association/Independents Group and the Council's Constitution specifically sets out that the role of Chairman may be filled by a Member from one of the minority groups. CIPFA recommend that in order to promote objectivity and increase an audit committee's standing in the eyes of the public, the chairman should not be a member of the executive and the committee should be independent from the scrutiny function.

It is also recommended as good practice to have an audit committee which has a good depth of knowledge and experience. The current Audit & Governance Committee has a membership drawing from chartered accountancy, the actuarial profession, risk management and experience in local authority leadership. The Committee is also politically balanced.



### **Current Membership:**

- Nick Harrison, the Leader of the Residents' Association/Independent Group of councillors, has been a member of the Audit & Governance Committee since 2005, and Chairman since 2009. To help maintain the Audit & Governance Committee's independence, Nick Harrison is not a member on any of the Council's scrutiny committees. He is a member of the Member Conduct Panel.
- Bill Barker, a member of the Conservative Group, has been a member of the Audit & Governance Committee since 2005. He was Vice Chairman of the Committee for 2005/06 and then reappointed as Vice Chairman of the Committee in 2009. Bill Barker is also a member of the Surrey Pension Fund Board and the Health Scrutiny Committee.
- Tim Evans, a member of the Conservative Group, has been a member of the Audit & Governance Committee since May 2013. He is also a member of the Health Scrutiny Committee.
- Will Forster, a member of the Liberal Democrat Group, has been a member of the Audit & Governance Committee since May 2013.
- Denis Fuller, a member of the Conservative Group, has been a member of the Audit & Governance Committee since 2009. Denis Fuller is also the Vice Chairman of the Children and Education Select Committee.
- Tim Hall, a member of the Conservative Group, has been a member of the Audit & Governance Committee since May 2013. Tim is also Vice-Chairman of Planning & Regulatory Committee and a member of Health Scrutiny Committee.

### **Members until May 2013:**

- Stephen Cooksey, a member of the Liberal Democrat Group, was a member of the Audit & Governance Committee from 2009.
- Tony Elias, a member of the Conservative Group, was a member of the Audit & Governance Committee from 2009.
- Mel Few, a member of the Conservative Group, was a member of the Audit & Governance Committee from 2009.

### **Attendance**

Attendance at Audit & Governance Committee has been good, as evidenced below:

<b>Member</b>	<b>Total expected attendances</b>	<b>Total attendances</b>	<b>Percentage</b>
Nick Harrison	7	7	100%
Bill Barker	7	7	100%
Tim Evans	2	2	100%
Will Forster	2	2	100%
Dennis Fuller	7	5	71%
Tim Hall	2	2	100%
Stephen Cooksey	5	5	100%
Tony Elias	5	3	60%
Mel Few	5	5	100%

### **3 OFFICER SUPPORT TO THE COMMITTEE**

#### **The Section 151 Officer**

The Section 151 Officer, Sheila Little, has provided key support to the Audit & Governance Committee. The Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. CIPFA best practice states that a core Chief Finance Officer responsibility within an authority is the support of the audit committee.

The Section 151 Officer or her representative Kevin Kilburn, with the support of the Financial Reporting Team, has provided reports and training in relation to the Statement of Accounts, external audit activity and financial management. They have attended every Audit & Governance Committee meeting and ensured that the Committee has received the information and advice that it needs to do its job effectively.

#### **Chief Internal Auditor**

The Chief Internal Auditor, is a role defined by CIPFA as ‘...a senior manager with regular and open engagement across the authority, particularly with the Leadership Team and with the Audit Committee’. At Surrey County Council, the Chief Internal Auditor, Sue Lewry-Jones has supported the Audit & Governance Committee in relation to internal audit activity and the regulatory framework. The Chief Internal Auditor sits within the Policy & Performance Directorate and reports to the Head of Policy & Performance.

#### **Risk & Governance Manager**

The Risk & Governance Manager, Cath Edwards, is the Council’s lead officer for coordinating risk management arrangements and monitoring the annual review of governance. The Audit & Governance Committee have received regular reports on governance action plans and reviewed the Leadership Risk Register at each meeting.

#### **Pension Fund & Treasury Manager**

Phil Triggs was appointed as Strategic Manager - Pension Fund and Treasury and started in his post in October 2012. The Committee is responsible for reviewing the Council’s Treasury Management strategy on an annual basis as well as approving the Surrey Pension Scheme accounts. Until May 2013, the Strategic Manager – Pension Fund & Treasury also brought regular reports to the Committee on Pension Fund investments. These reports are now considered by the Surrey Pension Fund Board which was established as of 21 May 2013.

#### **External Audit**

Grant Thornton is the County Council’s appointed external auditors and operates under the Audit Commission Act 1998 and a code of practice approved by Parliament. The appointed auditor for Surrey County Council is Andy Mack and his primary responsibility is to give his opinion on whether the Council’s accounts give a true and fair view of the Council’s financial transactions. Grant Thornton also annually assesses the council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

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#### 4 SUMMARY OF WORK CARRIED OUT BY THE COMMITTEE

A summary of the key work undertaken by the Committee during 2012/13 is highlighted in the table below. The Committee has considered a number of items on a standing basis as well as some ad hoc special items.

##### Regulatory Framework

Item	Summary and outcomes
Risk Management	<p>On a six-monthly basis, the Committee has considered the development and operation of the Council's risk management arrangements. The Committee has also reviewed the Leadership Risk Register at every meeting.</p> <p>The Committee has commended the Risk Management Policy Statement and Strategy to Council for inclusion in the Constitution. This was agreed by Council on 15 October 2013.</p> <p>The Chairman has written to the Cabinet Member for Environment &amp; Transport to raise his concern about an outstanding Strategic Director risk register.</p>
Governance	<p>The Committee twice reviewed the Council's governance arrangements.</p> <p>The draft Annual Governance Statement was commended to Cabinet for publication with the Council's Statement of Accounts. Cabinet approved the Annual Governance Statement on 23 July 2013 and authorised the Leader and Chief Executive to sign for inclusion in the Statement of Accounts. The Committee will continue to monitor the governance environment and report to Cabinet where appropriate.</p> <p>The Committee also approved the updated Code of Corporate Governance and recommended it to County Council for inclusion in the Constitution. This was agreed by Council on 15 October 2013.</p>

##### Audit Activity

Item	Summary and outcomes
Internal Audit Activity	<p>The Committee has twice reviewed the work and performance of Internal Audit during 2012/13. It has also considered the Audit Plan for 2013/14.</p>
Internal Audit Reports	<p>The Committee had a standing item to review the findings of Internal Audits and consider if there were any issues it wished to review in more detail or refer onto Select Committees.</p> <p>Among the outcomes from these reports were:</p> <ul style="list-style-type: none"> <li>• Members raised their concerns about the Telecare audit at Council Overview &amp; Scrutiny Committee.</li> <li>• A process for handling internal audit reports at Select Committees was agreed.</li> <li>• The Committee recommended to Head of Corporate Purchasing that where managers are failing to follow Purchasing Card guidelines, consideration be given to removing cards from use in that department.</li> <li>• The Chairman wrote to the Cabinet Member for Transport, Highways and Environment and Cabinet Member for Schools and Learning about concerns over Transport for Education.</li> </ul>

Irregularities	<p>Twice during the year, the Committee received an update on irregularity investigations by Internal Audit.</p> <p>The Committee also considered the work of Internal Audit in countering, and raising awareness of the risk of, fraud across the Council.</p>
Public Sector Internal Audit Standards	The Committee adopted the Public Sector Internal Audit Standards (PSIAS) as best practice for the delivery of a quality Internal Audit Service at Surrey County Council.
Public Effectiveness Review of the System of Internal Audit	<p>The Committee sponsors an annual review on the effectiveness of the Council's system of internal audit. For 2012/13, the review was undertaken by an external assessor (appointed through CIPFA).</p> <p>The review concluded that internal audit in the Council is well led and is given a high priority by those charged with good governance who acknowledge that improvements have been made in the service over recent years. The report also included a number of recommendations to ensure compliance with the PSIAS for 2013/14.</p>
External Audit	The Committee met with its external auditors at each formal meeting. Over the course of the year, the Committee received the External Audit Plan for the County Council and the Surrey Pension Fund; it reviewed the proposed fees; and considered its findings. The Committee specifically considered the work undertaken on the certification of claims and returns and the results of the review of the Council's arrangements for securing financial resilience.

