



Agenda and Reports  
for the meeting of  
**THE COUNTY COUNCIL**  
to be held on  
**10 FEBRUARY 2015**

County Hall  
Kingston upon Thames  
Surrey

30 January 2015

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, 10 February 2015, beginning at 10.00 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 9.50am. 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  
- 10)

To confirm the minutes of the meeting of the Council held on 9 December 2014.

*(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  
11 - 12)

The Chairman to report.

A list of Her Majesty the Queen's New Year Honour's List 2015 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 2015/16 TO 2019/20 AND TREASURY MANAGEMENT STRATEGY**

(Pages  
13 - 154)

To approve:

1. the draft revenue and capital budgets for the five years 2015-20;
2. the level of the council tax precept for 2015/16; and
3. the revised treasury management strategy, including the borrowing and operation limits (prudential indicators) for 2015-20, the policy for the provision of the repayment of debt (minimum revenue provision (MRP)) and the treasury management policy.

(iii)

## 6 MEMBERS' QUESTION TIME

- (1) 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 4 February 2015).***

- (2) Cabinet Member Briefings on their portfolios

These will be circulated by email to all Members on the day before the County Council meeting, together with the Members' questions and responses.

There will be an opportunity for Members to ask questions.

## 7 STATEMENTS BY MEMBERS

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

***(Note: Notice of statements must be given in writing, preferably by e-mail, to Anne Gowing in Democratic Services by 12 noon on Monday 9 February 2015).***

## 8 REPORT OF THE CABINET

(Pages  
155 -  
176)

To receive the report of the meeting of the Cabinet held on 16 December 2014 and 3 February 2015 and to agree two recommendations in respect of:

- (i) Confident in Surrey's Future, Corporate Strategy 2015 – 2020  
(ii) Revised Minerals and Waste Development Scheme (MWDS)

## 9 AMENDMENTS TO THE CONSTITUTION

(Pages  
177 -  
180)

This report sets out changes to the executive functions set out in the Scheme of Delegation. They specifically refer to new delegations relating to the roundabout sponsorship scheme, trading standards cross border investigations and prosecutions and the Basingstoke Canal Joint Management Committee. These changes are brought to Council for information and do not require formal approval.

**10 MINUTES OF THE MEETINGS OF CABINET**

(Pages  
181 -  
200)

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 Anne Gowing in Democratic Services by 12 noon on Monday 9 February 2015.

**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. Please liaise with the council officer listed in the agenda prior to the start of the meeting so that 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*

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COUNTY COUNCILCOUNCIL MEETING - 9 DECEMBER 2014

**MINUTES** of the meeting of the Council held at the Council Chamber, County Hall, Kingston upon Thames, Surrey KT1 2DN on 9 December 2014 commencing at 10.00 am, the Council being constituted as follows:

Mr D Munro (Chairman)  
Sally Marks (Vice-Chairman)

*	Mary Angell	David Ivison
	W D Barker OBE	Daniel Jenkins
	Mrs N 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	Ms D Le Gal
	Bill Chapman	Mary Lewis
	Helyn Clack	Christian Mahne
	Carol Coleman	Ernest Mallett MBE
	Stephen Cooksey	Mr P J Martin
	Mr S Cossar	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
	Mrs P 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 Thomsson
	Ken Gulati	Chris Townsend
	Tim Hall	Richard Walsh
*	Kay Hammond	Hazel Watson
*	Mr D Harmer	* Fiona White
	Nick Harrison	Richard Wilson
*	Marisa Heath	* Helena Windsor
	Peter Hickman	Keith Witham
	Margaret Hicks	Mr A Young
	David Hodge	Mrs V Young
	Saj Hussain	

\*absent

#### **72/14 APOLOGIES FOR ABSENCE [Item 1]**

Apologies for absence were received from Mrs Angell, Mr Bennison, Mr Brett-Warburton, Mrs Hammond, Mr Harmer, Miss Heath, Mrs Moseley, Mrs Ross-Tomlin, Mrs White and Mrs Windsor.

#### **73/14 MINUTES [Item 2]**

The minutes of the meeting of the County Council held on 14 October 2014 were submitted, confirmed and signed.

#### **74/14 CHAIRMAN'S ANNOUNCEMENTS [Item 3]**

The Chairman made the following announcements:

- (i) That the County Council had received the Best Website Award 2014 from the Society of Information Technology Management.
- (ii) He reminded Members that their Christmas lunch was on Thursday 18 December 2014 and was preceded by the Member and staff carol service.
- (iii) He invited Members to view the exhibition in the Grand Hall today in relation to 'Thursley goes to War'.
- (iv) Finally, he said that the lunchtime speaker today would be the Rt. Hon, the Baroness Bottomley of Nettlestone, Virginia Bottomley.

#### **75/14 DECLARATIONS OF INTEREST [Item 4]**

There were none.

#### **76/14 LEADER'S STATEMENT [Item 5]**

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

Members raised the following topics:

- Support for greater local devolution to Surrey.
- That the additional funding to support Children in Need in Surrey was welcomed.
- Fairer funding for school places in Surrey was critical - the potential shortfall was a huge challenge for Surrey.
- Disappointment that junction 9 was not included as one of the major improvements to junctions on the M25, in the Chancellor's Autumn Statement.
- Long term issues, such as provision for increasing numbers of school places and Adult Social Care, would not be solved in the forthcoming budget round.
- That Local Government in this area still needed to find £40m for flood defence schemes.
- Stamp Duty reforms, introduced in the Chancellor's Autumn Statement would be welcomed by Surrey residents, as would the reduction in National Insurance for apprentices.
- A request that the newly introduced Cabinet Member updates could be circulated a minimum of five working days before the Council meetings.



## 77/14 SURREY COUNTY COUNCIL PROGRESS REPORT: JULY - DECEMBER 2014 [Item 6]

The Leader presented the Surrey County Council Progress Report – July – December 2014, the eleventh of the Chief Executive's six monthly reports to Members. He considered that this regular report, including the case studies, was invaluable for keeping Members informed and expressed his appreciation to the Chief Executive for it.

Members made the following comments:

- Mr Witham thanked the Chief Executive for visiting his Worplesdon division. He also referred to paragraph 42 of the Chief Executive's Six Month Progress Report, which related to the affect of the Introduction of the Care Act from April 2015 and requested that there should be a single comprehensive database, available to every work practitioner in Surrey's Adult Social Care Service, detailing up to date information regarding voluntary organisations and the services provided, by area. Also, that an update re. this request is provided in the next Chief Executive's progress report in July 2015.
- Mr Walsh, who was the Mental Health Champion, welcomed the inclusion of a case study which tackled the mental health stigma in Surrey.

### 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.

## 78/14 MEMBERS' QUESTION TIME [Item 7]

Notice of 14 questions had been received. The questions and replies are attached as Appendix B.

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

**(Q1) Mr Robert Evans** asked the Cabinet Member for Environment and Planning if he shared his concern that the change to the 441 bus route was an accident waiting to happen and that the County Council should act now. The Cabinet Member referred him to his written response, which stated that private operators could alter routes without consulting the County Council. He also said that he had attended a meeting in Spelthorne in July where this issue had been discussed and said that further work and cost estimates would be presented to the Spelthorne local committee in due course for their consideration.

**(Q2) Mr Jenkins** queried the responses to his questions (a) and (d).

**Mrs Salaigopoulos** made reference to the Environment and Transport Select Committee's flooding task group report and said that the situation had now moved on. She asked the Cabinet Member for Highways, Transport and Flooding to confirm that Surrey County Council, as the Lead Flood Authority had no powers to compel Thames Water to accept responsibilities for the aqueduct in Staines.

**The Leader of the Council** asked the Cabinet Member to confirm that Thames Water would shortly sign a Memorandum of Understanding with the Environment Agency which would benefit Surrey in the long term.

**Mr Walsh** asked the Cabinet Member to acknowledge the huge amount of work undertaken by officers to alleviate and come up with solutions since the flooding had occurred.

In response, the Cabinet Member for Highways, Transport and Flooding confirmed that Thames Water was the owner of the aqueduct. He also referred to the Section 19 investigation, which would be published on the Council's website in due course. Finally, he confirmed that Thames Water were working with the County Council and that further meetings were planned in the New Year.

**(Q3) Mr Fuller** asked the Cabinet Member for Community Services if a league table, by Borough and District, showing the number of people penalised for dropping litter could be included on the County Council's website. Whilst the Cabinet Member said that she was encouraged by the progress that Borough and Districts had made in this area, she did not consider that a league table would be beneficial.

**(Q4) Mr Cooksey** expressed concern about the length of time proposed to repair the county's footways. He also asked the Cabinet Member for Highways, Transport and Flooding for details on the consultation process concerning the development of a number of models showing different outcomes for the condition of the footway asset. The Cabinet Member confirmed that this information would be circulated to all Members before Christmas.

**(Q5) Mr Orrick** said that details of the potential receipts from the sale of the residential home sites, if they were sold, and whether the information he requested could be put on the Council's website, were not set out in the response from the Cabinet Member for Adult Social Care. The Cabinet Member said that the results of the consultation process needed to be considered before any alternatives for the sites were explored. He would, however, discuss with officers whether the details set out in his written response could be placed on the Council's website.

**(Q6) Mrs Watson** asked the Leader of the Council if the information about reserves and balances had changed since 30 September 2014. **Mr Selleck** asked about the minimum level of reserves going forward. The Leader of the Council said that budget information was public information presented regularly at Cabinet meetings but that he was not in a position to know what the current balances were today. Referring to the minimum level of reserves, he said that he took advice from the S151 officer but it was likely to be approximately £17m / £22m.

**(Q7) Mr Forster** asked the Cabinet Member for Environment and Planning if he would consider not excluding local roads from this funding source and if he would ensure that local committees were consulted at the appropriate time. The Cabinet Member agreed to both requests.

**(Q8) Mr Beardsmore** said that he would like a copy of the North West Surrey Minerals Local Plan 1985 but it was three decades out of date. He said that his question referred specifically to Spelthorne and the answers would be different if it applied just to Spelthorne rather than the cumulative impact across North West Surrey. He also requested responses to his supplementary questions asked at the previous Council meeting.

The Cabinet Member for Environment and Planning agreed to provide a written response to Mr Beardsmore's questions by the end of the week.

**(Q10) Mr Jenkins** referred to the suffering of the residents in the Staines area who had been affected by the flooding earlier in the year and asked the Cabinet Member for Highways, Transport and Flooding if Surrey County Council would be conducting a thorough investigation. The Cabinet Member responded by stating that Surrey County Council was the Lead Flood Authority and not the 'supposed Lead Flood Authority' as stated in Mr Jenkins question. He also considered that his response had fully answered the question and said that the topic had been fully discussed at the Environment and Transport Select Committee.

**(Q11) Mr Essex** asked the Cabinet Member for Business Services for details of the cost and the return on investment for the installation of solar panels of the three existing schemes and whether there were any plans to expand this pilot to other Surrey buildings / sites. The Cabinet Member agreed to provide a response outside the meeting.

**(Q12) Mr Forster** asked the Cabinet Member for Highways, Transport and Flooding, who agreed, to attend a site visit with him so that he could see the issues for himself.

**Mr Townsend** asked for the latest update on Pebble Hill, in his division, which the Cabinet Member agreed to provide outside the meeting and he also said that all local committees would be provided with an updated and revised report on Operation Horizon.

**(Q13) Mr Robert Evans** made reference to the Drive Smart / Make Roads Safer web pages and asked about the effect that the Cabinet Member for Highways, Transport and Flooding road traffic offences would have on Surrey residents. The Leader of the Council referred him to his written reply.

**(Q14) Mr Jenkins** said that his question had been about the future fire and rescue cover for Spelthorne.

**Mrs Saliagopoulos** asked the Cabinet Member for Community Services if she agreed that Surrey Fire and Rescue Service's attendance at the incident on the Renshaw Industrial Estate was to be commended and that the reciprocal agreements had operated smoothly across boundaries.

The Cabinet Member for Community Services did not agree with Mr Jenkins suggestion. She did express her thanks and support to Surrey Fire and Rescue Service and other Fire and Rescue Services for the effective way that the fire had been dealt with and contained on the Renshaw Industrial Estate.

### **Cabinet Member Briefings on their portfolios are attached as Appendix C.**

7 Members made the following comments:

- Adult Social Care: Realignment of Senior Roles to ensure maximum joined up working with the six Clinical Commissioning Groups had saved £0.5m per year in senior management costs.
- Schools and Learning: (1) School place planning – a request for the highways officers/ community transport team to meet with the Headteacher at the Greville School, Ashted to discuss mitigating measures for their school transport plan. (2) Surrey Educational Trust – further details on how to apply was requested, together with the total funding available in the next round (this information is available via a link on the Council's website).
- Highways, Transport and Flooding – (1) flood mitigation and confirmation that the number of sandbags held this year was similar to last year's numbers,

(2) a specific road / junction in the Horsleys division and how it was categorised for priority flooding work, (3) a request to comment on the County's policy on roads that have been flooded and the effect on the planning applications for new developments being considered by Borough / District Planning committees.

- Environment and Planning – Eco park: clarification on why a further report to Cabinet was required in February 2015.

#### **79/14 STATEMENTS BY MEMBERS [Item 8]**

There was one statement from Mr Sydney in relation to Young Epilepsy.

#### **80/14 ORIGINAL MOTIONS [Item 9]**

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

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

'Council notes that:

1. the County Council has set as an objective that 99% of Surrey households will receive fibre based broadband by the end of 2014 and that 94% of households would achieve Superfast Broadband speeds of 15Mbps or more;
2. the Superfast Surrey Broadband Programme was established to ensure that these targets were met and to address the situation of residents in the County that were excluded from any fibre broadband coverage roll-out plans by commercial operators – with the result that more than 75,000 premises out of 84,000 premises in the Intervention Area are now able to access download speeds of at least 15mbps;
3. to be able to connect to fibre-based broadband, the distance from the fibre-enabled cabinet to the individual premises can be no more than 1.8km; a significant number of properties included in the commercial roll-out are further than 1.8km from the fibre-enabled cabinet that serves the area and as a result residents living in these areas are not being provided with a Superfast broadband service from the commercial operator;
4. areas that are currently part of the commercial roll-out of Superfast broadband that are not being served by the commercial operators cannot be included in the Intervention Area and become part of the Superfast Surrey Broadband Programme and thus are unable to receive a Superfast broadband service at all.

Council calls for the Leader of the Council to review the contracts with the commercial operators providing Superfast broadband to Surrey residents and to identify the emerging gaps in Superfast broadband coverage (such as areas in the commercial roll-out that are further than 1.8km from the fibre-enabled box that covers their area) and to develop solutions to ensure that either the commercial operators provide Superfast broadband to residents living in these areas or that the Surrey Superfast Broadband programme is extended to cover residents living in these areas.'

Mrs Watson made the following points in support of her motion:

- Superfast Broadband was essential in today's Digital Age but some households in parts of Surrey were unable to receive it.
- The County Council had set objectives for the percentage of households receiving the fibre based Broadband and these had not been achieved.
- The Intervention Area was supposed to fill the gap of the service provided by the commercial operator. However, there were still areas where the Superfast Broadband Service was not being provided.
- She requested that the Leader of the Council acted now to identify the emerging gaps and develop solutions so that the Broadband cover was extended to cover those households in the affected areas.

The motion was formally seconded by Mr Orrick.

Mr Martin moved an amendment at the meeting, which was formally seconded by Mr Kemp. He proposed deleting the last paragraph of Mrs Watson's motion and replacing it with the following paragraph:

'Council congratulates the Superfast Surrey team on its significant and successful rollout to 77,000 premises so far, acknowledges that Surrey is now the best broadband connected county in the country and requests the team to complete the delivery of the contract, and by the end of March 2015, to identify options for using any remaining funds to either focus on the existing Intervention Area or to broaden the scope of the programme.'

Copies of the amendment were tabled at the meeting.

Speaking to his amendment, Mr Martin made the following points:

- That his amendment had replaced the last paragraph of the original motion.
- That the review of contracts was beyond the scope of the County Council.
- He explained the history of the Superfast Broadband programme from 2011 and the reasons why the County Council had embarked on its ambitious programme, which had resulted in the county being the best broadband connected county in the country.
- He stressed the importance of this achievement and the positive effectiveness that it was having on the provision of Digital Services and the benefits to Surrey residents.
- That the County Council had allocated £20m in 2012 for the Superfast Surrey Broadband Programme and cited the improvements made to cabling and telephone exchanges in Surrey in 2013.
- He acknowledged that there were a small number of difficult to reach households and premises and had requested that BT undertook a review of the remaining 5000 premises in the Intervention Area. However, there was a need to balance the outcome of this review against the remaining funds in the programme.
- Finally, he urged Members to support his amendment which recognised the achievements of the programme to date and proposed action to bring the best possible service to Surrey residents.