## Accounts

Item	Summary and outcomes
Surrey County Council and Surrey Pension Fund Local Government Pension Scheme Accounts 2012/13	The Committee approved the Council's statement of accounts and the Pension Fund accounts for audit. Following the external audit, the Committee considered the auditor's results and approved the Council's letters of representation from the Chief Finance Officer & Deputy Director for Business Services.
Treasury Management	<p>On two occasions, the Committee reviewed treasury management activity.</p> <p>On 1 February 2013 the Audit &amp; Governance Committee joined the Council Overview &amp; Scrutiny Committee to consider the Treasury Management Strategy, which formed part of the Business Planning 2013 – 2018 papers. On 12 February, the Committee endorsed the decisions made with Council Overview and Scrutiny Committee</p> <p>In June 2013, the Committee considered and adopted the Treasury Management Risk Register.</p>
Pension Fund Investments	Until the establishment of the Surrey Pension Fund Board, the Committee regularly monitored and ratified the decisions of the Investment Advisory Group of the Surrey Pension Fund.

Babcock 4S Ltd	The Committee twice met with representatives of Babcock 4S and the Council's Schools and Learning Service to review the company's reports and financial statements.
Self-assessment on issues raised in 'Financial Sustainability of Local Authorities'	The Committee considered two recent publications on financial sustainability and good governance in local authorities. It analysed the Council's performance against the issues raised within the two reports.
Progress Reports	The Committee received updates on the Funding Strategy, improvements to the closing process, and work undertaken to identify the extent of a potential overstatement of the Council's creditors as identified by the external auditor's Annual Governance Report.

### Ethical Standards

Item	Summary and outcomes
Granting Dispensation	<p>The Committee agreed a new process for handling applications for dispensation under the new standards regime.</p> <p>This process for granting dispensations is now included in Part 6 of the Constitution of the Council.</p> <p>This was followed by the Committee granting all County Councillors a dispensation to enable them to participate in and vote at the Council budget meeting on 12 February 2013.</p>
Ethical Standards Annual Review	The Committee has reviewed the operation of the Council's Code of Conduct for its Members, training on the Code of Conduct and the Council's arrangements for dealing with complaints that members have breached the Code of Conduct.
Complaints Performance	The Committee has received an overview of the council's complaint policy, procedures and reviewed performance in 2012/13.
Whistle-blowing	The Committee received a regular update on whistle-blowing activity.

## 5 ENGAGING WITH OTHERS

### Engaging with the Leadership

The Chairman of the Audit & Governance Committee has had regular meetings with senior managers across the Council during 2012-13. This included 6-monthly meetings with the Head of Communications and '3 Way Governance' meetings with the Section 151 Officer and Head of Policy & Performance before each Audit & Governance Committee meeting. The Chairman has also met with the Chief Executive on a regular basis and Leader as and when the need has arisen.

The Cabinet Member for Business Services, whose portfolio includes corporate governance, audit and risk assurance, has attended the majority of Audit & Governance Committee meetings during 2012-13. The Leader of the Council and the Council's Chief Executive attended the Audit & Governance Committee on 24 June 2013 to present the Annual Governance Statement. The Annual Governance Statement is the Council's comprehensive assessment of the governance arrangements and the internal control environment across all Council activities for the financial year ending 31 May 2013. It is signed and jointly owned by both the Chief Executive and Leader.

The Chairman of the Member Conduct Panel, David Munro (who is also an ex-officio member of the Committee), joined the Audit & Governance Committee meeting on 2 September 2013 for consideration of an Annual Review of Ethical Standards. Audit & Governance Committee has responsibility for monitoring the operation of the Code of Conduct and promoting advice and training on the Code, while the Member Conduct Panel deals with specific allegations of Member misconduct. The Chairman of the Audit & Governance Committee and the Chairman of the Member Conduct Panel are working closely to ensure that the two bodies have a joined-up approach to Member Conduct matters.

### **Making recommendations**

The Committee has made a number of formal recommendations to Cabinet and the Council as well as drawing attention to matters of concern, without formal recommendation.

All recommendations, referrals to other individuals and bodies, and other actions (including requests for further information) are followed up through the use of a recommendations tracker which is reviewed at every meeting of the Audit & Governance Committee.

### **Wider Council engagement**

Since 2009, an Audit & Governance Committee Bulletin has been produced. The Bulletin was originally introduced to help keep Members up-to-date with issues relevant to the Committee's remit between meetings. Over time the Bulletin has evolved to include more information such as updates from the Council's Finance, Policy & Performance and Adult Social Care services, as well as linking to useful websites. To help raise the profile of the Committee's work, the Bulletin is now published alongside agendas on the public website and is available on notice boards in County Hall.

Over the coming year, the Committee will raise the profile of its work further with the Council through inclusion within the Regulatory Committees Bulletin, to be circulated by email on a quarterly basis.

### **Public Engagement**

A new Visitor's Guide was introduced during the year to give members of the public a better understanding of the Committee's terms of reference and how they can get involved.

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## 6 TRAINING

Training and informal briefing sessions are offered to Members of the Committee to help develop them in their role. Throughout 2012/13 the following training or briefing sessions were held:

- **Induction**  
A general induction to the terms of reference of the Committee was held following the elections and Annual Council meeting.
  - **Statement of Accounts 2012/13**  
Officers took Members through the accounting policies and regulations so that they were able to scrutinise the accounts effectively at Committee.
- 

## 7 NEXT YEAR'S FOCUS

The Audit & Governance Committee will continue to focus on reviewing and challenging the Council's arrangements with regards to risk management, corporate governance, internal and external audit and treasury management into 2013/14. It will also assess its own effectiveness once the new membership is settled and then report back to Council.

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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 10 February 2014.

**MINUTES OF THE MEETING OF THE CABINET  
HELD ON 17 DECEMBER 2013 AT 2.00 PM  
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)	*Mr John Furey
*Mr Peter Martin (Vice-Chairman)	*Mr Michael Gosling
*Mrs Mary Angell	*Mrs Linda Kemeny
*Mrs Helyn Clack	*Ms Denise Le Gal
*Mr Mel Few	Mr Tony Samuels

Cabinet Associates:

*Mr Steve Cosser	*Mrs Kay Hammond
*Mrs Clare Curran	*Mr Mike Goodman

\* = Present

**PART ONE**  
**IN PUBLIC**

**85/13 APOLOGIES FOR ABSENCE [Item 1]**

Apologies were received from Mr Tony Samuels.

**86/13 MINUTES OF PREVIOUS MEETING: 26 NOVEMBER 2013 [Item 2]**

**RESOLVED** that the minutes of the meeting held on 26 November 2013 be confirmed and signed by the Chairman.

**87/13 DECLARATIONS OF INTEREST [Item 3]**

There were none.

**88/13 PROCEDURAL MATTERS [Item 4]**

**(a) MEMBERS' QUESTIONS [Item 4a]**

Twelve questions had been received from Members. The questions and responses were tabled and are attached as **Appendix 1 to these Minutes**.

Mr Tim Hall asked supplementary questions relating to the economic benefits of the Prudential Ride London-Surrey event and why the successful Olympic events and trials were not considered relevant. The Cabinet Member for Community Services advised that Surrey's economy had benefitted with a share of the £13m economic benefit which had been identified from the weekend's events and would check to see if there was further detail on the breakdown that could be provided to Mr Hall. The Cabinet Member also

clarified that it was not considered meaningful, rather than relevant, to compare the first year event of Prudential Ride London-Surrey Classic and 100 with previous Olympic events due to the differences in the events.

**(b) PUBLIC QUESTIONS [Item 4b]**

There were none.

**(c) PETITIONS [Item 4c]**

Two petitions were received from residents. The petitions were considered as part of the discussion on the Surrey Cycling Strategy and Prudential RideLondon-Surrey 100 & Classic items. A response was tabled and agreed. A copy is attached as **Appendix 2 to these Minutes**.