Speaking to the amendment, Members made the following points:

- The amendment gave the opportunity to celebrate the achievement of the Superfast Broadband programme.
- It had brought economic benefits to Surrey.

- That it had been accepted from the outset of the programme that some areas would be hard to reach and there was a need to balance this against the funding available for the programme.
- It was important to enable people to work at home, particularly in rural areas and the lack of access to Superfast Broadband had been a huge issue in some areas.
- The commitment to look at options for using the remaining funds was welcomed.
- The original motion had not stated the achievements to date, which the amendment did.
- This initiative had been very successful and was received positively in many areas.
- The County Council Network (CCN) had requested, on 3 September 2014, a detailed report of Superfast Broadband programmes in each county and would be debating this issue on 9 March 2015.
- Concern that this technology could be obsolete in a few years.
- The amendment had deleted the objectives set out in the final paragraph of the original motion and did not seek to find a solution.
- An open invite for Members to contact or visit the Superfast Surrey Broadband team.

The amendment was put to the vote with 54 Members voting for it and 11 Members voting against it. There was 1 abstention.

The amendment was carried and became the substantive motion. This was put to the vote and Members agreed it.

Therefore, it was:

**RESOLVED:**

‘Council notes that:

1. the County Council has set as an objective that 99% of Surrey households will receive fibre based broadband by the end of 2014 and that 94% of households would achieve Superfast Broadband speeds of 15Mbps or more;
2. the Superfast Surrey Broadband Programme was established to ensure that these targets were met and to address the situation of residents in the County that were excluded from any fibre broadband coverage roll-out plans by commercial operators – with the result that more than 75,000 premises out of 84,000 premises in the Intervention Area are now able to access download speeds of at least 15mbps;
3. to be able to connect to fibre-based broadband, the distance from the fibre-enabled cabinet to the individual premises can be no more than 1.8km; a significant number of properties included in the commercial roll-out are further than 1.8km from the fibre-enabled cabinet that serves the area and as a result residents living in these areas are not being provided with a Superfast broadband service from the commercial operator;
4. areas that are currently part of the commercial roll-out of Superfast broadband that are not being served by the commercial operators cannot be included in the Intervention Area and become part of the Superfast Surrey Broadband Programme and thus are unable to receive a Superfast broadband service at all.

Council congratulates the Superfast Surrey team on its significant and successful rollout to 77,000 premises so far, acknowledges that Surrey is now the best broadband connected county in the country and requests the team to complete the delivery of the contract, and by the end of March 2015, to identify options for using any remaining funds to either focus on the existing Intervention Area or to broaden the scope of the programme.

#### **81/14 REPORT OF THE CABINET [Item 10]**

The Leader presented the Report of the Cabinet meeting held on 21 October and 25 November 2014.

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

There were none.

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

The following reports were received and noted:

- Surrey Educational Trust
- Creation of a Joint Trading Standards Service with Buckinghamshire County Council
- Endorsement of the Surrey Hills Area of Outstanding Natural Beauty (AONB) Management Plan

##### **RESOLVED:**

That the report of the meetings of the Cabinet held on 21 October and 25 November 2014 be adopted.

#### **82/14 RIGHTS OF WAY PRIORITY STATEMENT AND IMPROVEMENT PLAN [Item 11]**

This report set out the revised Public Rights of Way Priority Statement and the Rights of Way Improvement Plan for Surrey.

The Cabinet Member for Environment and Planning agreed to check whether the local committees had been consulted on the Plan and would advise Members.

##### **RESOLVED:**

1. That the revised Public Rights of Way Priority Statement 7<sup>th</sup> Edition dated October 2014, be approved.
2. That the revised Rights of Way Improvement Plan for Surrey 2014 be approved.

#### **83/14 REPORT OF THE PLANNING AND REGULATORY COMMITTEE [Item 12]**

The Chairman of the Planning and Regulatory Committee introduced the report.

**RESOLVED:**

That the Scheme of Delegation be amended so that:

For applications, under section 19 and paragraphs 6 to 9 of Schedule 2 of the Commons Act 2006, where the County Council is the determining authority, if no significant objection has been received and the authority has no legal interest in the land, after consultation with the Chairman of the Planning & Regulatory Committee, the decision to determine an application be delegated to the Director of Legal and Democratic Services.

**84/14 MINUTES OF THE MEETING 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: 12.25pm]

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**Chairman**



**Her Majesty the Queen's New Year Honours 2015**

**CB**

Harold Carter

**DBE**

Mrs Fiona Kendrick

Mrs Barbara Plunkett-Greene OBE

Mrs Fiona Woolf CBE

**CBE**

Professor Julianne Meyer

Professor Stephen Richardson

Michael Wheeler

Philip Wood QC

**OBE**

Rodney Bennion

Dr Helen Bowcock DL

Mrs Jennifer Brzozowska

Ian Hart

David Purcell Stewart

Miss Elizabeth Tysoe

Simon Vincent

**MBE**

Graham Apps

Mrs Wendy Bartlett

Mrs Dorothy Beeson BEM

Mrs Christine Davenport

Mrs Alice Formby

Ms Lisa Gagliani

Professor Patrick Gill

David Hughes

Albert Palmer

Andrew Panter DL

Mrs Eleanor Paterson

Terry Pattinson

Mrs Jean Steer

**BEM**

Mrs June Davey

Mrs Sandra Gilbert

Mrs Elizabeth Glendinning-Smith

**Please also note that Sir Andrew Morris was made an OBE in the New Year Honours. Whilst Sir Andrew is based in Berkshire, he is Chief Executive of Frimley Park Hospital NHS Foundation Trust**

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**SURREY COUNTY COUNCIL**

**FULL COUNTY COUNCIL**

**DATE: 10 FEBRUARY 2015**



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

**LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE**

**SUBJECT: REVENUE AND CAPITAL BUDGET 2015/16 TO 2019/20,  
TREASURY MANAGEMENT STRATEGY**

### **SUMMARY OF ISSUE**

To approve:

1. the draft revenue and capital budgets for the five years 2015-20;
2. the level of the council tax precept for 2015/16; and
3. the revised treasury management strategy, including the borrowing and operation limits (prudential indicators) for 2015-20, the policy for the provision of the repayment of debt (minimum revenue provision (MRP)) and the treasury management policy.

### **RECOMMENDATIONS**

**Cabinet recommendations on the revenue and capital budget for 2015 -20 and the council tax precept for 2015/16:**

**Cabinet recommends that Full County Council:**

1. Notes the Director of Finance'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 2015/16 is set at £587m (Annex 3, paragraph 3.4).
3. Approves the 2015/16 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 £1,219.68 (Annex 3, paragraph 3.6).
5. Approves the council tax for each category of dwelling to be as in Annex 3 paragraph 3.7;
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 3.8;
7. Agrees to maintain the council tax rate set above and delegate powers to the Leader and the Director of Finance to finalise detailed budget proposals following receipt of the Final Local Government Financial Settlement.

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8. Agrees to transfer £4.6m from the surplus on the Council Tax Collection Fund to the Economic Downturn Reserve.
  9. Approves the County Council budget for 2015/16.
  10. Agrees the capital programme proposals specifically to:
    - fund essential schemes over the five year period (schools and non-schools) to the value of £695m including ring-fenced grants;
    - make adequate provision in the revenue budget to fund the revenue costs of the capital programme; and
    - enhance provision for Local Growth Deal & flood schemes as set out in paragraph 114 including making a £0.5m pa contribution to the River Thames Scheme.
  11. Agrees for Cabinet to refresh the Medium Term Financial Plan for the financial years 2015-20 (MTFP 2015-20) revenue and capital budgets in summer 2015.
  12. Requires the Chief Executive and Director of Finance to continue regularly to 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, Heads of Service and Senior Officers to maintain robust in year (i.e. 2015/16) budget monitoring procedures that 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 (and taken to the Investment Panel for review) for all revenue 'invest to save' proposals and capital schemes before committing expenditure
  15. Notes that Cabinet will consider the final detailed MTFP (2015-20) for approval on 24 March 2015, 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 2015-20 and approves that their provisions have immediate effect. This strategy includes:
  - the investment strategy for short term cash balances;
  - increasing the number of AAA-rated money market funds from five to seven (with the individual amount to a single fund increased from £20m to £25m);
  - the treasury management policy (Appendix 8);
  - the prudential indicators (Appendix 9);
  - the schedule of delegation (Appendix 11);
  - the minimum revenue provision policy (Appendix 14).

<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

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council tax up-lift for 2015/16, 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 expectation of Surrey's residents;
- 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) 2015-20, including the council tax precept rate for 2015-20 and revenue and capital budgets for the five years 2015/16 to 2019/20. Cabinet has developed the recommended MTFP through a series of budget workshops beginning in June 2014. Throughout this period, other Members have had opportunity to influence development of the MTFP through regular all Member seminars and Select Committee scrutiny.
2. Cabinet's recommended MTFP period (2015-20) rolls forward by one year the current MTFP (2014-19) approved by Full County Council on 11 February 2014. It covers five years and is matched to the corporate strategy.
3. The Council plans to balance its five year MTFP through a combination of:
  - new models of delivery for services;
  - 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;
  - review of the funding assumptions for the MTFP;
  - the appropriate use of reserves and balances.
4. The Council's current MTFP (2014-19) sets out a sustainable budget assuming a council tax up-lift limited to 2% each year and delivery of £253m service reductions and efficiencies. Surrey is one of the most dependent of all councils on council tax receipts for its funding and the most dependent of all shire counties (i.e. it receives among the very lowest proportion of its funding as Government grant). This funding position makes the level of council tax particularly important in determining the long term financial stability of the Council.
5. The strategy of up-lifting 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 or up-lift council tax at a level that reflects the increase in demand as a result of demographic pressures on services.

6. Following approval of the budget by Full County Council on 10 February 2015, officers will prepare detailed service budgets and submit them to Cabinet for approval on 24 March 2015. The detailed budgets will link to services' strategic plans that Cabinet will also consider at its 24 March 2015 meeting.
7. The Provisional Local Government Finance Settlement announced on 18 December 2014 outlined the key grants and financial factors for 2015/16. This year's provisional settlement included greater information on grants than recent years, offered council tax freeze grant equivalent to a 1% in council tax and set the referendum limit for council tax up lifts at 2%. However some grant information remains outstanding and at the time of writing this report, the Government had not announced the Final Local Government Finance Settlement.
8. In addition to the pressures on revenue budget funding, the council faces challenges to funding its capital spending. For example, increasingly the council is required to bid for funding and identify match funding to access money for infrastructure and economic development provided by the Government to the Local Enterprise Partnerships.
9. The Provisional Local Government Financial Settlement only included financial information on the 2015/16 year, with no information about future years. This was expected due to the uncertainty of future government policy pending the General Election in May 2015 and the fact that 2015/16 is the final year of the current Comprehensive Spending Review period. The Chancellor of the Exchequer's Autumn Statement, on 3 December 2014, and the information provided by the Office for Budget Responsibility strongly suggested that significant further reductions in public expenditure would be required if there were to be a national budget surplus by 2020. This creates a high degree of uncertainty about local government budgets for 2016 to 2020 (the final four years of the council's Medium Term Financial Plan period).
10. The uncertainty about future budgets will reduce once the new Government is formed and their financial strategy is confirmed through the next Comprehensive Spending Review. Therefore, it is anticipated that the council should have better information by the summer 2015 upon which to refresh the MTFP (2015-20) for revenue and capital.

## **Strategies influencing the revenue and capital budgets**

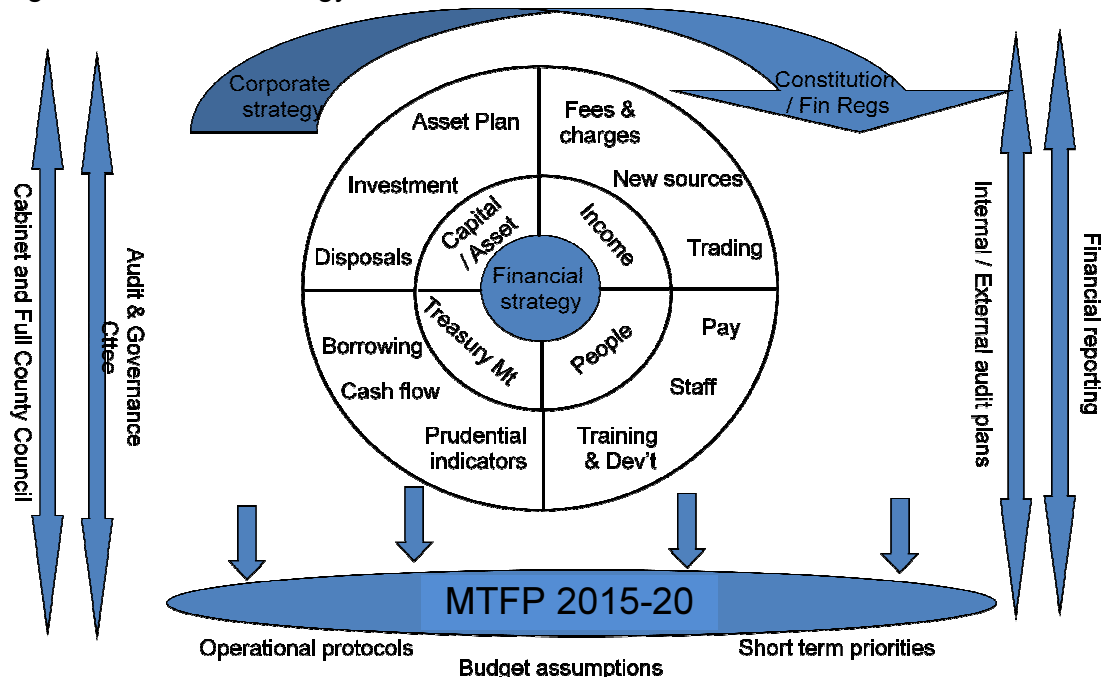
### **Corporate strategy**

11. The refreshed *Confident in Surrey's Future: Corporate Strategy 2015-20* re-confirms the council's strategic direction and vision of 'one place, one budget, one team for Surrey'. It includes three strategic goals (well-being, economic prospects and resident experience) and a set of key actions for 2015/16 to support their achievement. A robust MTFP is critical to delivering these ambitions and goals and ensuring value for money for residents.

## Financial strategy

12. 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.
13. The specific long term drivers of the financial strategy pertinent to the MTFP (2015-20) 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 2015/16 budget by maintaining a prudent level of general balances (£21.3m in 2015/16) and applying £4.3m reserves as appropriate
  - 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.
14. The financial strategy links a number of other strategies and essential governance arrangements as illustrated in Figure 1.

Figure1: Financial strategy in context



15. The financial strategy links directly to the three components of the *Confident in Surrey's Future: Corporate Strategy 2015-20* as summarised below.

1. **Wellbeing:**

*Everyone in Surrey has a great start to life and can live and age well.*

The council will work with partners and invest resources to: provide over 2,800 additional school places, improve outcomes for children in need, support 750 families through the Surrey Family Support Programme, help older and disabled people to live independently at home, and support a healthy living approach.

2. **Economic prosperity:**

*Surrey's economy remains strong and sustainable.*

The council will invest to: support a £50m plus infrastructure investment programme, improve and renew 70 kms of roads, support young people participate in Education, Training or Employment, and increase waste recycling and reduce the amount produced and sent to landfill. The council will also ensure more than 50% of its spending is with Surrey businesses.

3. **Resident experience:**

*Residents in Surrey experience public services that are easy to use, responsive and value for money.*

The council will: deliver £62m savings in 2015/16, collaborate with partners to transform services for residents, use digital technology to improve services for residents, invest in flood and maintenance schemes, work with partners to tackle issues that make residents feel less safe.

16. The financial strategy will remain largely stable to 2020. 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**

17. During 2014 the council has continued to developed its funding strategy further to secure diversified sources of income to reduce its reliance on council tax revenue and increase its resilience against future financial challenges.
18. 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), potentially 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.



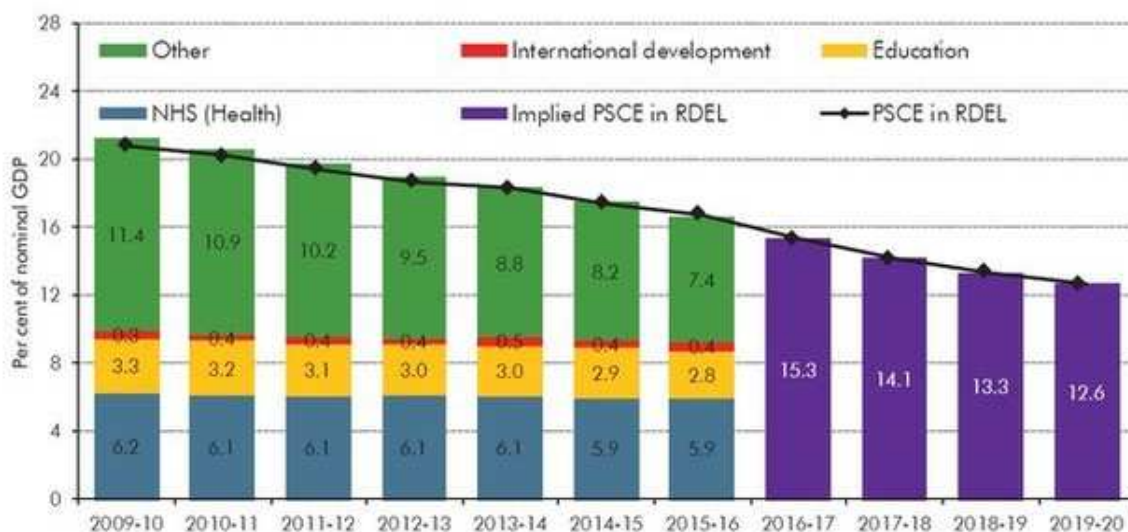
19. The council is delivering its funding strategy going forward through a robust programme management framework for a series of workstreams, which it will complete over a number of years.
20. The main workstreams fall under three themes.
- Protecting the existing funding base:
    - securing a fairer share of central Government revenue and capital support;
    - capital funding for school places;
    - localisation of business rates;
    - localisation of council tax 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 (including greater member involvement in setting 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 MTFP;
    - financial reporting.
21. The funding strategy has a number of associated dependencies, as outlined below:
- continued strong political appetite to lead the focus on funding and income actively;
  - increased collaboration with district and borough colleagues and Surrey Leaders (including the agreements to pool business rates and to co-ordinate efforts to combat fraud against council tax);
  - development of other strong partnerships (e.g. with East Sussex County Council);
  - 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.
22. The Director of Finance tracks the effectiveness of this financial strategy for the County Council in conjunction with other Senior Leaders of the organisation through a range of monitoring mechanisms.

### **Scenario planning 2015/16 to 2019/20**

23. The council sets its MTFP within the context of the condition of the UK and world economies and the UK Government's policy towards this. Appendix 2 summarises the national economic outlook, which highlights how the relevant economic environment and future forecasts have changed in the last year.

24. The Chancellor's Autumn Statement of 3 December 2014 set out the current government's policy for the medium term. This was for deficit reduction over the lifetime of the next parliament. The highlights that affect local government directly included a repeat of the business rates increase cap; a proposed review of business rates to be completed ahead of 2017/18 and the extension of the doubling of Small Business Rate Relief. The statement also raised the possibility of the delegation of greater powers to local government within the context of a greater devolution of powers to Scotland the impact of this on the rest of the UK. The high level vision for greater delegation of powers to local government is still vague, and there is little or no detail.
25. For Surrey there were two announcements in the Autumn Statement that will have a direct impact on the county as a place: firstly £60m of additional funding being made available for the Lower Thames flood defence scheme by 2020 (but which will still require some funding from the council), and funding for improvements to the A3 (Guildford) and ten junctions along M25.
26. Also, in his Statement, the Chancellor made clear his vision to eliminate the UK's public spending deficit in the lifetime of the next parliament – that is by 2020. On the basis of the economic data released by the Office for National Statistics, which forecast tax receipts to be £24bn lower than previously estimated and that a further £24bn of spending reductions were still to be identified, some commentators estimate that 60% of public expenditure cuts are still to come.
27. Figure 2 shows the Office of Budget Responsibility's graph of change in public spending from 2009 as departmental expenditure limit (DEL) as a proportion of gross domestic product (GDP). It highlights those areas that have been protected. That is health, education and international development. Local government spending is included in the 'Other' category. The graph then forecasts the reduction in spending over the next five years and this shows that if those areas continue to be protected, then the pressure on other public spending, including local government, will intensify.

Figure 2 Government spending relative to GDP



Plans for RDEL excluding depreciation upto 2015-16. Beyond 2015-16 based on implied PSCE in RDEL calculated from the Government assumption for TME. Other includes unallocated amounts.

Source: HM Treasury Autumn Statement 2014, HM Treasury Public Expenditure Statistical Analyses, July 2014

OBR

28. Following on from the Autumn Statement, the Department for Communities and Local Government (DCLG) published its Provisional Local Government Finance Settlement on 18 December 2014. This is open to consultation and the final settlement is not expected to be announced until early in February 2015. The timing of both the provisional and final settlements is late and only covers the year 2015/16. Neither of these assists local authorities in budget planning. However, the coordination of information from across government departments is much improved and this is welcome.
29. Overall there was little significant change in the settlement from what was indicated in the 2014/15 finance settlement. A key announcement is that councils' main source of funding from central government will be reduced by 13.9%. This funding comprises the national redistribution of business rates and revenue support grant (RSG) including other grants now included in RSG. Within this overall reduction, RSG has fallen by 27.4%. The implication of this is that rolled in grants, such as council tax support grant and early intervention grant, are not secure and that local government funding will increasingly be from locally collected taxes.
30. The provisional settlement confirmed the continuation of the business rates cap at 2%, which will further erode the local tax base. Individual local authorities will be reimbursed for this through a supplementary grant.
31. The provisional settlement also set the increase in business rates retention scheme top ups and tariffs at 1.9%. It also confirmed the continued offer of Council Tax Freeze Grant for one more year, equivalent to a 1% increase in council tax.
32. Unlike in previous years, the Secretary of State has announced the threshold at which local authorities must hold a referendum for increasing council tax in the provisional settlement, rather than in late January or early February as has been the case. For 2015/16 this limit is 2%, which is in line with the council's planning assumptions.
33. The remaining years of the MTFP (2016 to 2020) follow the next General Election and the Comprehensive Spending Review (CSR) period for 2016/17 onwards. As the review objectives and parameters of the CSR are unknown, this adds to the uncertainty the council needs to manage within its MTFP. Therefore the budget proposals within the MTFP should be considered in two parts:
  - year 1, where council tax precept will be set and funding levels are clear; and
  - years 2 to 5, which will be covered by the new CSR, which the next Parliament will determine and for which there is much uncertainty.
34. For the Director of Finance to continue to be able to state her statutory opinion that the budget is balanced and sustainable, a refresh of the budgets for 2016 to 2020 is proposed in the summer of 2015, following the General Election and clarity of Government policies.
35. The basic assumptions reflected in the MTFP (2014-19) remain valid in moving the MTFP forward to cover 2015-20, except 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.

36. In developing the MTFP (2015-20) 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.

### Central Government funding for Surrey County Council

37. As described in paragraph 29, councils' main source of non ring-fenced funding from central government comprises the national redistribution of business rates, RSG and other grants that the Government had previously identified and awarded separately, but are now included in the main grant allocated to the council (Revenue Support Grant – RSG). For 2015/16, Government funding to local government will reduce significantly.
38. Under the business rates retention system (BRRS) district and borough councils collect local business rates. The government takes half as a central share, which it redistributes back to local authorities through the Department for Communities and Local Government (DCLG). The districts & boroughs retain the other half (the local share) to divide with the county council in their area (80:20 in their favour).
39. DCLG allocates this central funding to each authority as a baseline funding component and a RSG component. Table 1 shows the council's core funding allocations and comparisons to national totals.

Table 1 Surrey County Council's core funding allocation

	2014/15	2015/16	SCC change
RSG	133.5	109.2	-18%
Top up	57.8	58.9	2%
Bus. Rates cap	1.1	1.5	+40%
Core funding allocation	£192.4m	£169.6m	-12%

40. The Government has established a baseline funding level for each local authority. In effect, this is the authority's portion of the local share. This figure determined whether the authority pays a tariff to central government or receives a top-up.
41. If an authority has a business rates baseline (the government's estimate of its share of business rates income) higher than its baseline funding, it pays the difference to central government as a tariff. All the Surrey districts are tariff authorities. Where an authority's business rates baseline is lower than its baseline funding (as is the case for this council), the authority receives a top-up. All county councils receive a top-up.
42. BRRS introduced a funding risk for councils by making a direct financial link with the business rates collected locally. To allow for this the scheme provides a safety net for

authorities who, in any year, see significant reductions in their income from the scheme (7.5% beneath their baseline funding).

43. To fund the safety net, DCLG has arranged for authorities to pay a levy on real growth in tariff authorities' business rates income. DCLG capped the levy at 50%, but for district and borough councils in Surrey, this effectively means half of all their business rates growth funds the national safety net.

#### Business rates pooling

44. DCLG permits geographically linked authorities to apply to pool their business rates. By combining tariffs and top ups among pooled authorities this can reduce the composite levy rate paid by the pool. This further incentivises business rates growth through collaborative effort and smooths the impact of volatility in business rates income across a wider economic area.
45. Surrey Treasurers investigated business rate pooling for 2015/16. The optimum pool maximises projected business rates income in the Surrey area by joining the county council with Elmbridge Borough Council, Mole Valley District Council, Spelthorne Borough Council and Woking Borough Council. The five authorities submitted a bid to form a business rates pool for the financial year 2015/16 and succeeded in receiving the relevant designation by Department for Communities and Local Government (DCLG). The pool's financial modelling projects retaining up to £3m additional income to the Surrey county area, which would otherwise be lost as levy payments. The pool agreement is for the county council to receive half.

#### Business rates multiplier indexation

46. Prior to 2014/15, the Government increased the 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.
47. In his 2013 and 2014 Autumn Statements, the Chancellor of the Exchequer announced the Government would limit the increase in the business rates multiplier to 2% for 2014/15 and 2015/16. As this represents money taken from local government's funding base equivalent to the difference between RPI and 2%, the Local Government Finance Settlement 2014/15 showed a £1.1m compensating grant for the council in 2014/15 and £1.1m 2015/16. The Provisional Local Government Finance Settlement 2015/16 is silent on the continuation of this funding from 2016/17. MTFP (2015-20) assumes the council's income from local business rates and top-up grant from the Government will again 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.
48. In addition to the grants compensating local authorities for the business rates cap, the Government also provides grants to compensate for other reliefs to businesses, such as the extension of the temporary doubling of the small business rate relief and retail relief.

## Better Care Fund

49. The Better Care Fund (BCF) has two primary purposes: first, to transform the health and social care system 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 achievement of those whole system goals. BCF carries forward the purposes of the current Whole Systems funding programme that runs from 2011 to 2015 but with greater ambition and on a broader scale. The BCF allocation for the Surrey area for 2015/16 totals £71.4m, comprising £65.5m of revenue funding and £5.9m of capital funding. The council works with the seven Clinical Commissioning Groups (CCGs) that serve Surrey's population to determine access to and use of these shared resources.
50. Over the last year, the council has worked closely with the seven CCGs to develop a detailed BCF plan setting out how to invest the resources in order to maximise benefits for the whole local health and social care system. The final version of that plan was submitted to the Department of Health (DH) on 9 January 2015 and is currently subject to the final stages of national assurance. Underpinning the BCF plan is a governance framework that has been agreed with all partner organisations and that sets out: the corporate governance framework, how it is intended funds will flow into the BCF and a risk sharing agreement. The next steps are now formally to create the Section 75 pooled budget agreements, ahead of 1 April 2015, that will legally enshrine the operations of the BCF in 2015/16.
51. The planning and management of the pooled budgets will be taken forward at a local level by Local Joint Commissioning Groups (LJCGs). Surrey's BCF is split into a number of key funding streams directed towards achieving the key transformational goals of the national programme at a local level. In 2015/16 £25m of the revenue funding will enable the protection of social care, with the council maintaining a range of important preventative services that deliver substantial benefits across the whole system. In addition, £2.5m of revenue and £0.9m of capital funding has been allocated to support the council in its implementation of the Care Act and a further £2.5m of revenue funding will be provided to support carers' services, replacing contributions previously received directly from local CCGs. BCF plans also allow for the continuation of schemes previously funded out of the Whole System Partnership where it is agreed at LJCGs that these schemes deliver local BCF priorities.
52. The above have been built into the council's base budget in anticipation of the likely continuation of health and social care integration. It is also worth noting that Disabled Facilities Grant allocations for Surrey's district & borough councils have been merged into the BCF and arrangements have been made to distribute these amounts to districts and boroughs to allow them to continue to discharge these duties.

## Total Schools Budget - as defined in legislation

53. The council is required by law formally to approve the Total Schools Budget. The technical legal definition of the Total Schools Budget comprises: Dedicated Schools Grant funding, post 16 grant funding and any legally relevant council tax related funding. 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 Total Schools Budget (and the total county council budget) excludes funding for academies.

54. The Total Schools Budget is a significant element of the proposed total budget for Children, Schools & Families services. Table 2 outlines the proposed Total Schools Budget for 2014/15 of £560.7m. This comprises:

- £544.7m Dedicated Schools Grant (DSG);
- £14.7m Education Funding Agency (EFA) sixth form grants; and
- £1.3m for post-16 learning disabilities, which the Council funds.

Table 2: Analysis of Total Schools Budget for 2015/16

	<b>Schools' delegated budgets £m</b>	<b>Centrally managed services £m</b>	<b>Total £m</b>
DSG 2015/16	422.6	121.3	543.9
DSG brought forward from previous years	0.8		0.8
<b>Total DSG</b>	<b>423.4</b>	<b>121.3</b>	<b>544.7</b>
EFA sixth form grant	14.7		14.7
County Council contribution (post-16 learning disabilities)		1.3	1.3
<b>Total Schools Budget</b>	<b>438.1</b>	<b>122.6</b>	<b>560.7</b>

*Note:*

*Total Schools Budget does not include the pupil premium grant, provisionally £18.4m, the PE sports release grant, provisionally £2.4m or universal free meals grant, provisionally £11.6m. These grants, although not part of the legal definition, are also delegated to schools and are included in the total schools funding of £469.0m as in Appendix 4.*

55. 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.

56. 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).

57. Schools are funded through a formula based on pupil numbers and ages with weightings for special educational needs and deprivation. Cabinet considered and agreed a detailed report on this in October 2014. In 2015/16 the formula limits any school level gains and losses to a 1.5% maximum loss per pupil (the Government's Minimum Funding Guarantee). To pay for the guarantee, the formula limits the per pupil increase (or ceiling) to a maximum of approximately 5.5%.

58. 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).
59. 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 revenue grants

60. The council has successfully bid for revenue grants from central government totalling £4.6m. These include the following:
- Local Sustainable Transport Fund (Connectivity) £1.7m. This grant will be used for developing and promoting sustainable travel;
  - Transformation Challenge Award £1.5m. This grant is to transform the public service response in Surrey to crisis situations for people with mental health problems;
  - Fire Transformation £1.0m This grant will be used for developing the partnership working between Surrey's Fire & Rescue Service and Police and Ambulance services;
  - Counter Fraud Fund £0.3m. This grant will be used to work with districts and boroughs to develop and strengthen capacity across Surrey to tackle non-benefit fraud.
61. The Government has made available new grants to promote their policies around social care and public health. These will be reflected in increased expenditure by the council. The council has received £7.2m for the implementation costs of the Care Act and a further £1.3m from the Independent Living Fund.
62. In Public Health the government has provided £6.5m grant for local authorities to take responsibility from NHS England for commissioning public health services for children aged 0-5. This includes health visiting and Family Nurse Partnership ((FNP) targeted services for teenage mothers).
63. Legislative change is being made for the integration of education, health and social care planning (EHSC). The government have provided £0.6m in grant for this.
64. A full list of grants is shown in Appendix 3. The most significant change is a 20% reduction in the Education Support Grant, which funds services to support maintained schools. For the council this grant reduces from £14.4m to £11.1m.

#### Funding commitments the Government has reduced or withdrawn

65. The Government has withdrawn funding in a number of areas and for the council this totals £6.0m. These are listed in Appendix 3 and in most cases will be matched with a reduction in expenditure. However, the £1.1m funding for the social fund has ceased although the responsibility for administering this will continue.