**(d) REPRESENTATIONS RECEIVED ON REPORTS TO BE CONSIDERED IN PRIVATE [Item 4d]**

There were none.

**89/13 REPORTS FROM SELECT COMMITTEES, TASK GROUPS, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL [Item 5]**

Recommendations had been received from the Communities Select Committee on the Surrey Cycling Strategy and Prudential RideLondon-Surrey 100 & Classic items and were considered as part of the discussion of those items. A response was tabled and agreed. A copy is attached as **Appendix 3 to these Minutes**.

**(a) SURREY CYCLING STRATEGY [Item 6a]**

The County Council had developed the Surrey Cycling Strategy to support the development of cycling as a means of transport and to secure economic, health and environmental benefits for Surrey. The Strategy also sets out plans to address the increase in cycle casualty rates and the local impacts of the increase in sports cycling and cycling events.

The Strategy's aim is to get more people in Surrey cycling, more safely and contained a series of objectives to support the achievement of this aim.

The Strategy forms part of the Surrey Transport Plan and is the basis for the development of a series of Local Cycling Plans for each of the Surrey boroughs and districts, under the guidance of the Local Committees. It sets out clear plans and priorities, supported by appropriate governance structures to ensure a partnership approach. It has been the subject of extensive public consultation which has informed the strategy.

The Strategy is supported by a new Framework for Coordinating and Approving Events on Surrey's Highway, which puts in place robust and transparent mechanisms for processes and decision-making governing events.

The Cabinet Member for Community Services advised of the work that had taken place to develop the Strategy, including the input from members of the

Communities and Environment & Transport Select Committees and the valuable contribution from over 3,700 comments which had been received. Cycling remained an important aspect of the council's transport strategy and each local committee would be invited to develop their own local cycling plans to further this. Getting more people cycling more safely could reduce congestion, benefit tourism and have positive impacts on health.

The increase in cycling had provided a lasting legacy of Surrey's successful hosting of the Olympics and the Strategy sought to ensure that this would continue in a safe manner. One aspect of this legacy had been the increase in the number of people looking to visit Surrey to cycle on its highways. The Cycling Strategy set out a robust Framework for coordinating and providing cycling events on Surrey's highways. This placed an emphasis on the event organiser to ensure adequate consultation. Surrey County Council would also lobby central government to require that, in future, both the police and local authorities be notified of requests to hold sportive events on public roads. This would enable better planning of these events, ensuring that they were held safely and reduced the risk of any potential disruption.

Cabinet Members discussed their own experience of cycling, local schemes to support cycling and their shared concern that it take place safely with shared understanding from all road users. Education and ensuring that cost was not a factor to children learning and riding safely on cycles were identified as key factors. The benefits of separating cycles from other road traffic where possible were discussed, although it was noted that this could have significant cost implications and could not be done everywhere. Members also noted the work that had taken place with the Equalities Impact Assessments to ensure engagement and accessibility. Ensuring access arrangements for care users had been and would remain a key consideration in the planning around any events.

**RESOLVED:**

1. The Surrey Cycling Strategy be approved as set out in Annex 1 to the report submitted.
2. The role of Local Committees in developing affordable Local Cycling Plans be approved.
3. The continued engagement with central government to press for further funding for investment in cycling provision be approved.
4. Active engagement with the police and other local authorities in a similar position to Surrey on key aspects of cycling safety and regulations, as the basis for dialogue with central government, be approved.
5. The Framework for Coordinating and Approving Events on Surrey's Highway be approved as set out in Annex 3 to the report submitted.
6. The comments and recommendations of the Communities Select Committee be noted and the response agreed as attached at **Appendix 3 to these Minutes.**

**Reasons for Decisions:**

The 2012 Olympic Games positioned Surrey as a centre for cycling and presented a once in a lifetime opportunity to realise the economic, health and environmental benefits from this. Through a partnership approach, the Strategy seeks to ensure that the benefits of this legacy result in more Surrey residents cycling for transport and leisure and that all Surrey children have the opportunity to learn to ride a bike safely.

The issues and challenges in relation to cycling differ considerably in different parts of the county. For that reason, the Strategy proposes the development of Local Cycling Plans, overseen by the Local Committees, which can properly reflect local circumstances.

A successful legacy also requires that steps be taken to tackle the rising levels of cyclist casualties, to encourage respect and consideration amongst all road users and to ensure that cyclists who come to the Surrey countryside show respect and consideration for local communities. It also requires that major events that showcase our beautiful county and bring benefits to Surrey continue to be supported, whilst also ensuring that they are properly managed so as to minimise disruption and ensure no individual communities are affected by multiple events.

**(b) PRUDENTIAL RIDELONDON-SURREY 100 & CLASSIC [Item 6b]**

As part of the legacy of the 2012 Olympic Games, the Cabinet approved support for a cycling event, later named 'Prudential RideLondon'. This is a two day festival that includes the Prudential RideLondon-Surrey Classic and 100 based on the route of the Olympic Cycling Road Races. The festival took place on 3/4 August 2013. Over 16,000 people took part in the 100, including about 2,000 Surrey residents. Over £7m was raised for charity.

In August 2013, Surrey County Council approached the Mayor of London to secure local access to grants for money raised by the London Marathon Trust for Surrey based bids. The Trust amended its terms to make this possible and a number of Surrey based activities had received a total of £335k of funding. It was hoped that the number of organisations directly benefiting from the event would continue to grow next year.

The Chairman advised that the Olympics had been won on the basis of legacy and the commitment to hold legacy events had been part of this agreement. The Olympic and subsequent events had been held safely and successfully and the council had committed to learn lessons from each event. This included feedback about road closures and how this could be done better.

Mr Bill Barker asked a question relating to emergency access on the day of the event and advised that he had been made aware of a resident whose call for an ambulance had been delayed. The Chairman advised that, as set out in the Strategy, responses to emergency incidents were the top priority for each event. With Surrey County Council, local District and Borough Councils and the emergency services all signed up to a shared protocol, this type of shouldn't happen. The importance of ensuring that marshals on the route were well trained in the correct procedures was also noted. Emergency

response arrangements and plans should also be well communicated with local Members.

It was noted that, while the event itself had been a success with many positive and supportive comments, two main themes could be identified within the more negative feedback. These related to requests to consider using different routes and the potential loss to some local businesses. The Cabinet Member for Community Services advised that the establishment of a regular route had positive benefits, meaning that lessons could be learnt year on year, responding to experience and the comments received to make adjustments and open closed roads sooner. The Cabinet Member for Transport, Highways and Environment agreed that many roads closed for the event in 2013 would be opened earlier in future in the light of the experience gained.

Cabinet Members noted the concerns raised about some businesses being affected by access issues without being well placed to directly share in the benefits of the event. Whilst some local businesses along the event route had benefited from crowds, increased trade and a carnival atmosphere, it was acknowledged that this was not the experience of all and it was a tough time generally for rural businesses. The council was keen to learn lessons from other charity events to help enable rural businesses to benefit from association with the event eg joint promotion with the lead charities and beneficiaries to work together.

Cabinet Members expressed support for the measures to be taken to provide a safe and well planned legacy cycling event with an improved experience year on year.

**RESOLVED:**

1. The Prudential RideLondon-Surrey 100 and Classic events for the period to 2017 be approved as the County's legacy cycling events.
2. That, in order to achieve the above, the Council will continue to collaborate with the Greater London Authority, Transport for London and other delivery partners to deliver the events
3. The Prudential RideLondon-Surrey 100 and Classic routes for 2014 be approved in principle and the final detail of the route be determined by either the Assistant Chief Executive or Strategic Director Environment and Infrastructure in consultation with the Leader of the Council, the Cabinet Member for Community Services and the Cabinet Member for Transport, Highways and the Environment.
4. That a further decision will be taken regarding the proposed route for future events.

**Reasons for Decisions:**

The 2012 Olympic Games positioned Surrey as a centre for cycling and presented a once in a lifetime opportunity to realise the economic, health and environmental benefits from this. The Surrey Cycling Strategy sets out how these benefits will be realised.