66. 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.
67. This ring-fenced specific grant is designed to cover all the services transferred from NHS Surrey. The Department of Health (DH) recognised it excluded £3.3m of genito-urinary medicine (GUM) services incorrectly from the grant and has rectified the council's Public Health grant to include these funds for 2015/16.
68. Historically public health funding in Surrey has been below the level of assessed need. In the first two years of the transfer of public health responsibility to local authorities (2013-15) DH committed to increasing the council's funding by 10% each year (to return funding to the level of assessed need). However, this has been removed from 2015/16 with the grant remaining at the 2014/15 level.
69. The Government has changed much of local authorities' access to funding for economic growth, European projects and transport. These now require bids to Local Enterprise Partnerships to gain matched funding allocations.

### **Retained Business Rates**

70. The borough and district councils in Surrey are billing authorities and they collect business rates. As described above, they pay half of this to central government for national redistribution and retain the remaining half, of which 20% is paid to this council.
71. Under a local agreement the borough and district councils provide estimates of business rates collection to the council in early January each year. This is supplemented by quarterly monitoring throughout the year.
72. The main drivers of volatility in business rates income are the volume and value of successful valuation appeals, as these reduce expected business rates income. Any successful appeals after the start of the new system are refunded at the expense of the local authorities concerned (i.e. the district and borough councils and counties) and central government, in proportion to their shares of business rates income. In view of this, districts and boroughs made assumptions about the value of successful appeals in their estimates of business rates income. This council bears 10% of any appeals losses (districts and boroughs 40% and central government 50%) and set aside £1.25m in a reserve as mitigation against potential business rates valuation appeals in 2014/15.
73. 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.

74. MTFP (2015-20) uses the district and borough councils' mid-year estimates of 2014/15 business rates income and adds 0.25% real growth annually and business rate multiplier increases limited to 2% for 2015/16 with subsequent years' indexation at forecast RPI using HM Treasury's average of independent forecasters as at November 2014.
75. Table 3 shows the forecast retained income from business rates for 2014/15 and 2015/16:

Table 3 Surrey County Council business rates income 2014/15 and 2015/16

	MTFP 2014/15 £m	Estimate 2015/16 £m
Retained business rates	44.5	44.1

76. The council also faces vulnerabilities associated with the loss of large site business ratepayers from the county area.

### Council tax funding

77. Council tax, through the precept, is the council's main source of funding for the council's budget, excluding schools. The MTFP (2014-19) assumes council tax yield will increase by 2% annually through either an up-lift in the level of the tax and a further 0.5% through an increase in the number of properties subject to the tax. The latter is often referred to as the council tax base.
78. The 2015/16 Provisional Local Government Finance Settlement stated that the council tax freeze grant offered is equivalent to 1% of an council's council tax, as expected. The settlement also proposed the council tax referendum threshold be set at 2%, as expected.
79. Since 2012/13 the council has not accepted the Government's offers of council tax freeze grant, choosing instead to uplift council tax within the limits set by the Secretary of State. This was done to sustain the long term financial resilience of the council and in the context of year on year increases in demographic demand pressures.
80. Each January, the district and borough councils notify the council of their estimates of the council tax base for the following financial year. 2014/15 has seen a 2% rise in the estimates meaning that the council tax base for 2015/16 is now 481,179 band D equivalent properties.
81. A 2% uplift in the council tax precept in 2015/16 would yield an additional £11.5m, This funding would be in the base for future years. The council tax freeze grant is the equivalent of a 1% increase, or £5.7m. There is no guarantee that this funding would continue after 2015/16 as one of the grants rolled into RSG. Since 2012/13, the difference in funding the council would receive than if it had accepted all such grant offers would be the equivalent of £33m per year each year.
82. All Members of the council have been invited to several financial planning update briefings outlining the impact on the 2015/16 budget and MTFP (2015-20) 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.

83. The MTFP (2015-20) includes proposals to increase council tax by 1.99% in 2015/16, giving a band D equivalent precept rate of £1,219.68 On the 2014/15 base, this would raise £575.2m funding.
84. As stated above, the council's tax base has risen by 2%. In addition, the council tax collection fund has a surplus of £11.1m, which will be paid to the council as a one-off sum. These changes led to a reappraisal of the council's estimates of future council tax growth to 0.6% annually and annual collection fund surpluses of £5m.
85. As in previous years, an element of the collection fund surplus is used to fund the Economic Downturn Reserve to mitigate any loss of business rates or council tax base erosion. The Director of Finance recommends that £4.6m is added to this reserve.
86. The current MTFP (2014-19) includes an assumption for an annual uplift in council tax of 2% a year and that is the proposed level of up-lift for 2015/16. The new MTFP (2015-20) assumes, for the remaining years (2016-20) that the uplift will be equivalent to the known increase in demographic demand across those years.
87. Table 4 summarises the council's revenue funding for the MTFP period 2015-20.

Table 4: Revenue funding for MTFP (2015-20)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m
Council Tax	-571	-598	-627	-663	-699	-735
Business Rates	-45	-44	-46	-48	-51	-53
Gov Grants	-858	-884	-871	-865	-865	-864
Other income	-152	-138	-143	-151	-155	-159
Use of reserves	-26	-4	0	0	0	0
<b>Total Funding</b>	<b>-1,652</b>	<b>-1,668</b>	<b>-1,687</b>	<b>-1,727</b>	<b>-1,770</b>	<b>-1,811</b>

## Revenue budget

### Forecast revenue budget outturn 2014/15

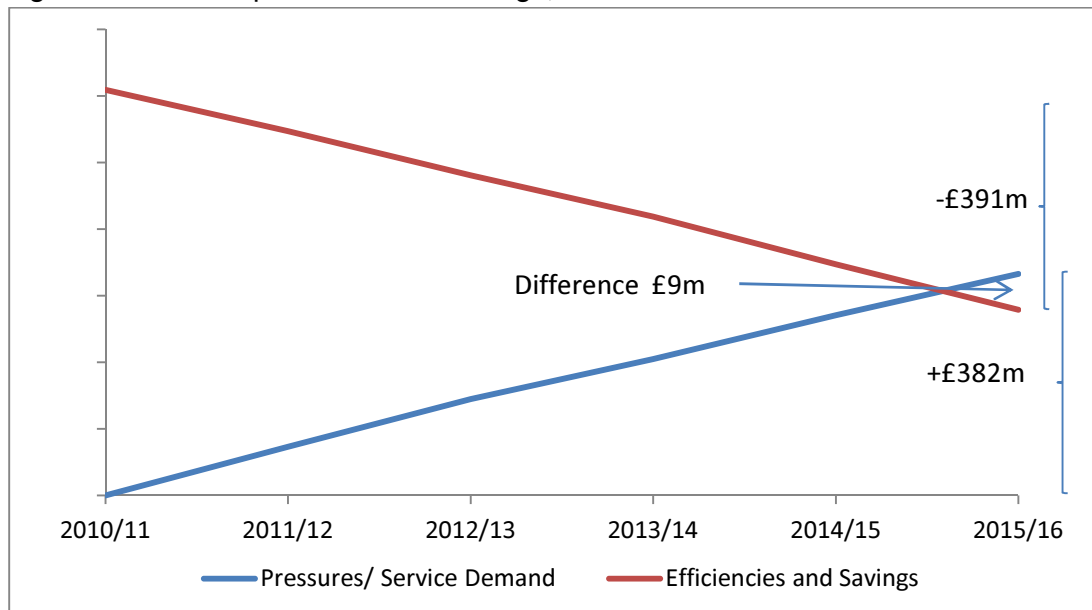
88. The council's overall revenue forecast outturn for 2014/15 at the end of December 2014 projects an underspend of £3.5m. A separate report on this agenda presents this in more detail -Item 8 (Finance and budget monitoring report for December 2014)
89. Services' hard work in managing spending within budgets in 2014/15 continues the council's good record of achieving efficiencies and savings. The council has used and plans to use the funding this releases to provide support to the budget in 2014/15 and subsequent years. The Chief Executive's and Director of Finance's work tracking efficiencies will maintain rigour in services' plans for achieving their efficiencies.
90. Within the council's financial outturn, as part of longer term financial planning, services may 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 2015/16

91. Since 2010 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 increased by £326m over the four years to 2014/15. This is forecast to continue in 2015/16 with a further £56m rise in pressures making a total of £382m. The increase next year reflects 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 network, one of the most heavily used in the UK.
92. Over the same four year period, the council has mitigated these demand pressures through a programme of efficiencies and savings that has reduced the unit cost of many services. This is shown in Appendix 1 – *Surrey County Council: Unit costs and Analysis*. Since 2010 the council has reduced the annual value of expenditure by £329m: an average savings of over £65m every year. For 2015/16 further savings have been identified that total £62m, making a total of £391m.
93. In summary, despite a 5 year intensive efficiency programme and continual improvement initiatives reduce unit costs, the Council's has only marginally exceeded the increases in demand across the same period, as illustrated in the figure below.

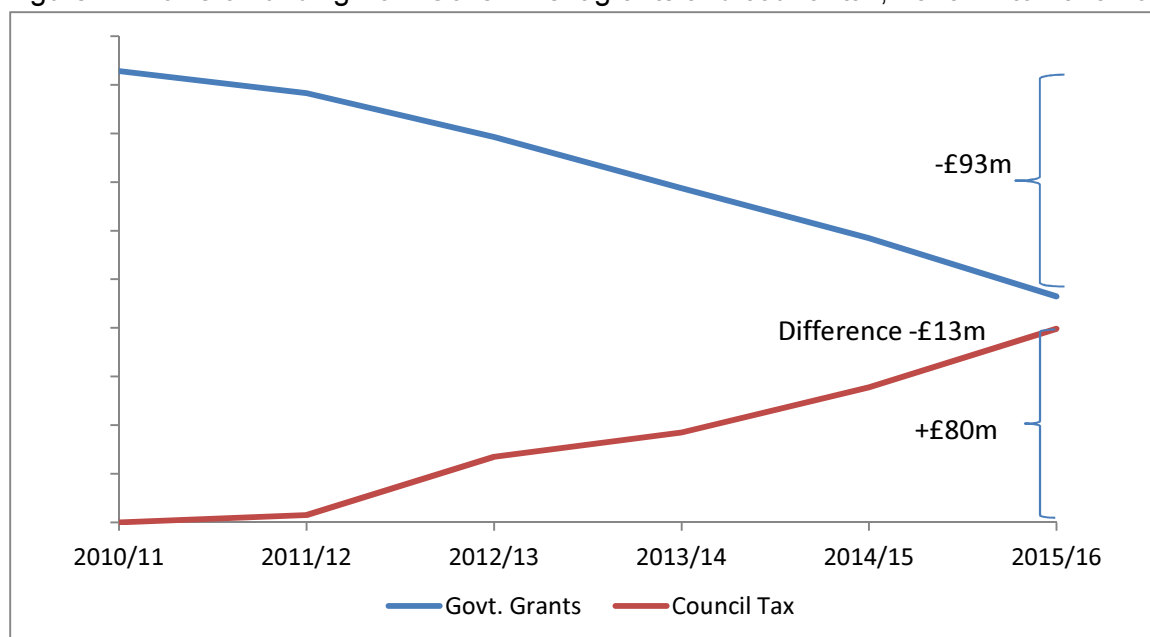
Figure 3: Profile of pressures and savings, 2010/11 to 2015/16



94. Also since 2010/11 the Council has faced significantly reducing funding from Government grants, despite the expansion in service demands and pressures over the same period. Taking 2010/11 as the baseline, the reduction in Government grants to

2015/16 totals £93m. Over the same period, the uplift in council tax has increased funding by only £80m. 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 2015/16



#### Budget planning assumptions

95. The council began building its annual budget in June 2014. This involved reviewing the council's financial position and outlook at the end of the first quarter of 2014/15, revisiting the assumptions, pressures and savings included in the MTFP (2014-19) and projecting forward a further year to 2019/20. Table 5 shows the key cost, pressure and savings assumptions used to prepare the illustrative budgets.

Table 5: Budgetary cost, pressure and savings assumptions 2015-20

Descriptor	2015/16	2016/17	2017/18	2018/19	2019/20
Pay inflation – Surrey pay	£300 +£500 (subject to head room)	up to 1.6%	up to 1.6%	up to 1.6%	up to 1.6%
Pay inflation – National pay	1.0%	1.0%	1.0%	1.0%	1.0%
General, non-pay inflation	1.3%	1.8%	2.0%	2.0%	2.0%
Additional funding and savings required in MTFP	-£62m	-£72m	-£57m	-£71m	£0m
Allowances for central pressures:					
Revenue impact (borrowing) of the capital programme 2015-20	£5m	£6m	£3m	£1m	£4m

Note:

- differing percentages apply to contractual inflation.

## Service expenditure 2015-20

96. Table 6 summarises the council's gross revenue expenditure budget for the five years 2015-20 and compares it to 2014/15's budget by main services.

Table 6: Gross revenue expenditure budget 2015-20

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m
Adults Social Care	412	429	433	448	476	506
Central Income & Expenditure	66	60	66	78	74	68
Children services	90	95	96	98	101	104
Communications	2	2	2	2	2	2
Community Partnership & Safety	3	3	3	3	3	3
Coroner	1	1	1	1	1	1
Cultural Services	23	23	22	23	23	23
Customer Services & Directorate Support	6	5	5	5	5	5
Emergency Management	1	1	1	1	1	1
Environment	94	89	88	91	95	98
Finance	11	10	11	11	11	11
Highways and Transport	53	53	54	54	55	57
Human Resources & Organisational Development	11	9	9	10	10	10
Information Management & Technology	26	25	25	26	26	27
Legal & Democratic Services	9	9	9	10	9	9
Policy & Performance	3	3	3	3	4	4
Procurement	3	3	3	4	4	4
Property	39	37	39	40	42	43
Public Health	29	36	42	42	42	42
Schools	468	469	468	468	468	468
Schools and Learning	214	217	218	222	228	235
Services for Young People	27	26	26	26	26	27
Shared Service Centre	8	9	9	9	9	9
Strategic Services	3	3	3	3	3	3
Surrey Fire and Rescue Service	47	48	48	46	49	48
Trading Standards	3	3	3	3	3	3
<b>Total expenditure</b>	<b>1,652</b>	<b>1,668</b>	<b>1,687</b>	<b>1,727</b>	<b>1,770</b>	<b>1,811</b>

97. Services continue to develop and test a range of proposals to enable the council to meet its budget reduction targets for 2015/16 and beyond. Appendix 4 contains a summarised income and expenditure statement and expenditure by service.
98. Cabinet will receive final detailed budget proposals for approval on 24 March 2015, after the appropriate Select Committees have continue to track and monitor progress on the implementation of robust plans for achieving all the MTFP efficiencies.

## Balancing the 2015/16 revenue budget and MTFP (2015-20)

99. The council plans to balance its budget in 2015/16 through a combination of budget reductions and efficiencies, additional income, council tax up-lift of 1.99% and use of £4.3m from the Budget Equalisation Reserve to smooth the flow of funds between years.
100. 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.

101. 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 reductions to the services residents receive or reassess the up-lift in council tax required.
102. To help ensure success, the Chief Executive and Director of Finance will continue to track and monitor systematically progress on the implementation of robust plans for achieving all the MTFP efficiencies.

#### Risks and uncertainties

103. In balancing the 2015/16 revenue budget and looking ahead for the remaining four years of the MTFP (2016-20), the council has taken account of the key risks and uncertainties facing the council and proposes to refresh the budget in the summer 2015 when it is anticipated that the level of uncertainty may have reduced. The main areas of risk include:
  - potential policy changes (including service specific and fiscal) following the General Election in May 2015;
  - the absence of a Comprehensive Spending Review 2015;
  - the on-going effectiveness of the efficiencies and savings programme;
  - the on-going uncontrollable growth in demographic demands on services.

#### **Capital programme 2015-20**

##### **Capital budget planning**

104. The council set a five year capital programme totalling £760m in the MTFP (2014-19), which it refreshed in July 2014 to accommodate underspends carried forward, bringing the total for five years to £780m. A significant element of this relates to the supply of new school places (£313m) and the recurring programme of transportation and highways maintenance (£186m).
105. For the MTFP (2015-20) Cabinet has reviewed the capital programme including extending it to 2019/20. The updated capital programme amounts to £695m 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 2014/15**

106. The forecast in-year variance on the 2014/15 capital budget as at 31 December 2014 is an underspending of £2.5m against the approved revised budget of £205m. The main reasons for the underspend are +£7.5m invested in long term capital investment assets through the Revolving Infrastructure & Investment Fund, offset by -£10.0m revised spending profile on the service capital programme.

107. To complete these projects, the council will need to carry forward the related funding to future years. This decision is proposed as part of the budget outturn report, published towards the end of April 2015 and if approved, the amounts will be added to the capital programme for 2015-20.

### **Capital expenditure**

108. 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 programmes in MTFP (2013-18), MTFP (2014-19) and MTFP (2015-20) 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.

109. For 2015/16 the capital investment in school places has increased from £54m to £75m. Overall, for the period 2015-20, the Council will invest an additional £290m to create 13,000 school places.

110. The council will review demand for school places beyond 2017/18 annually and reflect it in the capital programme. Along with other local authorities, the council is seeking further support from Central Government to meet the increased demand for school places.

111. 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%.

112. The best approach to managing road maintenance is through longer 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 to 2017 (known as Project Horizon).

113. 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 to secure an additional 15% saving. The council is reinvesting this saving in the wider programme.

114. The next tranche of Local Growth Deal Transport schemes needs to be developed to business case during 2015/16 and will require further match funding beyond the current budget provision. It is proposed to create new budget provision, adding to the £1m per year from the Economic Regeneration capital budget, by virement of £5m per year from Highways Maintenance budget from 2018 to 2021 and a phased reduction in the Local Area Committee capital allocation of £0.5m in 2016/17 rising to £2.0m by 2019/20). The new match funding budget will be required to support Flood Alleviation Schemes also including a £0.5m pa contribution to the development of the River Thames Scheme.



115. The council plans to invest £19.0m in Information Technology over the five years to 2019/20. This includes £12.5m for new equipment and infrastructure, a £7.5m replacement and renewal programme. By making this investment, the council is enabling and supporting further service efficiencies.
116. Table 7 summarises the council's £695m capital programme for the five years of MTFP (2015-20). The grant funding for capital from central government from 2016/17 onwards is still unclear, pending a new government and the Comprehensive Spending Review. The council propose to review its five year capital programme in the summer of 2015.
117. As described above the council has been successful in winning a bid for the Fire Transformation Grant. £1m of this award is a revenue grant and £5m is for capital. This grant will be used for developing the partnership working between Surrey's Fire & Rescue Service and Police and Ambulance services.

Table 7: Summary capital expenditure programme

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Schools Basic Need	75	95	59	41	20	290
Highways recurring programme	31	31	31	36	35	164
Property & IT recurring programme	24	23	23	23	27	120
Other capital projects	55	31	13	14	8	121
<b>Total</b>	<b>185</b>	<b>180</b>	<b>126</b>	<b>114</b>	<b>90</b>	<b>695</b>

118. Cabinet requires a detailed and robust business case before considering a project for approval.

### Capital funding

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

#### Government grants

120. Government departments have announced some, but not all, capital grants for 2015/16 and even fewer for 2016/17 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. £24m of the £86m capital grants funding the programme remain to be announced.
121. 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.
122. Table 8 shows those grants for 2015/16 announced in the provisional settlement, those the council still expects and whether they are ring fenced or not.

Table 8: Government capital grants 2014/15

	<b>Provisional settlement 2015/16 £m</b>
<b>Capital grants announced</b>	
Ring fenced grants	
Fire transformation – successful bid	5
Non ring fenced grants	
School places	29
Schools kitchens	1
Integrated transport block	5
Highways maintenance	17
<b>Total capital grants announced</b>	<b>57</b>
<b>Total capital grants yet to be announced</b>	<b>29</b>
<b>Total grants</b>	<b>86</b>

123. Capital grants for years beyond 2015/16 are not known and MTFP (2015-20) includes an estimate for each year. The council reviews this estimate each year and makes equivalent adjustments to the capital programme.

#### Third party contributions

124. 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 (2015-20) capital programme relies on £41m third party funding.

#### Revenue reserves

125. The council uses reserves to fund capital items. It replenishes these reserves from revenue. The main two revenue reserves are: Fire Vehicle & Equipment Reserve and IT Equipment Reserve. MTFP (2015-20) capital programme relies on £15m funding from revenue reserves.

#### Borrowing

126. The council borrows to fund the part of the programme remaining after applying the above three funding sources. Over the five years of MTFP (2015-20), the council expects to borrow £261m to balance the capital programme.

127. Table 9 summarises the council's estimated capital funding for the period 2015-20.

Table 9: Capital funding 2015/16 to 2019/20

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Grants		86	88	74	72	52	372
Reserves		3	1	3	3	4	14
Third party contributions		5	8	10	10	10	43
Borrowing		91	83	39	29	24	266
<b>Total</b>	<b>0.0</b>	<b>185</b>	<b>180</b>	<b>126</b>	<b>114</b>	<b>90</b>	<b>695</b>

### Capital receipts

128. 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 Director of Finance supports the proposal for the council to use these resources to fund its additional portfolio of investments.

### Additional portfolio of investments

129. In recent years the council has taken a strategic approach to investment. This allows the council to invest in schemes that support economic growth in Surrey and 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, which meets the initial revenue costs of funding initiatives to deliver savings and enhance longer term income;
- using the Revolving Investment & Infrastructure Fund to support investments to generate additional income that the council can use to support service delivery;
- investing in a diversified and balanced portfolio to manage risk and secure an annual overall rate of return to the council;
- investing in schemes with potential to support economic growth in the county;
- retaining assets where appropriate and managing them effectively including associated investment if necessary, to enhance income generation.

### Reserves & balances

130. In recent years it has been considered prudent to maintain the council's minimum level of available general balances between 2.0% to 2.5% of the sum of council tax plus settlement funding, i.e. £16m to £20m. This is normally sufficient to cover unforeseen circumstances and the risk of higher than expected inflation. The council brought forward £21.3m general balances at 1 April 2014.

131. Going into 2015/16 the Director of Finance recommends the level of general balances remains in the same range. This approach is considered prudent when combined with the removal of the risk contingency from within the revenue budget, leaving general balances to mitigate against the risk of non-delivery of service reductions and efficiencies in 2015/16.

132. 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 2015 is £95m, down from £129m brought forward on 1 April 2014. The main reason for this is the use of £40m of reserves to support the 2014/15 budget.

133. During the 2014/15 financial year, the council has received £2.4m for the Bellwin Grant in respect of the severe weather in 2014. Cabinet approved the transfer of these funds to the Budget Equalisation Reserve (BER) for use in supporting 2015/16 budget. In addition, the revenue budget is forecast to underspend by £3.5m and this report proposes to also add these to the BER. This will bring the balance on the BER to £7.2m, subject to separate agreement to carry forward spending plans across financial years (to be determined in May 2015).
134. The Director of Finance supports that the council applies £4.3m from the BER to smooth funding between years.
135. To help mitigate future reductions in government grants and minimise future council tax uplifts, 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.
136. Appendix 6 sets out the council's policy on reserves and balances. Appendix 7 summarises the level and purpose of each of the council's earmarked reserves.

## **TREASURY MANAGEMENT AND BORROWING STRATEGY**

137. 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 council's treasury management policy statement and treasury management strategy.
138. Since 2009/10 the treasury management strategy has followed a cautious approach as a direct result of the council's Icelandic bank experience and the period of continuing low interest rates for investments.
139. The council has set itself a working cash balance of £47m in order to optimise the benefit of current unprecedented low interest rates and the opportunity to fund capital expenditure from internal cash reserves. . The council's approach to borrowing has been to use internal funding for capital expenditure to minimise the need for borrowing externally until this minimum balance is reached. Over the current year, this has required the council to borrow £70m to date. The Director of Finance reviews interest rates and the need to borrow on a daily basis, and has the delegated power to authorise additional borrowing if she considers the interest rate on offer and the timing of any potential borrowing appropriate within the overall strategy.
140. The council also invests cash on a daily basis, reflecting the fluctuating cash balance due to the timing of receipts and payments. The principles for this short term cash investment are as follows:
  - Focus on security, liquidity and yield – in that order;

- The use of a permissible counterparty list;
  - A maximum deposit period of one year; and
  - The setting of maximum deposit limits.
141. For 2015/16 the Director of Finance recommends the council continues with the internal funding policy while the current interest rate environment continues and that the current counterparty criteria are maintained.
142. The financial resilience of banks is being monitored by national governments and there are moves at a European level to withdraw the sovereign support for banks. The impact of this may be to restrict the number of counterparties meeting the council's criteria. Therefore, in order to ensure that the council can place cash in interest earning deposits, the Director of Finance recommends the ceiling for investment in money market funds is increased from £100m to £175m.
143. With this increased exposure to money market funds, the Director of Finance further recommends the council:
- increases the exposure from £20m to £25m for each fund;
  - selects additional money market funds; and
  - risk assesses each fund with a minimum rating of AAA.

#### **CONSULTATION:**

144. During October 2014 and January 2015, the Leader, Deputy Leader, Chief Executive and Director of Finance 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.
145. The council conducted a robust and statistically sound public engagement campaign in November and December 2012 to understand residents' service priorities and views on spending. The summary headlines were as follows:
- the council's current spending reflects the spending priorities of Surrey's residents closely;
  - 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; and
  - residents attach value to the council's services and reductions will cause dissatisfaction.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

146. 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 Director of Finance,

provides a clear direction for managing risk and strengthening resilience to support the council in achieving its priorities and delivering services. The group consists of service 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

147. The Leadership Risk Register contains the council's strategic risks. The Strategic Risk Forum reviews it monthly after the Statutory Responsibilities Network and ahead of review by the Chief Executive. Each strategic risk is cross referenced to risks on service 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.
148. 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; and
  - development and maintenance of significant partnerships.
149. 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.
150. The Director of Finance 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. Further narrative relating to risks is included in the Director of Finance's statutory report (see Annex 1).

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

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

## **SECTION 151 OFFICER COMMENTARY**

152. As required by legislation, the Director of Finance has written a separate report, attached at Annex 1.

## **LEGAL IMPLICATIONS – MONITORING OFFICER**

153. 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 Director of Finance to finalise detailed budget proposals to maintain the council tax rate it sets, should the Final Local Government Finance 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

154. 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.”
155. To inform decision making, an analysis of the potential impact of the proposals set out in the MTFP (2015-20) 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 2015. This analysis will also set out the actions that the council is taking, or will undertake, to mitigate any negative impacts that could arise.
156. The equality impact analysis undertaken for the proposed MTFP (2015-20) will build on the analysis of savings in the MTFP (2014-19). It will include full assessments of new savings proposals and further analysis of proposals where there is a significant change from those presented previously.
157. The analysis will include an overall council wide analysis and a summary of the implications of the proposals for each service. Detailed analysis, undertaken through Equality Impact Assessments, will be made available on the council’s website.
158. 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. Services will continue to monitor the impact of these changes and will take appropriate action to mitigate additional negative impacts that may emerge as part of this ongoing analysis.
159. In approving the overall budget and precept at this stage, the Cabinet and Full County Council will be mindful of the impact on people with protected characteristics under the Equality Act 2010.

### Other Implications

160. 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.

<b>Area assessed:</b>	<b>Direct implications:</b>
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.

<b>Area assessed:</b>	<b>Direct implications:</b>
Climate change	No significant implications arising from this report.
Carbon emissions	No significant implications arising from this report.

## **WHAT HAPPENS NEXT**

161. The Leader and Director of Finance will finalise the budget in the light of the Final Local Government Finance Settlement.

162. The detailed budget will be presented to the Cabinet on 24 March 2015.

### **Contact Officer**

163. Sheila Little, Director of Finance.  
Tel 020 8541 9223

### **Consulted**

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

### **Annexes**

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

### **Appendices:**

Appendix 1 Surrey County Council: Unit costs and Analysis  
Appendix 2 National economic outlook and public spending  
Appendix 3 Provisional government grants for 2015/16 to 2019/20  
Appendix 4 Revenue budget proposals  
Appendix 5 Capital programme proposals 2015/16 to 2019/20  
Appendix 6 Reserves & balances policy statement  
Appendix 7 Projected earmarked reserves and general balances 2014/15 and 2015/16

Appendix 8 Treasury Management Policy  
Appendix 9 Prudential indicators – summary  
Appendix 10 Global economic outlook and the UK economy  
Appendix 11 Treasury management scheme of delegation  
Appendix 12 Institutions  
Appendix 13 Approved countries for investments  
Appendix 14 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
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# Local Government Act 2003: Section 25 Report by the Director of Finance

## Introduction

- 1.1. The Local Government Act 2003 (Section 25) requires that when a local authority is agreeing its annual budget and precept, the Director of Finance (Sheila Little) must report to it on the following matters:
  - the robustness of the estimates made for the purposes of the calculations; and
  - 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. In expressing her opinion, the Director of Finance 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.
- 1.4. Strategically the financial and economic context facing the Council remains similar to recent years: according to the Office of Budget Responsibility (OBR) more of the funding cuts remain to be delivered than have already been introduced (60% still to come). Austerity is now clearly forecast to last for a decade up to 2020. The strategic messages and many of the risks, set out in this report, are therefore similar to last year. However, two particular features this year are:
  - delivery is likely to be increasingly challenging in view of the continuing year on year growth in demand on services as a result of demographic demand pressures and reduction in funding; and
  - the absence of a Comprehensive Spending Review beyond 2015/16. This makes medium term financial planning less certain. In response, a key difference for this MTFP (2015-20), is the plan to review the budget in the summer 2015 and report back to Cabinet.
- 1.5. Preserving the Council's financial resilience remains the key long-term driver in the council's financial strategy as the Council moves forward to the next 5 year MTFP (2015-20).
- 1.6. The Council has successfully delivered significant efficiency savings & service reductions in each of the last four financial years (2010/11 £68m, 2011/12 £61m, 2012/13 £66m, 2013/14 £62m), and is forecast to deliver further savings for 2014/15 of £69m. Adding this to the additional funding and savings included in the budget assumptions for the next MTFP (2015-20) makes a total of £588m over the decade. Throughout this period the Council has continued to drive for increased improvement, added value and reduced unit costs (and the latest unit cost booklet is attached in Appendix 1).

- 1.7. As indicated previously, the level of savings delivered continues to retain a balance of approximately an 80:20 split between meeting the austerity agenda through a combination of service efficiencies and tax up-lifts, similar to central Government's strategy for addressing the national fiscal deficit. Sustaining this level of further savings year on year is becoming harder for services to deliver, making tracking of action plans to deliver efficiencies even more important.
- 1.8. Other significant risks in the new MTFP (2015-20) relate to:
- potential policy changes (including service specific and fiscal) following the General Election in May 2015;
  - the potential for revisions to the basis of local government funding. A Commission into Local Government Funding jointly carried out by the Local Government Association (LGA) and CIPFA is expected to report early in 2015 and propose changes ahead of the next Comprehensive Spending Review. In addition, there are calls for wider pooling of health and social care funding; the increased devolution of responsibilities to local authorities; and, other changes to statutory responsibilities take effect (for example the Care Act). Finally, the trend towards increasing complexity in allocating funds: through bidding processes and match funding, rather than grant allocations, makes forecasting total funding available less predictable. All these challenges to forecasting the quantum of funding likely to be available and to the distribution mechanism, lead to increased uncertainty around the level of actual funding the Council will receive in the future; and
  - the continuing increases in demand, both volume and complexity, for the core services that the Council has a duty to provide to vulnerable residents, in particular relating to children, schools places and the elderly, all increase the pressures to spend more on core services. This is particularly difficult to manage at the same time as the continuing reduction in funding levels, through loss of grant and restraint in council tax up-lifts as a result of the Governments council tax referendum policy.
- 1.9. In response to these pressures and uncertainties and mindful of the need to remain focused on long term financial resilience, the Council is planning deeper and earlier efficiencies to balance the budget for 2015/16 without erosion of the councils general reserves and balances. In addition, the Council proposes to continue with the strategy to remove the risk contingency from 2015/16, to avoid unnecessarily increasing the efficiencies required to be delivered.
- 1.10. However, to recognise the risk of non-delivery of efficiencies going forwards the additional mechanism to regularly track and monitor progress on the implementation of robust plans for achieving the efficiencies across the whole MTFP period, that was introduced in 2014/15, will continue to ensure early action can be taken if it emerges that any plans become non-deliverable. This mechanism specifically involves regular supportive budget challenge sessions led by the Chief Executive and the Director of Finance with the key Heads of

Service and Strategic Directors. Ahead of 2015/16 this mechanism has been expanded to supportive challenge of the key transformational initiatives (for example the family support programme and the transformation of emergency response services).

- 1.11. To balance the budget, the Council proposes a council tax up-lift of 1.99% for 2015/16, in the context of a referendum limit of 2%. This strategy is consistent with recent years whereby the up-lift has been below inflation whilst also recognising that freezing the council tax would erode the long term financial resilience of the Council. Looking ahead, the Council proposes to link council tax up-lifts to the current increases in uncontrollable service demands caused by demographic changes. However, the precise level of this cannot be determined until greater certainty is known once the new Government is formed after the General Election in May 2015.
- 1.12. For the last three years this has meant not accepting the Government's council tax freeze grant (CTFG) and instead putting in place sensible council tax up-lifts. For 2015/16 the Provisional Financial Settlement has indicated a fifth council tax freeze grant at 1% (for 2015/16). In the absence of a Comprehensive Spending Review beyond 2015/16, it is not known whether this CTFG will be added to the council's case funding in the longer term.
- 1.13. Accepting this grant 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 as a result of demographics.