An important aspect of this is the tourism and inspirational benefit derived from the profile of the Olympic road races. To that end, following the successful operation of the 2013 PRLS events and the consultation feedback indicating widespread support for major cycling events, the PRLS events will be established as the county's 2012 Olympic legacy cycling events.

## **90/13 BUDGET MONITORING REPORT FOR NOVEMBER 2013 [Item 7]**

The Cabinet considered an update on the council's financial position at the end of November 2013. The Cabinet focused in particular on the year end revenue and capital budgets forecasts and the achievement of efficiency targets.

The Chairman advised that the financial position was progressing well and the year end budget was projected to be in balance across all services. There were no plans to use the contingency fund of £13m. The Council's focus remained on providing Surrey's taxpayers with absolute value for money. The council continued to use its capital programme to invest in Surrey. This included Project Horizon which would deliver significant investment in Surrey's highways. Frontloading would see £31m invested in the current financial year with a further £69m over the following four years. The reprofiling of a number of small capital schemes had led to a forecast underspend of £3m within service capital budgets.

Cabinet Members updated on pressures and efficiencies within their portfolios. Services were making good progress in delivering efficiencies and were forecast to achieve £61m in savings for the full year. Work was also ongoing to reduce the council's reliance on government grants and council tax. The outcomes of these projects would be key to balancing budgets in the longer term and ensuring the long term resilience of the council's financial position.

### **RESOLVED:**

1. That the following be noted:
  - Forecast revenue budget for 2013/14 is balanced on services, adding the unused £13m risk contingency brings this to £13m overall underspend (paragraph 1 of Annex 1 to the report submitted).
  - Forecast ongoing efficiencies and service reductions achieved by year end is £61m (paragraph 67 of Annex 1 to the report submitted).
  - Forecast capital budget position for 2013/14 is -£2.7m on services and +£26.6m overall (paragraphs 71 to 75 of Annex 1 to the report submitted).
  - The management actions to mitigate overspends throughout the report submitted.
2. The request to drawdown the 2012/13 winter pressures funding (£1.7m) to cover slippage on Family, Friends & Community Support saving (paragraph 14 of Annex 1 to the report submitted) be agreed.

3. The re-profiling of the capital expenditure on road and highway repairs from £20m each year of the five year 2013-18 capital programme to £31m in 2013/14, with the remainder spread over the four years 2014/15 to 2017/18 (paragraph 75 of Annex 1 to the report submitted) be agreed.

**Reasons for Decisions:**

To progress the actions identified as part of the agreed strategy of monthly budget monitoring reporting, noting the particular focus on the year end revenue and capital budgets forecasts and the achievement of efficiency targets.

**91/13 SCHOOLS EXPANSION PROGRAMME FROM SEPTEMBER 2014 [Item 8]**

There is significant demand for new schools places within Surrey, resulting from increases in the birth rate and inward migration into Surrey County Council, which are addressed through Surrey County Council's five year 2013-18 Medium Term Financial Plan.

The Cabinet considered the individual business cases for expansion and to create an additional 720 new places at Queen Eleanor's, Wonersh and Shamley Green, Grayswood, St Bartholomew's, Holmesdale and Brookwood schools. These schools had been identified within the programme as requiring expansion through the provision of permanent adaptations and additions to their existing facilities, in order to meet the demand in the Guildford, Haslemere, Reigate and Woking areas.

**RESOLVED** that the expansion of the following schools be agreed in principle subject to the consideration and approval of the detailed financial information for each school (as set out in agenda items 17, 18 and 19 in Part 2 of the agenda) in Part 2 of the meeting:

- (i) Queen Eleanor's Junior School (Increase by 120 places to 420 places)
- (ii) Wonersh and Shamley Green Primary School (Increase by 120 places to 210 places)
- (iii) Grayswood Infant School (Increase by 120 places to 210 places)
- (iv) St Bartholomew's Primary (Increase by 60 places to 420 places)
- (v) Holmesdale Infant School (Increase by 90 places to 360)
- (vi) Brookwood Primary School (Increase by 210 places to 420)

**Reasons for Decision:**

The schemes deliver a value for money expansion to the schools, which supports the Authority's statutory obligation to provide additional school places for local children in Surrey. The individual projects and building works are in accordance with the planned timetables required for delivery of the new accommodation at each school.



**92/13 CONTRACT EXTENSION - MEDICAL AND PSYCHOLOGICAL TREATMENT FOR DRUG AND ALCOHOL [Item 9]**

The Council's Public Health Service has a requirement to deliver drug and alcohol recovery services to residents. The Cabinet considered the extension of the current contract delivered by Surrey and Borders Partnership Foundation Trust for a further year for the provision of Medical and Psychological Treatment for Drugs and Alcohol. The existing contract was due to expire on 31 March 2014.

The service would be provided in accordance with guidance from Public Health England in order to improve the delivery of Substance Misuse Services to develop and sustain recovery among services users across Surrey's eleven District and Boroughs. It was noted that the Equalities Impact Assessment had been completed to ensure that each individual was looked after.

The Cabinet considered financial details relating to this item during Part 2 of the meeting (Minute item 239/13).

**RESOLVED:**

1. Following consideration of the results of the discussions undertaken with the service provider outlined in Annex 1 to the report submitted in Part 2 of the meeting, the award of the extension of the contract be agreed.
2. That a contract extension for the period of one year be awarded to Surrey and Borders Partnership Foundation Trust for the provision of Medical and Psychological Treatment for Drugs and Alcohol to commence on 1 April 2014 and expires on 31 March 2015.

**Reasons for Decisions:**

The existing contract was due to expire on 31 March 2014. Surrey and Borders Partnership Foundation Trust has performed well over the duration of the contract against the performance measures in place. This has contributed to the success of Surrey's Drug and Alcohol Treatment System as the most successful in a cluster group of other partnerships with a similar socio/demographic basis. No concerns were raised in the recent Care Quality Commission report.

The extension of the current contract will ensure stability and continuity of the largest component of the Drug and Alcohol Treatment System in Surrey and will provide the opportunity to develop collaborative working relationships with the supplier and regular contract management meetings

**93/13 SHORT BREAKS FRAMEWORK FOR CHILDREN AND YOUNG PEOPLE WITH DISABILITIES [Item 10]**

Surrey County Council has a statutory duty under the Breaks for Carers of Disabled Children Regulations 2011 to commission short breaks services for children and young people with disabilities and their families across the county of Surrey. The current contracts for short breaks expire on 31 March 2014. A new framework of providers is being developed, to provide play and

leisure, personal support (including domiciliary care) and residential services, to begin on 1 April 2014.

The Cabinet considered the financial details and tender evaluation relating to this item in Part 2 of the meeting (Minute item 240/13).

**RESOLVED:**

1. The following providers be awarded a place on a four-year framework as they have been successful in the Invitation To Tender evaluation process:

Action for Blind People, Action for Children, Animated Youth, Avenues, Barnardo's, Cherry Trees, Children's Trust, Core Assets Children's Services, Crossroads Care Surrey, Cycling Projects, Disability Challengers, Family Resource Centre UK, Freewheelers Theatre and Media Ltd, KIDS, Link Leisure, Live & Learn, Prospect Housing, Rainbow Trust Children's Charity, Reigate and Redhill YMCA, Rhythmix, Shooting Star Chase, Stoppap Dance Company, The National Autistic Society, Voyage Care, White Lodge Centre.

2. That it be noted that the council reserves the right within the terms and conditions of the framework agreement to add additional providers onto the framework through a further competitive tendering process during the four-year period of the framework agreement.
3. That the authority to award contracts with individual contract value of over £500k under this Framework Agreement be delegated to the Strategic Director for Children Schools and Families in consultation with the Leader and Cabinet Member for Children and Families.

**Reasons for Decisions:**

The council has a statutory duty, under the Breaks for Carers of Disabled Children Regulations 2011, to commission short breaks services for children and young people with disabilities and their families across the county of Surrey.

The existing contracts will expire on 31 March 2014. 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.