### **Financial management arrangements**

- 1.14. For 2013/14 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. The Council was rated as 'good' (the top rating) in terms of its financial resilience.
- 1.15. The Director of Finance continued to work closely and positively with the council's external auditor, Grant Thornton.
- 1.16. The Council has continued its robust system of budget monitoring and control evidenced by the continuation of monthly budget monitoring reports to Cabinet within a month of the period end. 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.
- 1.17. The system for monitoring the progress on the implementation of efficiency savings has been enhanced during 2014/15, as requested by Cabinet and now includes supportive budget challenges sessions led by the Chief Executive and Director of Finance with the Strategic Directors and Heads of Services for the largest spending areas. Scrutiny by the Leader and Cabinet, as well as Council Overview Scrutiny Committee will continue as before.

- 1.18. The Director of Finance considers that the financial control arrangements remain sufficiently robust to maintain adequate and effective control of the budget in 2015/16.

### **Budget process**

- 1.19. The budget planning process, established in 2011, following a 'lean' process review, was developed further for this MTFP (2015-20) process. The main enhancement was to establish closer challenge of the service strategies and action plans in place to ensure effective delivery of service efficiencies.
- 1.20. 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 2014 and into January 2015 guided by advice from the Chief Executive, Strategic Directors and Director of Finance.

### **MTFP (2015-20) budget assumptions**

- 1.21. The main budget assumptions are set out in detail in the main budget report and the Director of Finance confirms that these are realistic in the context of the demographic and fiscal challenges facing the Council, although the proposed efficiency and other service savings are ambitious and there is substantial risk they will not all be achieved within the required timescale. This is why the enhanced tracking of action plans to deliver efficiencies will be continued and the MTFP reviewed in the summer 2015.
- 1.22. 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 2015/16. As in 2014/15, 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**

- 1.23. The final accounts for 2013/14 show available general balances at 31 March 2014 of £21.3m. The latest budget monitoring position for 2014/15, as at 31 December 2014, forecasts that this level will be £21.3m by 31 March 2015. Appropriate levels of general balances are necessary to be maintained so that the Council can respond to unexpected emergencies. In recent years this balance has been set at between 2.0% and 2.5% of the sum of council tax plus settlement funding, i.e. £16m to £20m. Although the current expected level is marginally in excess of this, the Director of Finance considers this prudent in view of: the removal of the risk contingency from the revenue budget into

2015/16; the increasing uncertainty of specific grants; and, the absence of a specific reserve to manage severe weather liabilities.

1.24. Details of earmarked balances are set out in Appendix A7. After using significant earmarked reserves in the 2014/15 budget, and having reviewed the reasons for holding each balance, the Director of Finance considers it prudent to leave earmarked reserves at broadly the same level going into 2015/16: £95m. The minor changes proposed are:

- to use £4.3m of funds from the Budget Equalisation Reserve to smooth spending across financial years; and
- to add the excess Council Tax Collection Fund surplus (£4.6m) to the Economic Downturn Reserve.

1.25. Taking the general balances and the earmarked reserves together, the Director of Finance considers the amounts represent a prudent and sensible level for likely future commitments, whilst not holding excessive balances when services are facing increasing demands.

### **Financial standing**

1.26. 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. In accordance with the planned capital programme, and the provision made in the current MTFP (2014-19), during the current financial year, 2014/15, the Council has borrowed £50m (in two tranches), at record low interest rates, thereby minimising the long term costs of repayment by the Council. Looking ahead into 2015/16, it may be that further borrowing will be undertaken ahead of forecast rises in interest rates later in the year. As the Council reviews the MTFP in the summer 2015, regard must be given to ensuring that the revenue costs of proposed borrowing are affordable and sustainable in the long term.

### **Risk assessment**

1.27. 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 2014/15 and will continue into 2015/16. 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 2015/16.

1.28. The specific risks relating to the financial environment and opportunities facing the Council and recorded in the Leadership Risk Register are listed below and

many lead to the proposal to review the MTFP (2015-20) in the summer 2015 once some of these are clearer:

- erosion of the council's main source of funding (council tax);
- delivery of the major change programmes and associated efficiencies;
- increased reliance on partnership working to manage service delivery and optimise efficient service delivery;
- the on-going uncontrollable growth in demographic demands on services;
- potential policy changes (including service specific and fiscal) following the General Election in May 2015; and
- the absence of a Comprehensive Spending Review 2015.

1.29. The Director of Finance is satisfied that the proposed budget, general balances & earmarked 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, the continued use of the Budget Equalisation Reserve to enable spending to be smoothed across years, and the increase to the Economic Downturn Reserve in view of the on-going local government funding uncertainty.

### **Future years**

1.30. 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 on-going high demographic demand for core service, it is likely that adjustments will be required during 2015/16 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.

1.31. Given the scale of the financial challenges facing the public sector, the Director of Finance 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 (2015-20) period must be sustainable in the long term. It ought to be recognised that the content of the next CSR is particularly hard to forecast in view of the General Election in May 2015.

### **Conclusion**

1.32. The Director of Finance 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 as set out above. This means a review of the whole MTFP (2015-20) period is recommended in the summer 2015 to validate assumptions and timescales.



# Treasury Management Strategy Statement 2015/16 and Prudential Indicators 2015-20

## Key issues and decisions

To set the Council's prudential indicators for 2015/16 to 2019/20, approve the minimum revenue provision (MRP) policy for 2015/16 and agree the treasury management strategy for 2015/16.

## 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 8 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 2015/16, 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 the continuation of unprecedented low investment interest rates, and in order to help reduce counterparty risk, maintain the minimum deposit balance at £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 and are favourable to the Council.
  - 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. This 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.
  - Increase the allocation to AAA rated money market funds from £100m to £175m and the maximum individual AAA money market fund from £20m to £25m.
  - Approve the Prudential Indicators in Appendix 9.
  - Maintain the Schedule of Delegation as set out in Appendix 11.
  - Maintain the Council's minimum revenue provision policy as set out in Appendix 14.

## 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 2015/16**

- 2.8. The strategy for 2015/16 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 by the Audit and Governance Committee.

### **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 regular update calls/meetings are held with Capita Asset Services.

- 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 2015/16 to 2019/20**

- 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 9.

### **Borrowing**

- 2.17. The capital expenditure plans set out in Appendix 12 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 2014, 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	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual £m	Projected £m	← ----- £m	Estimated ----- £m	----- £m	----- £m	----- £m
<b>Capital Finance Requirement at 31 March</b>	<b>682</b>	<b>767</b>	<b>838</b>	<b>899</b>	<b>913</b>	<b>916</b>	<b>916</b>
Less Other Long Term Liabilities	-69	-80	-76	-72	-68	-63	-59
Borrowing Requirement	613	687	762	827	845	853	857
Actual External Debt at 31 March	400	486	557	618	631	634	633
<b>Under/(over) borrowing</b>	<b>213</b>	<b>201</b>	<b>205</b>	<b>209</b>	<b>214</b>	<b>219</b>	<b>224</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 2015/16 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 Director of Finance 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. 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 2014	0.50	1.97	3.17	3.29
March 2015	0.50	2.20	3.40	3.40
June 2015	0.50	2.20	3.50	3.50
September 2015	0.50	2.30	3.70	3.70
December 2015	0.75	2.50	3.80	3.80
March 2016	0.75	2.60	4.00	4.00
June 2016	1.00	2.80	4.20	4.20
September 2016	1.00	2.90	4.30	4.30
December 2016	1.25	3.00	4.40	4.40
March 2017	1.25	3.20	4.50	4.50
June 2017	1.50	3.30	4.60	4.60
September 2017	1.75	3.40	4.70	4.70
December 2017	1.75	3.50	4.70	4.70
March 2018	2.00	3.60	4.80	4.80

2.22. Investment returns are still likely to remain relatively low during 2015/16 and beyond. Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. The closing weeks of 2014 and early into 2015 have seen gilt yields dip to historically remarkably low levels after inflation plunged, a flight to quality from equities (especially in the oil sector), from the debt and equities of oil producing emerging market countries, and an increase in the likelihood that the ECB will commence quantitative easing (purchase of EZ government debt) in early 2015.

2.23. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to fund new capital expenditure and/or to refinance maturing

debt. There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns, as well as increased counterparty risk.

- 2.24. A commentary on the global economic outlook is shown as Appendix 10.

### **UK Treasury Management Delegation**

- 2.25. The Treasury Management Scheme of Delegation is set out in Appendix 11.

### **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 2014, the level of under-borrowing amounted to around £285m. 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 2015/16 treasury operations. The Director of Finance 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 2015/16 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.
- 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 unanticipated market movements. 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 2015/16:

- 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 an increase in world economic activity, or an increase in inflationary 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 global markets and the Eurozone, which has supported UK gilt prices and reduced further historically low gilt yields (which underpin PWLB borrowing rates). Moreover, the UK inflation position has reduced to below the Bank of England's Monetary Policy Committee's (MPC's) target of 2%. Any further reduction may have an impact on the financial markets view of gilt prices, with a further reduction in gilt (and therefore PWLB) rates. This highlights the higher importance of the longer term fixed interest rate economic forecasts.

2.33. Any decisions will be reported to the Audit and Governance Committee 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

	2015/16 to 2019/20		2014/15 year end projection	
	Lower	Upper	£m	
Upper limits on fixed interest rates	100%		100%	
Upper limits on variable interest rates	25%		0%	
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	3%
10 years and above	25%	100%	297	97%
<b>Total external borrowing</b>			<b>307</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 main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some financial institutions with a ratings "uplift" due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts". This process may commence during 2014/15 and / or 2015/16. The actual timing of the changes is still subject to discussion, but this does mean immediate changes to the credit methodology are required.
- 2.42. It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.
- 2.43. Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings. As such, there is no point monitoring both Long Term and these "standalone" ratings.
- 2.44. Furthermore, Fitch has already begun assessing its Support ratings, with a clear expectation that these will be lowered to 5, which is defined as "A bank for which there is a possibility of external support, but it cannot be relied upon." With all institutions likely to drop to these levels, there is little to no differentiation to be had by assessing Support ratings.
- 2.45. As a result of these rating agency changes, the credit element of the future Capita assessment methodology will focus solely on the Short and Long Term ratings of an institution. This is the same process for Standard & Poor's but a change to the use of Fitch and Moody's ratings. Furthermore, Capita continue to utilise credit default swap (CDS) prices as an overlay to ratings in the new methodology.
- 2.46. 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.

- 2.47. 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.
- 2.48. 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.
- 2.49. 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.
- 2.50. Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.
- 2.51. Current investment counterparties identified for use in the financial year using currently approved rating criteria are listed in Appendix 12 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.
- 2.52. The Director of Finance, 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**

- 2.53. 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).
- 2.54. The Director of Finance 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 are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.
- 2.55. 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.
- 2.56. 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. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions. The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is summarised in Appendix 12.
- 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-
  - (N.B. Viability, Financial Strength and Support ratings have been removed and will not be considered in choosing counterparties.)
- 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 and 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 two out three three rating agencies. It is recommended that this be increased from total £100m to £175m, maximum £25m per fund, in order to provide additional capacity in the possible event of counterparties dropping out of the Lending List.
  - 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**

2.57. 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 13;
- 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**

2.58. 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**

- 2.59. All investments will be limited to 364 days. Further internal restrictions may be applied on recommendations from Capita Asset Services.
- 2.60. The proposed criteria for specified and non-specified investments are shown in Appendix 12 for approval.

### **Country limits**

- 2.61. 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**

- 2.62. 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**

- 2.63. 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 slightly enhanced rate 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 £175m).

### **Local authorities**

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

### **Investment returns expectations**

- 2.65. The Bank Rate is forecast by Capita Asset Services to remain unchanged at 0.5% before starting to rise from quarter 4 of 2015. Capita Asset Services forecasts the financial year ends (March) as:

2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
0.50%	0.75%	1.25%	2.00%	2.50%	2.50%

- 2.66. 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.

2.67. 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:

2015/16	0.40%
2016/17	1.00%
2017/18	1.75%
2018/19	2.25%
2019/20	2.25%

2.68. In terms of how these estimate yields differ from last year's strategy, the date of the first rise in the Bank Rate to 0.75% is pushed out to December 2015. The possibility of counterparties falling off the Lending List as a result of tightening criteria by the rating agencies could also make the generation of enhanced yields challenging.

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

2.69. 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.

2.70. 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>2015/16</b>	<b>2016/17</b>
	<b>% of portfolio</b>	<b>% of portfolio</b>	<b>% of portfolio</b>
Principal sums invested > 364 days	0	0	0

2.71. 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.

2.72. 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**

2.73. 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.

2.74. The current position is that the Landsbanki deposit recovery is complete. With regard to Glitnir, 84% of the deposits has been repaid. The balance owed on each deposit is shown in the Table 2.5. It should be noted that the balance has been placed in an escrow account awaiting repayment, and subject to the final processes of the Icelandic Winding Up Board.

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
		10,000		8,385	1,615

2.75. The remaining balance will be subject to exchange rate fluctuations when capital controls in Iceland have been lifted. 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 2015/16 with a final irrecoverable amount decided and included in the Council's accounts. The council holds £564k in a financial investment reserve.

### **Investment risk benchmarking**

2.76. 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**

2.77. 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

2.78. 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 of £47m is currently in place. 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.

## Yield

2.79. 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

2.80. 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.

2.81. 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

2.82. 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.

2.83. These indicators will be reported to the Audit & Governance Committee in the quarterly and half yearly reports, due after 30 September 2015, and the Treasury Management Annual Report for 2014/15.

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

2.84. 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**

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

#### **Minimum revenue provision**

2.86. The Council's policy on minimum revenue provision (MRP) is shown in Appendix 14.

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

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

#### **Appendices:**

Appendix 8	Treasury Management Policy
Appendix 9	Prudential indicators – summary
Appendix 10	Global economic outlook and the UK economy
Appendix 11	Treasury management scheme of delegation
Appendix 12	Institutions
Appendix 13	Approved countries for investments
Appendix 14	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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## 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 10 February 2015. This is set out in the Council Budget Report 2015-2020 and annexes.
- 3.2. 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 (2014/15) and that actually collected. The districts and boroughs confirmed the council tax collection fund balance at £11,040,187.00.
- 3.3. The basic amount of council tax is the council tax requirement divided by the tax base.
- 3.4. The council tax requirement for 2015/16 is based on:

	£	£
Gross expenditure		1,667,906,849.60
Other income		-137,926,769.33
<b>Budgeted revenue expenditure</b>		<b>1,529,980,080.27</b>
Council tax collection fund balance	-11,040,187.00	
Applied from reserves and balances	-4,328,122.82	
<b>Reserves and balances including council tax collection fund</b>		<b>-15,368,309.82</b>
<b>Budgeted net expenditure</b>		<b>1,514,611,770.45</b>
Business rates income		-44,085,459.60
Business rates retention system		-169,673,027.00
Other Government grant		-713,969,369.00
<b>COUNCIL TAX REQUIREMENT</b>		<b>586,883,914.85</b>

- 3.5. The tax base is the number of Band D equivalent properties for precepting purposes. For 2015/16 it is as follows:

<b>Billing authority</b>	<b>Number of Band D equivalent properties</b>
Elmbridge	62,085.00
Epsom & Ewell	31,511.50
Guildford	54,825.76
Mole Valley	39,632.00
Reigate & Banstead	57,629.00
Runnymede	32,070.00
Spelthorne	37,971.10
Surrey Heath	36,600.49
Tandridge	36,667.00
Waverley	52,831.20
Woking	39,355.55
<b>Total</b>	<b>481,178.60</b>

- 3.6. Therefore the basic amount of council tax is

$$£586,883,914.85 \div 481,178.60 = £1,219.68$$

- 3.7. 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	813.12
B	948.64
C	1,084.16
D	1,219.68
E	1,490.72
F	1,761.76
G	2,032.80
H	2,439.36

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

<b>Billing authority</b>	<b>£</b>
Elmbridge	77,182,111.80
Epsom & Ewell	39,005,966.32
Guildford	68,642,880.96
Mole Valley	49,846,761.76
Reigate & Banstead	70,288,938.72
Runnymede	40,145,137.60
Spelthorne	48,092,591.25
Surrey Heath	45,390,885.64
Tandridge	44,959,506.56
Waverley	65,915,986.02
Woking	48,453,335.22
<b>TOTAL</b>	<b>597,924,101.85</b>

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

17 April 2015	16 October 2015
22 May 2015	20 November 2015
26 June 2015	6 January 2016
31 July 2015	12 February 2016
11 September 2015	16 March 2016

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**SURREY**

**Surrey County Council: Unit costs and analysis**

September 2014

## Introduction

Surrey County Council recognises, and supports, the Government's strategy to keep council tax increases low and the incentive for councils to increase efficiency and productivity to achieve this. In fact, Surrey County Council would go further and be strong advocates of genuine public service activity based costing.