Awarding the named providers a place on the framework agreement and subsequent contracts allows the council to continue to deliver short break services for children and young people with disabilities and their families/carers within Surrey.

**94/13 SUPPORTED ACCOMMODATION FRAMEWORK AGREEMENT FOR YOUNG PEOPLE [Item 11]**

The purpose of supported accommodation is to ensure that all vulnerable young people countywide have safe and suitable accommodation that meets

their needs. The Council has a statutory duty to provide a range of Supported accommodation for young people.

The Cabinet is asked to approve spend up to £3.1m per annum with the identified providers as part of a new Supported Accommodation Framework Agreement. The Framework Agreement will commence on 1 April 2014.

The procurement and evaluation process followed had demonstrated that the recommended providers would ensure that the Framework Agreement would deliver highly effective services for young people in Surrey.

The Cabinet considered the financial and tender evaluation details relating to this item during Part 2 of the meeting (Minute item 241/13).

**RESOLVED:**

1. That the following providers be awarded a place on the four-year Framework as they had passed the Invitation To Tender evaluation process:  
  
A2 Dominion Group, Above Beyond Care, Barnados, Care Tech, Cherchefelle, East to West, Guildford YMCA, Holmdene, Home Group LTD, Keychange Charity, Life, Morgan Brown, Moving on Care Management, Pathway to Independence, Prospect Housing, Reigate and Redhill YMCA, Sanctuary Housing, Step Ahead, Step by Step, Transform Housing and Watershed Care Services.
2. That the authority to award contracts under this Framework Agreement, with individual contract value of over £500k, be delegated to the Strategic Director for Children Schools and Families in consultation with the Leader and Cabinet Member for Children and Families.
3. That the authority to award contracts with individual contract value of over £500k under this Framework Agreement be delegated to the Strategic Director for Children Schools and Families in consultation with the Leader and Cabinet Member for Children and Families.

**Reasons for Decisions:**

The re-commissioning process and subsequent award of a number of contracts under this Framework Agreement will ensure safe and appropriate supported accommodation is available and delivered countywide for vulnerable young people.

A full tender process, in compliance with the requirement of EU Procurement Legislation and Procurement Standing Orders has been completed. The thorough evaluation process resulted in a selection of the most suitable providers able to deliver supported accommodation services.

The Framework will be for a maximum of four years and will include multiple providers. This will allow for further mini-competitions to ensure value for money.

The Framework Agreement will govern the overall commercial arrangements between the Council and providers, providing a clear structure for service delivery, quality and price.

### **95/13 MERSTHAM REGENERATION PROJECT [Item 12]**

The Merstham Regeneration Project would deliver a new integrated community hub, an improved retail offer, the removal of existing shops and the replacement of existing poor quality social housing with 50 new homes. Surrey County Council would enter into a Memorandum of Understanding with Reigate and Banstead Borough Council and Raven Housing Trust to facilitate this regeneration.

The inclusion of youth services and library services within the integrated community hub in Merstham would significantly enhance the facilities available to young people and the local community. This would be subject to a full business case that identified the revised total capital costs.

The Cabinet had previously expressed its support for a new community hub and agreed in principle the potential disposal of the existing Merstham library site to the Diocese of Southwark at market value in exchange for the proposed Battlebridge school site. The need to re-provide Merstham library in the community hub had been identified in the Medium Term Financial Plan capital programme since 2010 at an estimated cost of £1.2m.

#### **RESOLVED:**

1. That the entering into of a Memorandum of Understanding with Raven Housing Trust and Reigate and Banstead Borough Council to progress the Merstham Regeneration Project be approved in principle as outlined in the report submitted.
2. That the Strategic Director for Business Services, in consultation with the Leader of the Council, be delegated authority to sign the final Memorandum of Understanding.
3. That the estimated total capital expenditure of no more than £2.3m be approved and delegated authority be given to the Strategic Director for Business Services, in consultation with the Leader of the Council, to approve expenditure in relation to this project, subject to full business case approval.

#### **Reasons for Decisions:**

The Merstham estate is one of the most deprived areas in Surrey with comparatively high levels of poverty, some poor housing and significant health needs. It remains an area with a high concentration of young people not in education, employment or training. The inclusion of youth services and library services within an integrated community hub in Merstham will significantly enhance the facilities available to young people and the local community.

## **96/13 PROVISIONAL EDUCATION PERFORMANCE OUTCOMES 2013 [Item 13]**

The Cabinet considered an overview of the provisional educational outcomes of children and young people in early years, primary, secondary, post 16 and special school phases for the academic year ending in the summer of 2013. It was noted that the results were provisional, subject to change and that the final results would be considered at a future meeting.

Based upon the provisional data, there had been improvements in attainment at both key stage 2 and 4. The percentage of pupils achieving level 4 or above in reading, writing and maths at the end of key stage 2 has increased this year, and Surrey had climbed in the national rankings for this measure.

There had also been an increase of three percentage points in the proportion of key stage 4 pupils who achieved five or more GCSEs or equivalent at grades A\* to C including English and mathematics, to 67.2%. Surrey was ranked 15<sup>th</sup> out of 151 local authorities for this measure. Of those local authorities above Surrey in the rankings, none is comparable in size (all have fewer than 5,600 pupils compared with Surrey's 10,660).

The Cabinet Member for Schools and Learning congratulated all pupils, teaching staff and all involved in education for the achievements in 2013. The results represented a good report and one that was outstanding in parts. Investment in schools would continue with the aim that every child attend a good or outstanding school. Cabinet Members welcomed the results.

### **RESOLVED:**

1. That the 2013 Provisional Education Outcomes (as set out in the report and annexes), which will be confirmed following publication of the final key stage 4 data in January 2014, be noted.
2. That the Cabinet Member for Schools and Learning update Cabinet Members on published Ofsted inspection results and performance headlines as appropriate.

### **Reasons for Decisions:**

To ensure that Cabinet is fully informed of the latest education outcomes.

## **97/13 ADULT SOCIAL CARE LOCAL AUTHORITY TRADING COMPANY BUSINESS CASE [Item 14]**

The Cabinet had considered an options appraisal at its meeting on 22 October 2013 that recommended that a Local Authority Trading Company (LATC) could be the preferred model for the future delivery of day services and community support options for people with disabilities and older people. The Cabinet gave its support to the Cabinet Member for Adult Social Care to prepare a business case to confirm the feasibility of an LATC to ensure financial benefits and service outcomes are achieved while retaining the public sector ethos and values of the Council.

The Cabinet considered the business case, assessment of the benefits to the Council, the expected revenue streams and profitability of the company, along

with a draft business plan and consultation and engagement proposal, to be co-designed with stakeholders. Central to the recommendation to create an LATC was that it would deliver benefits to Surrey residents by ensuring the sustainability and continued improvement of existing services. The benefits of the proposal included:

- continued commitment to the Personalisation Agenda
- delivery of high quality, well-regarded services for local people
- responsiveness to the requirements of commissioning plans
- the ability to meet current and projected demand
- responsiveness to the increased take-up of personal budgets and privately purchased services
- flexibility to deliver a new model of services embedded in local communities.

It was noted that the contract award would continue services provision already provided by the council. Whilst other local authorities had set up similar structures, Surrey's direct involvement of users of the service was thought to be unique. The LATC would be able to access greater market opportunities which would provide long term benefits.

**RESOLVED:**

1. That the creation of a Local Authority Trading Company (LATC) limited by shares and owned wholly by the Council to deliver the services within the scope of the report submitted be approved.
2. That authority be delegated to the Shareholder Board to approve the relevant steps set out in the report submitted to form the LATC, appoint its Directors and put in place appropriate governance arrangements to commence trading activities in April 2014.
3. That the award of a contract to the LATC for an initial five year period with a break point after three years to deliver the services in scope on behalf of the Council be approved.
4. That draft debt financing to the LATC be approved to enable it to purchase operational assets from the Council, pay for start-up costs and provide working capital, as set out in paragraph 42 of the report submitted.
5. That officers commence consultation with staff, Trade Unions, partner organisations and stakeholders.

**Reasons for Decisions:**

A LATC will deliver benefits to Surrey residents by ensuring the sustainability and continued improvement of existing services. It will also deliver financial benefits to the Council over the five year contract term, including those benefits which could not be obtained without setting up the LATC such as price reductions and surpluses derived from trading activity.

There is also potential to develop additional and alternative business opportunities - both within the services in scope, and by expanding into other areas - in the longer term, which could lead to substantial profits beyond the

five year period covered by this proposal. These longer term gains would not be available if services remained in-house.

Trading on something close to an “as is” basis will ensure the continued stability and viability of existing services. This LATC provides a relatively low-risk environment in which to establish and take forward the principles and practice of running a trading company, which could feed positively into the broader trading developments which are an integral part of the Council’s longer term financial strategy.

**98/13 LEADER / DEPUTY LEADER / CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING [Item 15]**

The Cabinet noted the delegated decisions taken by Cabinet Members since the last meeting of the Cabinet.

**RESOLVED** that the decisions taken by Cabinet Members since the last meeting as set out in Annex 1 to the report submitted be noted.

**Reasons for Decisions:**

To note the decisions taken by Cabinet Members under delegated authority.

**99/13 EXCLUSION OF THE PUBLIC [Item 16]**

**RESOLVED** that under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act.

**100/13 PROPOSED EXPANSION OF 4 GUILDFORD DIOCESE SCHOOLS TO PROVIDE 420 NEW PLACES IN GUILDFORD AND HASLEMERE FROM SEPTEMBER 2014 [Item 17]**

The Cabinet considered the financial details relating to Minute item 225/13 which set out the individual business cases for expansion of the schools to create an additional 420 new places.

**RESOLVED:**

1. That the business case for the projects to expand the following schools at the total cost set out in the report submitted be approved.
  - (i) Queen Eleanor’s Junior School (Increase by 120 places to 420 places)
  - (ii) Wonersh and Shamley Green Primary School (Increase by 120 places to 210 places)
  - (iii) Grayswood Infant School (Increase by 120 places to 210 places)
  - (iv) St Bartholomew’s Primary (Increase by 60 places to 420 places)
2. That authority be delegated to the Strategic Director for Business Services, in consultation with the Cabinet Member for Assets and

Regeneration Programmes and the Leader of the Council, to agree a variation of up to 10% of the total value as set out in the report submitted.

**Reasons for Decisions:**

To support the authority's statutory obligation to provide sufficient school places to meet the needs of the population in the Guildford and Haslemere area.

**101/13 PROPOSED EXPANSION OF BROOKWOOD PRIMARY SCHOOL [Item 18]**

The Cabinet considered financial details relating to Minute item 225/13 which set out the individual business case for expansion of Brookwood Farm Primary School.

**RESOLVED:**

1. That the business case for the project to expand Brookwood Farm Primary School at the total cost set out in the report submitted be approved
2. That authority be delegated to the Strategic Director for Business Services, in consultation with the Cabinet Member for Assets and Regeneration Programmes and the Leader of the Council, to agree a variation of up to 10% of the total value as set out in the report submitted.

**Reasons for Decisions:**

To support Surrey County Council's statutory obligation to provide sufficient school places to meet the needs of the population in the Woking area.

**102/13 HOLMESDALE INFANT SCHOOL, REIGATE [Item 19]**

The Cabinet considered financial details relating to Minute item 225/13 which set out the business case for the provision of a permanent one form of entry (90 places) increase at Holmesdale Infant School from three forms of entry (270 places) to four forms of entry (360 places) to meet basic need requirements for primary places in the Reigate area.

**RESOLVED:**

1. That the business case for the project to permanently expand Holmesdale Community Infant School at the total cost set out in the report submitted be approved
2. That authority be delegated to the Strategic Director for Business Services, in consultation with the Cabinet Member for Assets and Regeneration Programmes and the Leader of the Council, to agree a variation of up to 10% of the total value as set out in the report submitted.



**Reasons for Decisions:**

To support Surrey County Council's statutory obligation to provide sufficient school places to meet the needs of the population in the Reigate area.

**103/13 ADULT SOCIAL CARE LOCAL AUTHORITY TRADING COMPANY BUSINESS CASE [Item 20]**

The Cabinet noted the Part 2 Annex which had been circulated in relation to Minute item 231/13.

**104/13 INNOVATION PARTNER PROPOSAL [Item 21]**

The Cabinet considered a proposal to strengthen its relationship with an innovation partner, together with a social investment fund, to acquire skills, expertise and further develop its network of innovation.

**RESOLVED:**

1. That an investment be agreed on the basis set out in the report submitted.
2. That the Strategic Director for Business Services, in consultation with the Leader of the Council, be authorised to agree appropriate contractual arrangements on behalf of the Council, following completion of appropriate due diligence.

**Reasons for Decisions:**

An innovation partnership will bring to the Council expertise, intellectual knowledge and a wide network that is essential to its journey of innovation. This partnership will introduce skills and competencies which would be difficult for a local authority to attract in isolation and might otherwise be sought from more expensive consultancy arrangements.

**105/13 CONTRACT EXTENSION - MEDICAL AND PSYCHOLOGICAL TREATMENT FOR DRUG AND ALCOHOL [Item 22]**

The Cabinet considered financial details in relation to Minute item 226/13.

**RESOLVED** that a contract extension for the period of one year be awarded to Surrey and Borders Partnership Foundation Trust for the provision of Medical and Psychological Treatment for Drugs and Alcohol to commence on 1 April 2014 and expires on 31 March 2015.

**Reasons for Decisions:**

The existing contract will expire on 31 March 2014. The contract extension provides best value for money for the Council following negotiations in compliance with the requirement of EU Procurement Legislation and Procurement Standing Orders.

**106/13 SHORT BREAKS FRAMEWORK FOR CHILDREN AND YOUNG PEOPLE WITH DISABILITIES [Item 23]**

The Cabinet considered financial and tender details in relation to Minute item 227/13.

**RESOLVED:**

1. That the following providers be added to the framework agreement as they have successfully passed the evaluation process outlined in the Invitation to Tender:

Action for Blind People, Action for Children, Animated Youth, Avenues, Barnardo's, Cherry Trees, The Children's Trust, Core Assets Children's Services, Crossroads Care Surrey, Cycling Projects, Disability Challengers, Family Resource Centre UK, Freewheelers Theatre and Media Ltd, KIDS, Link Leisure, Live & Learn, Prospect Housing, Rainbow Trust Children's Charity, Reigate and Redhill YMCA, Rhythmix, Shooting Star Chase, Stoppap Dance Company, The National Autistic Society, Voyage Care, White Lodge Centre, for the provision of Short Breaks for Children and Young People With Disabilities to commence on 1 April 2014.

2. That, as part of the mini competition process, no tenderer is awarded a contract unless their quality score in that mini competition achieves a minimum of 40% of the 60% allocated to quality.

**Reasons for Decisions:**

The existing contracts will expire on 31 March 2014. 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.

**107/13 SUPPORTED ACCOMMODATION FRAMEWORK AGREEMENT FOR YOUNG PEOPLE [Item 24]**

The Cabinet considered financial and tender details in relation to Minute item 228/13.

**RESOLVED:**

1. That the following providers be added to the Framework Agreement as they had successfully passed the evaluation process as outlined in the Invitation to Tender:

A2 Dominion Group, Above Beyond Care, Barnados, Care Tech, Cherchefelle, East to West, Guildford YMCA, Holmdene, Home Group LTD, Keychange Charity, Life, Morgan Brown, Moving on Care Management, Pathway to Independence, Prospect Housing, Reigate and Redhill YMCA, Sanctuary Housing, Step Ahead, Step by Step, Transform Housing and Watershed Care Services.

2. That total spend under this Framework be up to the value specified in Annex 1 to the report submitted and will commence on 1 April 2014.
3. That, as part of the mini competition process, no tenderer is awarded a contract unless their quality score in that mini competition achieves a minimum of 40% of the 60% allocated to quality

**Reasons for Decisions:**

The existing supported accommodation contracts will expire on 31 March 2014. A full tender process, in compliance with the requirement of EU Procurement Legislation and Procurement Standing Orders has been completed. Thorough evaluation process should guarantee best value for money for the Council and best outcomes for young people needing support.