Surrey County Council supports the principle of an upper limit on council tax increases to implement this strategy (i.e. the referendum limit, proposed to be 2% for 2014/15 and 2015/16).

The Council does, however, believe the effect of this current blunt (one size fits all) council tax strategy punishes those efficient councils whilst cushioning less efficient councils because there are councils affected by changing demographics over which councils have no control. For example, the increasing numbers of:

- Older People
- Adult Disabilities (physical and learning)
- School Place numbers (resulting from increased child population).

This booklet sets out to demonstrate that efficient authorities can reduce unit costs in the face of significant increases in need for its services. The impact of higher demand leads to total costs increasing, despite lower unit costs.



David Hodge

Leader

Surrey County Council

## People with physical and sensory disabilities

	2010/11	2011 /12	2012/13	2013/14	Three Year Change %
Total Actual Cost(£000)	39,642	41,552	43,839	46,654	17.7%
Total number of people helped	1,743	1,857	1,962	2,117	21.5%
Cost per person helped (£)	22,744	22,376	22,344	22,038	-3.1%
% decrease		-1.6%	-0.1%	-1.4%	
Inflation (CPI)		3.00%	2.40%	1.80%	

## **People with physical and sensory disabilities: Key Information**

- The number of people with physical and sensory disabilities helped by the council has increased by 21% in the three years to 2014.
- The total cost of this care has risen by 18% over this time.
- The unit cost of looking after each person has reduced in cash terms by 3.1%, while inflation measured by the Consumer Price Index has increased by 7.2%
- The number of people with physical and sensory disabilities is forecast to rise by 13% over the next three years as a result advances in medical care.

## People with learning difficulties

	2010/11	2011 /12	2012/13	2013/14	Three Year Change %
Total Actual Cost(£000)	132,051	129,847	137,553	142,019	7.5%
Total number of people helped	3,697	3,927	4,211	4,235	14.6%
Cost per person helped (£)	35,718	33,065	32,665	33,535	-6.11%
% decrease		-7.4%	-1.2%	2.7%	
Inflation (CPI)		3.00%	2.40%	1.80%	

## **People with learning difficulties: Key Information**

- The number of people with learning difficulties helped by the council has increased by nearly 15% in the three years to 2014.
- Surrey has the highest population of people with learning difficulties in England.
- The total cost of this care has risen by 7.5% over this time.
- The unit cost of looking after each person has reduced in cash terms by 6.1%, while inflation measured by the Consumer Price Index has increased by 7.2%.
- The number of people with learning difficulties is forecast to increase by 12% over the next three years as children who previously died in childhood now survive into adulthood.

## Older people

(aged over 65 years)

	2010/11	2011 /12	2012/13	2013/14	Three Year Change %
Total Actual Cost(£000)	194,181	200,738	212,925	219,908	13.2%
Total number of people helped	8,020	8,238	8,438	8,797	9.7%
Cost per person helped (£)	24,212	24,367	25,234	24,998	3.2%
% increase		0.6%	3.6%	-0.9%	
Inflation (CPI)		3.00%	2.40%	1.80%	



## **Older people: Key Information**

- Surrey County Council helps and looks after older people in their own homes or in residential homes.
- The number of older people helped has increased by nearly 10% in the three years to 2014.
- This increase is expected to accelerate to 14% over the next three years to 10,030.
- An increasing number of people cared for are aged over 85 years and have more complex and expensive needs.
- The overall increase in the cost per person is half of the rate of inflation of the same period

## School Places

	2010/11	2011 /12	2012/13	2013/14
Total Actual Capital Spend(£000)	6,669	6,116	20,534	42,176
Total number of school places delivered	705	810	1,695	2,852
equivalent to;				
Primary classrooms	23	27	56	95
or				
Primary schools	1.5	2	4	7

	2014/15	2015/16	2016/17	2017/18
Planned number of school places	3,800	4,000	3,000	3,050
equivalent to;				
Primary classrooms	120	107	100	101
or				
Primary schools	8.5	7.5	7	7

### **The latest School Basic Need Capital Programme:**

Average planned cost per primary school place	£14,000
Average planned cost per secondary school place	£24,000

## School places: Key Information

- The number of school places provided each year in Surrey has risen by over 150% since 2010. The delivery of school places up to now has largely been through temporary demountables, adaptations and small extensions.
- This increase is set to continue with a further 10800 places needed over the next three years. The current school basic need capital programme reflects the increased need for new builds and large extensions.
- Surrey is working in partnership with Hampshire County Council to procure additional school places at the best price.
- The number of additional primary school places the council has provided each year from 2008 to 2013 is shown in the table below.

2008	435 places
2009	480 places
2010	705 places
2011	810 places
2012	1695 places
2013	2,852 places

- In addition, over the next four years the council is planning the following additional places.

2014 - 19	13,850 places
--------------	---------------

- This is a combination of bulge classes, permanent expansion schemes and a small number of schemes where there has been an alignment of irregular admissions numbers.
- Over the last year, Surrey has experienced its highest ever birth rate. This will further increase the need for school places within the next five years

## Children's Service

	2010/11	2011 /12	2012/13	2013/14	Three Year Change %
Total Actual Cost(£000)	95,049	93,546	93,772	93,653	-1.5%
No. Of Children	2,497	2,617	2,903	2,955	18.3%
Cost per child helped (£)	38,065	35,746	32,302	31,693	-16.7%
% decrease		-6.1%	-9.6%	-1.9%	
Inflation (CPI)		3.00%	2.40%	1.80%	

## **Children's Service: Key Information**

- Since 2010, Surrey County Council has reduced total expenditure on Children's services and managed an increased case load.
- Public attention on child protection has increased over recent years, leading to an increase in referrals and child protection cases.
- The average number of referrals has increased from 500 per month on April 2010 to over 700 per month in April 2014
- The unit cost of protecting and caring for children has decreased by more than 16%, while inflation measured by the Consumer Price Index has increased by 7.2%.

## Library Service

	2010/11	2011 /12	2012/13	2013/14	Three Year Change %
Total Actual Cost(£000)	19,564	20,279	20,030	19,049	-2.6%
No. Of Physical Visits	4,105,909	4,030,563	3,763,487	3,858,348	
No. Of Virtual Visits	3,161,022	3,795,167	4,214,828	3,987,753	
Total No. Of Visits	7,266,931	7,825,730	7,978,315	7,846,101	8.0%
Cost per visit (£)	2.69	2.59	2.51	2.43	-9.8%
No. of Issues - Books	5,848,801	5,773,804	5,718,725	5,686,546	
No. of Issues - Other	315,418	300,526	276,249	254,484	
No. Of Stock Issues	6,164,219	6,074,330	5,994,974	5,941,030	
Cost per Issue (£)	3.17	3.34	3.34	3.21	1.0%
% increase		5.2%	0.1%	-4.0%	
Inflation (CPI)		3.00%	2.40%	1.80%	

## **Library Service: Key Information**

- Total expenditure beginning to reduce from restructuring activities
- Further reductions in future years as a result of Community Partnered approach (9 Community Partner Libraries in Surrey)
- Ongoing reduction in physical visits, but offset by increased on-line use of the library service
- We believe Surrey is the only County/Council not to close a single Library and we will continue to explore expansion of Community Partner Libraries throughout Surrey where opportunities arise.

## Fire & Rescue Service

	2010/11	2011 /12	2012/13	2013/14	Three Year Change %
Total Actual Cost(£000)	41,017	41,434	41,636	43,657	6.44%
No. Of Incidents Attended	10,936	10,736	9,851	10,996	0.55%
Cost per Incident (£)	3,751	3,859	4,227	3,970	5.85%
No of Properties in Surrey	487,467	489,784	493,033	513,270	
Cost per Property (£)	84.14	84.60	84.45	85.06	1.08%
Population	1,109,700	1,113,200	1,127,300	1,135,500	
Cost per head of population (£)	36.96	37.22	36.93	38.45	4.02%
% increase		0.70%	-0.77%	4.10%	
Inflation (CPI)		3.00%	2.40%	1.80%	



## **Fire & Rescue Service: Key Information**

- Costs are being managed by staff & management restructuring activities.
- Further reduction in future years expected from rationalisation of fire stations
- Severe weather and major flooding issues in winter led to an increase in incidents and costs in 2013/14.
- Surrey County Council is working with other blue light services as a part of Public Sector Transformation.
- Increase in costs is below the level of inflation over the same period

## Highway maintenance

	2010/11	2011 /12	2012/13	2013/14	Three Year Change %
Total Actual Cost – revenue (£000)	29,152	25,323	27,770	33,067	13.4%
Miles of road	2,983	3,020	3,020	3,100	3.9%
Cost per mile (£)	9,773	8,385	9,195	10,667	9.15%
% increase		-14.20%	9.66%	16.00%	
Inflation (CPI)		3.00%	2.40%	1.80%	
Total Actual Cost - Capital re-surfacing (£000)	3,951	4,919	12,225	31,778	704%
Miles of road resurfaced	10	14	38	83	730%
Cost per mile resurfaced (£000)	395	351	322	383	-3%

## **Highways maintenance: Key Information**

- Key Strategy policy decision by the Council Leadership to increase spending on road maintenance to meet the council's residents and customers' needs.
- Total expenditure includes road maintenance and repairs, drainage, tree maintenance and safety.
- The unusually severe weather over the winter months led to an increase in the emergency repairs required to roads, leading to increased expenditure
- A key issue for the council is the failure by Government to recognise the level of traffic in the county of Surrey in its grant allocation mechanisms. Therefore the council continues to present the case that all assessment decisions should include traffic levels on roads as one of the 4 key elements of damage to highways.

## Waste disposal

	2010/11	2011 /12	2012/13	2013/14	Three Year Change %
Total Actual Cost(£000)	49,518	50,291	52,466	55,221	11.5%
Total tonnage waste	547,110	545,890	536,839	565,608	3.4%
Cost per tonne (£)	90.51	92.13	97.73	97.63	7.9%
% increase		1.79%	6.08%	-0.10%	
Inflation (CPI)		3.00%	2.40%	1.80%	

## **Waste disposal: Key Information**

- Total tonnage waste includes household waste and municipal waste.
- % of waste being sent to landfill is significantly reducing as a result of investment activities with Waste collection agencies (District & Borough Councils) to improve recycling.
- This has avoided the more expensive landfill tax of £80 per tonne. This could be as much as £2.0m additional cost to Surrey

## Contact centre

	2010/11	2011 /12	2012/13	2013/14	Three Year Change %
Total Actual Cost(£000)	3,846	3,695	3,166	3,175	-17.4%
No. of calls	439,968	471,957	522,314	495,952	12.7%
Cost per call (£)	8.74	7.83	6.06	6.40	-26.8%
% increase		-10.4%	-22.6%	5.6%	
Inflation (CPI)		3.00%	2.40%	1.80%	

### **Contact centre: Key Information**

- Costs are being managed from restructuring activities and extending the remit of the contact centre.
- Traffic is directed to on-line solutions where possible

## Property

	2010/11	2011 /12	2012/13	2013/14	Three Year Change %
Total Actual Cost(£000)	32,609	31,414	27,248	26,218	-19.6%
SCC Full Time Equivalent Employees	7,174	7,195	7,391	7,357	2.6%
Cost per FTE (£)	4,545	4,366	3,687	3,564	-21.60%
% increase		-3.9%	-15.6%	-3.33%	
Inflation (CPI)		3.00%	2.40%	1.80%	



## Property: Key Information

- Reductions in costs being achieved from rationalisation of the office portfolio and energy efficiency investment.
- Further reductions planned from staff restructuring and enhanced use of technology.
- Full time equivalent staff has increased as the council has filled vacancies with permanent staff rather than more expensive agency staff, brought back staff from the private sector at reduced costs to County, and the transfer of new services, such as Public Health.

## Information Management Technology

	2010/11	2011 /12	2012/13	2013/14	Three Year Change %
Total Actual Cost(£000)	23,814	23,865	26,629	23,596	-0.9%
SCC Full Time Equivalent Employees	7,174	7,195	7,391	7,357	2.6%
Cost per FTE (£)	3,319	3,317	3,603	3,207	-3.38%
% increase		-0.1%	8.6%	-11.0%	
Inflation (CPI)		3.00%	2.40%	1.80%	

## **Information Management Technology: Key Information**

- Key Strategic policy decision to spend more on technology to achieve efficiencies throughout the organisation.
- Underlying savings have been achieved from a number of external contracts
- Savings of nearly £3.0 on SAP and networks from 2012/13 to 2013/14.
- The costs of IMT include
  - Systems applications
  - Voice and data networks
  - Data Centre
  - Help desk
  - Hardware support

## Staff Sickness

	2007/8	2008/9	2009/10	2010/11	2011 /12	2012/13	2013/14
Time lost per FTE (Days)	13.08	10.34	8.89	7.58	7.83	7.95	7.44
Value of time lost to sickness (£000)	12,721	10,056	8,646	7,372	7,615	7,732	7,236
% increase		-20.9%	-14.0%	-14.7%	3.30%	1.54%	-6.41%

## Staff Sickness

- The number of sick days lost per FTE is shown here in line with the Office for National Statistics calculation. This provides a consistent measure with long standing historical comparisons
- The value shown is that of the lost time. It is not the additional cost of time lost due to sickness
- Surrey County Council has put in place a number of measures to reduce time lost due to sickness, and this is shown in the declining trend. It compares well to the average local government figure of 9.4 days lost per FTE and the private sector of 7.7 days per FTE
- In August 2013, SCC introduced the sickness dashboard providing live up-to-date sickness data to line managers. To enable these managers to focus their efforts upon the staff currently within their control, data for those employees who left the Council is now excluded from the dashboard. By this measure the days lost through sickness per FTE is 6.44



## 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

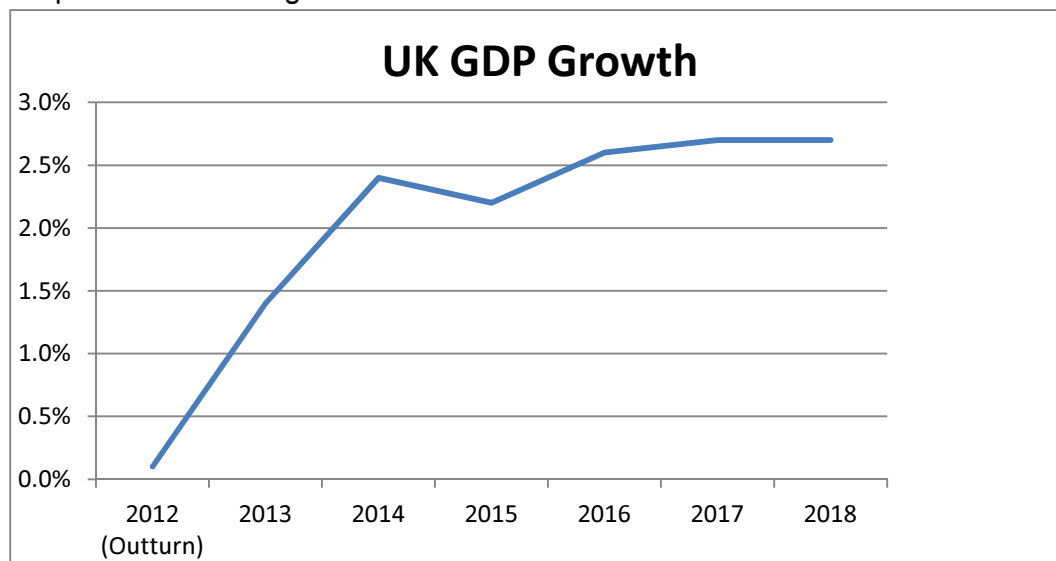
	Per cent of GDP						
	Outturn		Forecast				
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Cyclically adjusted surplus on current budget	<b>-3.6</b>	-2.9	-2.0	-1.4	-0.2	0.7	1.6
Public Sector Net Borrowing <sup>1</sup>	<b>7.3</b>	6.8	5.6	4.4	2.7	1.2	-0.1
Public Sector Net Debt	<b>73.9</b>	75.5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