**108/13 PROPERTY TRANSACTIONS [Item 25]**

**(a) ACQUISITION OF AN OFFICE PROPERTY IN WOKING [Item 25a]**

The Cabinet considered the acquisition of an office property.

**RESOLVED** that Surrey County Council acquire the freehold interest in this property for the purchase price, ancillary costs and on the basis set out in the report submitted.

**Reasons for Decision:**

To secure the long term need for office accommodation.

**(b) REFURBISHMENT OF VACANT HOUSES [Item 25b]**

The Cabinet considered proposals for the refurbishment of eight vacant homes.

**RESOLVED:**

1. That a capital investment of the amount set out in the report submitted be approved for the refurbishment of eight vacant houses which will protect and enhance the capital value and generate an ongoing income stream for the Council.
2. That the Strategic Director for Business Services, in consultation with the Cabinet Member for Assets and Regeneration Programmes, be authorised to agree a variation of up to 10% of the total value on the basis set out in the report submitted.

**Reasons for Decisions:**

To meet Surrey County Council's objective to increase revenue to the authority and enhance capital value in its assets.

**(c) DISPOSAL OF PERRY HILL LODGE, WORPLESDON [Item 25c]**

The Cabinet considered an additional item under special urgency procedures to agree measures to complete the disposal of this property as previously authorised.

**RESOLVED:**

1. The disposal of Perry Hill Lodge, Worplesdon be approved on the basis set out in paragraph 1 of the report submitted, subject to exchange of papers taking place by 31 December 2013, with

completion taking place on 31 March 2014 or earlier on not less than 10 working days notice from the buyer.

2. Should completion not take place within the required timeframe, the Chief Property Officer, be authorised to take the actions set out in paragraph 19 of the report submitted in consultation with the Cabinet Member for Assets and Regeneration Programmes and S151 Officer.

**Reasons for Decisions:**

To ensure best value is obtained for the disposal of a property no longer required for service reasons, to reduce the cost of managing an empty property and to maximise potential receipts without additional risk.

*[The decisions on this item were taken under Special Urgency procedures with authorisation having been obtained from the Chairman of the Council Overview and Scrutiny Committee that the decision was reasonable in the circumstances and could not reasonably be deferred.]*

**109/13 PUBLICITY FOR PART 2 ITEMS [Item 26]**

**RESOLVED** that no publicity on the details discussed in Part 2 of the meeting be agreed at this time.

Meeting closed at 4.18 pm

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**Chairman**

**CABINET – 17 DECEMBER 2013**

**PROCEDURAL MATTERS**

**Members' Questions**

**Question (1) from Mrs Hazel Watson (Dorking Hills) to ask:**

What action is being taken to improve the reliability of the webcasting of meetings including of full Council and Cabinet meetings, following a number of failures in the webcasting of meetings?

**Reply:**

I share your frustration when the webcasting fails as I would like our decision making to be as open and transparent as possible. In order to improve the reliability of the webcasts, tests are carried out on the equipment beforehand to make sure that it is fully operational and that any faults can be rectified before the meeting. In addition, officers from IMT are on standby during the meetings and can be called upon to investigate if problems arise with the internal connections during the webcast. The webcasting service provider, Public-i, is also on call remotely to fix issues that occur with connections external to the meeting venue during the webcast.

Despite these measures there are occasions where unanticipated difficulties have arisen. The failure of the webcasting equipment at the Council meeting on 10 December, for example, is thought to have been caused by a power spike in the electricity supply in the Council Chamber, which disabled the computer that is used for the webcast. Nothing could be done to rectify this at the time. The provider will check the equipment to supply an analysis of the reason for the failure of the equipment and action will be taken dependent on this diagnosis, involving the appropriate county council services.

**Mr David Hodge  
Leader of the Council  
17 December 2013**

**Question (2) from Mrs Nikki Barton (Haslemere) to ask:**

I am writing to request that the Cabinet consider a separation of the current cycling strategy into 2 parts: a cycling events strategy and a separate cycling strategy, which specifically excludes this. This would mean the work to date could lead to two effective strategies, better able to focus on their aims, have separate action plans, targets and budgets, as set out below.

Currently two strategies have been co-presented. Firstly, the cycling events strategy is important as this is an emerging event/series of events which Surrey CC wish to have clearer control of. This would logically be owned by the Communities Committee.

Secondly, the Cycling (promotion and infrastructure) strategy should be about promoting and facilitating cycling; including continuing with external funding successes like the LSTF in Woking, Guildford and Reigate/Redhill; with the aim of increasing commuter and leisure cycling. This logically should be coordinated with other transport strategies such as for rail, congestion, bus travel and pedestrian access (which we understand will follow in 2014) and it would therefore make sense to be managed by the Transport and Environment Committee.

The consultation on the cycling strategy was dominated by a focus on cycling events. This has resulted in a cycling strategy that does not clearly signpost external funding opportunities (such as LSTF), or provide a guide/leadership to local committees drawing up plans for LTP3. It could have a target for overall cycling levels (by journey for example) and also proposed budget to achieve this, including from partner bodies (who could be co-signatories) and government.

To achieve the best cycling events and cycling strategies it would be good to separate these two from each other, and have clear measurable targets and budgets for both. This would enable both to be effective and link to other strategies: eg for other types of event management and with other transport modes as noted above, to give a coherent and well supported overall sustainable transport strategy for Surrey.

Therefore, I request that the Cabinet consider that the two strategies be separated such that action plans and targets might be developed for both - and the twin aims - one to limit the impact of cycling and the other to promote cycling - are achieved better on their own rather than overshadowed by each other.

**Reply:**

In redrafting the strategy, we did consider this issue carefully. Our view, however, is that the issues are too closely interlinked to be meaningfully separated without resulting in two very repetitive strategies. For example, tackling casualty levels and sharing the roads safely are issues that need to be addressed and cut across cycling as a means of transport and sports cycling and events.

The establishment of a Cycling Board to oversee the delivery of the strategy will provide crucial leadership. We would see the two select committees both having an important role to play in scrutinising achievement of the different objectives of the strategy and reporting the results of that scrutiny to the Board.

It should be noted that the events Framework is a standalone document which covers all events on the highway, not just cycling events.

**Mrs Helyn Clack**  
**Cabinet Member for Community Services**  
**17 December 2013**

**Question (3) from Mr Alan Young (Cranleigh & Ewhurst) to ask:**

- (1) Can the Leader explain why the county council's draft *Framework for coordinating and approving events on the Highway* does not recognise the clearly documented wish of Parish Councils in the Surrey Hills (including Brockham, Shere, West Horsley, Headley, Ewhurst, Capel, Newdigate, Abinger, Buckland, Ockley, Wooton, Mickleham) to only allow races conducted under a rolling road block (see Surrey County Council's minutes of the meeting of Parish Councils held on 12 August 2013)?
- (2) Can the Leader please explain why the Cabinet is being asked to take a decision on 17 December to hold further Ride-London races in Surrey, before these events have been subject to the council's own procedures for approving such events, as set out in the *Framework for coordinating and approving events on the Highway*?
- (3) Does the leader see any risk in the council abrogating all responsibility for consultation with local stakeholders on major events to event organisers, as set out in the *Framework for coordinating and approving events on the Highway*, not least as that document contains no guidance on what form that consultation should take?
- (4) Can the Leader confirm that the Ride-London organisers have **individually** consulted all Members and Parish and Borough Councils affected by the proposed race in 2014? I am aware that they organised a single information event in the Dorking Halls, but it is widely agreed that this does not amount to consultation.
- (5) If the Ride-London organisers have not consulted all affected parties and sought their feedback, can the Leader explain why the Cabinet is being asked to make a decision on approving the Ride-London race for the next four years in the absence of consultation and feedback from the people of Surrey, as required in the *Framework for coordinating and approving events on the Highway*?

**Reply:**

- (1) In drafting the Framework, we considered the issue of rolling road closures versus closed roads events. Our view is that each event must be considered on its own merit, against a range of factors including the health, economic and tourism benefits as well as local impacts. Our preference will always be to use rolling road blocks, but only where it can be made safe to do so.
- (2) The Prudential London- Surrey 100 and Classic is part of the legacy to the Olympic Games and is a large high profile event delivered in partnership. The Framework states that for strategic events of this type, a timetable and process for delivery will be developed on a case by case basis.
- (3) We do not see this as a risk. Details on the requirements are set out in Appendix 3 to the Framework, the Events Organiser's Guidance for Events on the Highway. Where the Council is approached by an event organiser road closures will not be allowed unless the event organiser can show that there is local support for the event. Decisions will be taken based on

advice regarding safety from the Safety Advisory Group and advice regarding due process and proper consultation from the Surrey Events Coordination Group.

- (4) Officers from all of the affected borough and district councils were sent the proposals for the 2014 route on the 30 August 2013 to share with their elected Members for feedback and comment. This was in turn cascaded to parishes on the route. The organisers then met with representatives to discuss the feedback in more detail, which was incorporated wherever possible and presented back to members at a seminar on the 20 November 2013. All of the Members on the route were invited to that seminar. The event organiser is continuing to meet with local groups to take forward planning for the 2014 event.
- (5) See question 4 above.

**Mr David Hodge**  
**Leader of the Council**  
**17 December 2013**

**Question (4) from Mr Tim Hall (Leatherhead and Fetcham East) to ask:**

- (1) Does the Cabinet Member now have the figures for the economic costs to the Surrey Economy from the Ride London Surrey Prudential Classic in 2014. This must include the losses as well as the gains by District or Borough?
- (2) What consultation does the Cabinet Member expect Ride London Surrey Partnership to undertake with communities in my Division and others that do not have Parish Councils in 2014 as there was none in 2013 before this Cabinet when the route is being agreed.
- (3) How does the Cabinet Member intend to measure the risk that the problems with the 2013 Ride London Surrey Prudential Classic have seriously damaged community support particularly in Mole Valley and Elmbridge? As listed in the risk register.
- (4) What steps is the Cabinet Member taking to make sure the lessons for the trials race in 2011 are communicated and acted on by the Ride London Surrey Partnership? As they seem to have been oblivious in 2013.
- (5) What information does the Cabinet Member have on visitor and spectator numbers in Surrey for the 2013 Ride London Surrey Prudential Classic. Who provided this information and how was it audited? How does that compare with the previous two years cycle races?

**Reply:**

- (1) London and Partners has produced an economic impact assessment from the 2013 event, which indicates a total economic benefit of £13m from the Prudential Ride London weekend of activities. We only have anecdotal information on local impacts – positive and negative – to Surrey



businesses. We are working with the event organisers and other stakeholders to improve economic intelligence for future years.

- (2) In areas that do not have a parish or town council, we look to the borough and county members to represent the views of their communities. We would welcome input from members on other representative organisations in these areas.
- (3) We will continue to monitor local views on the event. To date, we have had both positive and negative feedback and continue to work to address the concerns expressed.
- (4) This is a continuously evolving process and the lessons from each event feed into planning for the following year. The Technical Event Director for PRLS was also Technical Event Director for the Olympic road race and test events and is ensuring that lessons are learned and applied on an ongoing basis.
- (5) We do not consider it meaningful to compare Olympic events with the PRLS Classic. The priority for the first year of the PRLS was to deliver a safe and successful event. From next year, the focus will also include attracting greater spectator numbers, including by establishing the PRLS Classic as a significant event on the international cycling calendar and attracting high profile competitors.

**Mrs Helyn Clack**  
**Cabinet Member for Community Services**  
**17 December 2013**

**CABINET RESPONSE TO CYCLING PETITIONS**

**“Surrey County Council: Stop Surrey being turned into a cycle track”**

Presented by Mr Ian Huggins, Esher

**“Surrey County Council: Interact and give knowledge to those you represent.”**

Presented by Mr Michael Blann, Walton on Thames

**RESPONSE**

We welcome the helpful and constructive views that have been expressed from the two petitions and the cycling strategy consultation. Collectively, these give us incredibly useful information from which to build.

We recognise and appreciate the concerns about increased levels of cycling in Surrey and our proposed Cycling Strategy outlines a number of ways we will address this. This includes improved education and awareness on sharing the road safely, engagement with cycling clubs and event organisers and a consistent approach to enforcement. It also includes lobbying central government to amend current regulations to require notification of sportive events. Our new Framework for Coordinating and Approving Events on Surrey’s Highway will include a presumption against more than one closure of any road per year and an onus on event organisers to engage locally at the earliest stages.

We recognise that major events such as the Prudential RideLondon-Surrey 100 and Classic, have been unpopular with some people because of inconvenience on the day and lost trade to businesses on the route. But we have also heard from many people who felt that the PRLS was a wonderful event that brought people together and inspired people to cycle and get fit. In 2013 2,000 Surrey residents took part in the 100 and 10,000 have applied for a place in 2014.

I will be recommending to Cabinet today that we approve the PRLS events for a further four years as they are nationally and internationally significant and give us the opportunity to showcase Surrey as a beautiful place to visit. We will work proactively to ensure that Surrey businesses benefit from this.

I thought it would be useful to clarify the work carried out to date to engage locally to ensure that local residents and businesses are informed and supported in a timely manner.

In 2013 this included leaflets delivered to homes on and within 100 metres of the route, drop in sessions where residents could ask questions and a county wide advertising campaign on radio, bus backs, press and poster sites to make sure people were full aware of the events and their impact.

For the 2014 events the proposed route has been shared with elected representatives of the communities affected, providing them the opportunity to comment and make suggestions. Wherever possible the organisers have taken these into account and as you will hear when the report is considered by Cabinet later in this meeting, many positive changes are being proposed that will help to reduce the disruption and ensure communities and

businesses benefit from the events.

**Mrs Helyn Clack**  
**Cabinet Member for Community Services**  
**17 December 2013**

**CABINET RESPONSE TO COMMUNITIES SELECT COMMITTEE**

**SURREY CYCLING STRATEGY**

**Recommendations:**

- a) That the impact on, and potential benefits for, businesses in Surrey as a result of cycling events be a key element of the Strategy. In particular, staff access to businesses when events are taking place.
- b) That consideration be given to including cycling infrastructure schemes on future programmes in Operation Horizon.
- c) That the County Council be encouraged to lobby central government for a change in primary legislation so that unregulated 'sportive' events become regulated.
- d) That Parish Councils and Local Committees be involved with Surrey County Council and Surrey Boroughs and Districts when working together to develop cycling plans that reflect local priorities and issues.
- e) That paragraph 7.4 of the Cycling Strategy be amended to read 'Any additional major events would involve a road closure only when there is clear evidence that there is strong local resident and business support to do so.'

**RESPONSE**

I welcome the valuable discussion at the Select Committee meeting on the 28 November, and the recommendations that resulted.

I will take each of them in turn:

- a) We recognise the economic significance of cycling and have identified economic impact as an overarching objective of the strategy. We will focus on the role of cycling in tackling congestion and the potential tourism benefits from Surrey's profile as a destination for cycling. With regard to the Prudential RideLondon Surrey events, we are working with the event organisers to ensure that more is done to support businesses to manage impacts and capitalise on the day.
- b) The County Council is investing £100million over the next five years in roads maintenance. As part of this investment we will be identifying opportunities to improve cycling provision and building our internal expertise in designing provision for cycling.
- c) Whilst we welcome the increase in cycling in Surrey, we are concerned with the levels of unregulated events taking place in parts of rural Surrey. We are aware that these events can cause disruption and potentially lead to safety issues. We have committed in the Strategy to lobby central government for a change in the current regulations to require sportive organisers to notify the police and the highways authority of planned events.

- d) The strategy proposes development of local cycling plans, to reflect local needs and issues. The development of these strategies will be overseen by the local committee and we would anticipate that parish and town councils will be key stakeholders in developing the plans.
- e) This change has been made in the strategy.

**Mrs Helyn Clack**  
**Cabinet Member for Community Services**  
**17 December 2013**

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