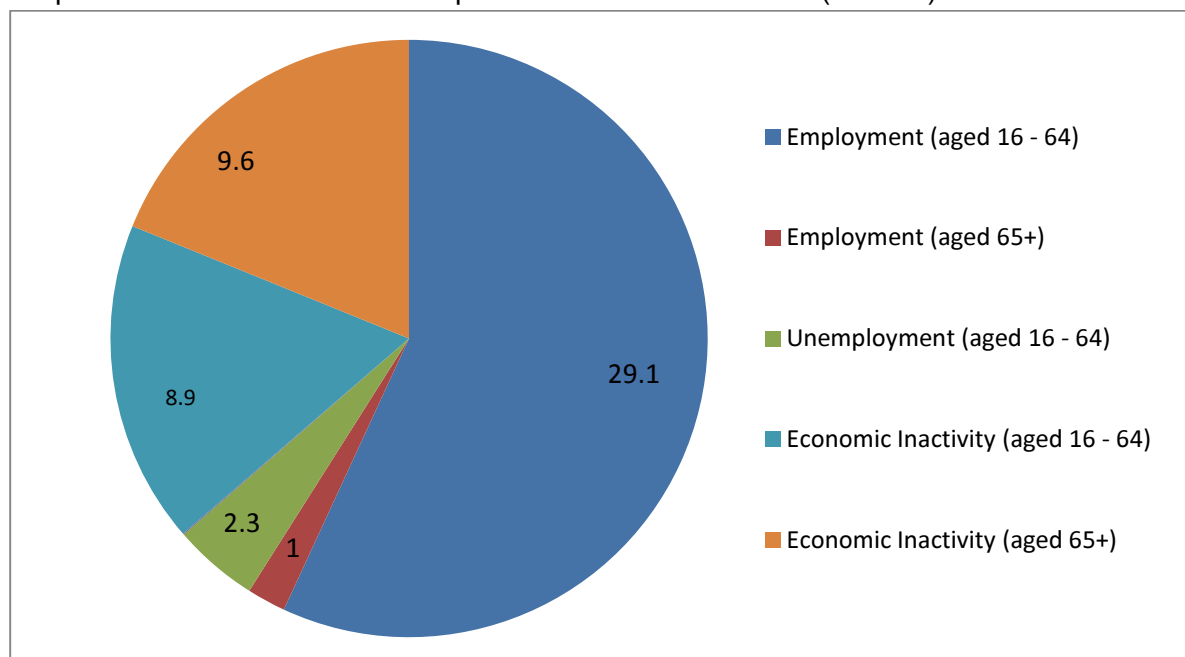
Graph A2:1 UK GDP growth:



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)



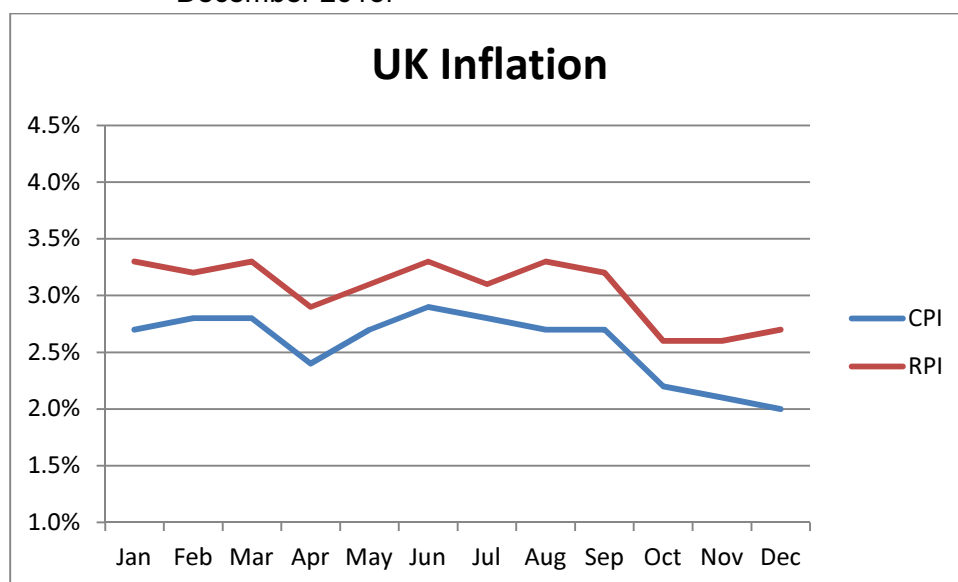
Source: Office for National Statistics, *Summary of Labour Market Statistics January 2014*

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%.

Government grants	2015/16 £000s	Forecast			
		2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
<u>Business rates retention grants</u>					
Revenue support grant	-109,234	-92,219	-84,091	-83,255	-81,422
Business rates top-up	-58,915	-60,152	-61,897	-64,001	-66,305
Business rates cap (2014/15)	-1,088	-1,088	-1,088	-1,088	-1,088
Business rates cap (2015/16)	-435	-435	-435	-435	-435
<u>Dedicated schools grant</u>					
DSG schools	-544,670	-544,926	-545,926	-545,926	-545,926
<u>Other government grants</u>					
ACL, Skills Funding Agency	-2,407	-2,287	-2,207	-2,196	-2,130
Area of ONB grant	-174	-165	-160	-159	-154
Asylum Seekers	-2,300	-2,300	-2,300	-2,300	-2,300
Better care Fund	-25,000	-25,000	-25,000	-25,000	-25,000
Better care Fund (Care Act)	-2,563	-2,563	-2,563	-2,563	-2,563
Bikeability	-232	-220	-213	-212	-205
Bus operators' grant	-1,125	-1,069	-1,032	-1,027	-996
Counter Fraud Fund	-360				
Education Funding Agency	-14,700	-14,700	-14,700	-14,700	-14,700
Education services grant (ESG)	-11,112	-4,210	-3,210	-2,210	-2,210
Extended rights to free travel & sustainable travel	-199	-189	-182	-182	-176
Fire pensions	-8,305	-9,396	-8,151	-11,456	-10,603
Fire (revenue)	-403	-382	-369	-367	-356
Fire Transformation (immediate emergency care response)	-263				
Fire Transformation (joint transport function)	-800				
Independent Living Fund	-1,337	-1,783	-1,783	-1,783	-1,783
Lead local flood authorities (Flood water management)	-250	0	0	0	0
Local Reform and Community Voices DH	-538	-511	-493	-491	-476
Local Sustainable Transport Fund (LSTF) Connectivity in the Sci-Tech Corridor and Blackwater Valley	-1,684	0	0	0	0
LSTF - Encouraging town centres & high streets	-230	0	0	0	0
Music Grant	-1,073	-1,019	-984	-979	-949
New Homes Bonus	-4,858	-5,938	-6,130	-5,818	-4,786
NHB-returned topslice	-339	-500	-500	-500	-500
PE and sport release	-2,396	-2,396	-2,396	-2,396	-2,396
Private Finance Initiative	-11,044	-16,949	-18,949	-15,903	-15,903
Police & Crime Panel	-64	-61	-59	-58	-57
Public health	-28,977	-28,977	-28,977	-28,977	-28,977
Public health: 0-5 commissioning	-6,528	-13,056	-13,056	-13,056	-13,056
Pupil Premium	-18,382	-18,382	-18,382	-18,382	-18,382
Registration service	-18	-17	-17	-16	-16
Remand	-32	-32	-32	-32	-32
Restorative justice development	0	0	0	0	0
SEND implementation	-638	0	0	0	0
SEN Reform	0	0	0	0	0
Social Care Act - new burdens	-7,245	-7,245	-7,245	-7,245	-7,245
Transformation Challenge Award	-1,017	-508			
Troubled families	-350	-350	-350	-350	-350
Universal infant free meals grant	-11,560	-11,560	-11,560	-11,560	-11,560
Youth Justice Board	-797	-757	-731	-727	-705
	<b>-883,642</b>	<b>-871,345</b>	<b>-865,167</b>	<b>-865,351</b>	<b>-863,744</b>

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## Overall Council

## Income &amp; Expenditure category summary

	MTFP		2016/17	2017/18	2018/19	2019/20
	2014/15	2015/16				
	£m	£m	£m	£m	£m	£m
<b>Funding</b>						
Local taxation - Council Tax	-571.3	-597.9	-627.2	-662.8	-699.0	-735.4
Local taxation - Business rates surplus	-44.5	-44.1	-46.3	-48.3	-50.6	-52.6
UK Government grants	-855.0	-883.6	-871.3	-865.2	-865.4	-863.7
Other bodies grants	-21.8	-1.2	-1.2	-1.2	-1.2	-1.2
Fees & charges	-90.3	-93.2	-96.2	-99.5	-103.6	-107.8
Property income	-6.5	-8.2	-8.3	-8.5	-8.7	-8.8
Income from investment	-0.5	-0.4	-0.3	-5.2	-5.1	-5.1
Joint working income	-19.6	-19.6	-19.7	-19.9	-20.1	-20.4
Reimbursements and recovery of costs	-16.3	-15.4	-16.0	-15.9	-16.4	-16.7
<b>Total funding</b>	<b>-1,625.9</b>	<b>-1,663.6</b>	<b>-1,686.5</b>	<b>-1,726.5</b>	<b>-1,770.0</b>	<b>-1,811.6</b>
<b>Expenditure</b>						
Service staffing	311.3	301.6	291.6	293.9	297.6	301.7
Service non-staffing	872.2	897.2	926.6	964.3	1,004.1	1,041.7
Schools - net expenditure	468.2	469.0	468.3	468.3	468.3	468.3
<b>Total expenditure</b>	<b>1,651.7</b>	<b>1,667.9</b>	<b>1,686.6</b>	<b>1,726.5</b>	<b>1,770.0</b>	<b>1,811.6</b>
<b>Funded by reserves</b>	<b>25.8</b>	<b>4.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Please note that throughout this appendix all the numbers have been rounded - which might cause casting errors.

## Proposed gross expenditure revenue budget 2015-20

Revenue Summary	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Adults Social Care	412.4	428.6	432.8	447.9	475.9	506.4
Central Income & Expenditure	65.5	60.9	65.8	78.1	74.1	68.1
Children services	89.8	95.5	95.7	97.8	100.8	103.7
Communications	1.8	2.0	2.0	2.1	2.1	2.1
Community Partnership & Safety	2.8	2.8	2.8	2.8	2.9	2.9
Coroner	1.3	1.3	1.3	1.3	1.3	1.3
Cultural Services	23.2	22.9	22.5	22.7	23.0	23.3
Customer Services & Directorate Support	5.6	4.6	4.7	4.8	4.9	4.9
Emergency Management	0.5	0.6	0.6	0.6	0.6	0.6
Environment	93.5	89.0	88.4	91.1	94.6	97.9
Finance	10.5	10.1	10.5	11.0	11.2	11.4
Highways and Transport	53.5	53.1	53.6	54.0	55.4	57.0
Human Resources and Organisational Devt	11.4	9.5	9.6	9.8	10.0	10.2
Information Management and Technology	25.6	25.2	25.3	25.8	26.2	26.7
Legal & Democratic Services	9.1	8.9	9.0	10.4	9.2	9.4
Magna Carta*	0.3					
Policy & Performance	3.4	3.7	3.4	3.4	3.4	3.5
Procurement	3.5	3.4	3.5	3.6	3.6	3.7
Property	38.7	36.8	38.7	40.1	41.6	43.3
Public Health	28.9	35.8	42.0	42.0	42.0	42.0
Schools	468.2	469.0	468.3	468.3	468.3	468.3
Schools and Learning	214.0	215.8	217.5	222.0	228.4	234.7
Services for Young People	27.4	25.6	25.7	25.7	26.3	26.9
Shared Service Centre	8.3	8.7	8.8	8.9	9.1	9.3
Strategic Leadership	0.4	0.4	0.5	0.5	0.5	0.5
Strategic Services	2.9	2.9	2.9	2.9	3.0	3.0
Surrey Fire and Rescue Service	46.7	48.0	47.8	46.1	48.8	47.7
Trading Standards	2.6	2.5	2.6	2.6	2.6	2.7
<b>Total expenditure</b>	<b>1,651.7</b>	<b>1,667.9</b>	<b>1,686.6</b>	<b>1,726.5</b>	<b>1,770.0</b>	<b>1,811.6</b>

\* Magna Carta project was only budgeted for one year 2014/15

## Adults Social Care

Strategic Director for Adults Social Care: Dave Sargeant

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
UK Government grants	-0.2	-1.1	-0.6	-0.1	-0.1	-0.1
Other bodies grants	-18.3					
Fees & charges	-41.8	-44.0	-45.9	-48.2	-51.0	-53.9
Joint working income	-10.2	-10.1	-10.1	-10.1	-10.1	-10.1
Reimbursement & recovery of costs	-1.8	-1.6	-1.6	-1.6	-1.6	-1.6
<b>Total funding</b>	<b>-72.4</b>	<b>-56.8</b>	<b>-58.2</b>	<b>-59.9</b>	<b>-62.8</b>	<b>-65.7</b>
<b>Expenditure:</b>						
Employment	71.4	59.5	56.0	56.7	57.4	57.8
Non employment expenditure	340.9	369.1	376.8	391.2	418.5	448.6
<b>Total expenditure</b>	<b>412.4</b>	<b>428.6</b>	<b>432.8</b>	<b>447.9</b>	<b>475.9</b>	<b>506.4</b>
<b>Net budget</b>	<b>340.0</b>	<b>371.8</b>	<b>374.6</b>	<b>388.0</b>	<b>413.1</b>	<b>440.7</b>

## Central Income & Expenditure

Director of Finance: Sheila Little

Chief Executive Officer: David McNulty

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
Council Tax incl collection fund	-571.3	-597.9	-627.2	-662.8	-699.0	-735.4
Business Rates income	-44.5	-44.1	-46.3	-48.3	-50.6	-52.6
UK Government grants	-229.4	-236.7	-221.6	-216.4	-213.3	-212.8
Income from investment	-0.5	-0.4	-0.3	-5.2	-5.1	-5.1
<b>Total funding</b>	<b>-845.7</b>	<b>-879.1</b>	<b>-895.4</b>	<b>-932.7</b>	<b>-968.0</b>	<b>-1,005.9</b>
<b>Expenditure:</b>						
Employment	0.4	5.3				
Non employment expenditure	65.1	55.6	65.8	78.1	74.1	68.1
<b>Total expenditure</b>	<b>65.5</b>	<b>60.9</b>	<b>65.8</b>	<b>78.1</b>	<b>74.1</b>	<b>68.1</b>
<b>Net budget</b>	<b>-780.3</b>	<b>-818.2</b>	<b>-829.6</b>	<b>-854.6</b>	<b>-893.9</b>	<b>-937.8</b>

## Children's Services

**Asst Director: Caroline Budden**

Strategic Director for Children, Schools and Families: Nick Wilson

### Income & Expenditure revenue budget

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m
<b>Funding:</b>						
Central Dedicated Schools Grant	-1.8	-2.0	-2.0	-2.0	-2.0	-2.0
UK Government grants	-2.0	-2.3	-2.3	-2.3	-2.3	-2.3
Fees & charges	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Joint working income	-2.1	-2.2	-2.2	-2.3	-2.3	-2.4
Reimbursement & recovery of costs	-0.7	-0.5	-0.6	-0.6	-0.6	-0.6
<b>Total funding</b>	<b>-6.7</b>	<b>-7.1</b>	<b>-7.1</b>	<b>-7.2</b>	<b>-7.3</b>	<b>-7.3</b>
<b>Expenditure:</b>						
Employment	43.6	46.1	45.8	46.4	47.6	48.8
Non employment expenditure	46.1	49.4	50.0	51.3	53.1	54.9
<b>Total expenditure</b>	<b>89.8</b>	<b>95.5</b>	<b>95.7</b>	<b>97.8</b>	<b>100.8</b>	<b>103.7</b>
<b>Net budget</b>	<b>83.1</b>	<b>88.4</b>	<b>88.6</b>	<b>90.6</b>	<b>93.5</b>	<b>96.4</b>

## Communications

**Head of Service: Louise Footner**

Asst Chief Executive Officer: Susie Kemp

### Income & Expenditure revenue budget

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m
<b>Funding:</b>						
Fees & charges	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total funding</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Expenditure:</b>						
Employment	1.1	1.1	1.1	1.2	1.2	1.2
Non employment expenditure	0.7	0.9	0.9	0.9	1.0	1.0
<b>Total expenditure</b>	<b>1.8</b>	<b>2.0</b>	<b>2.0</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>
<b>Net budget</b>	<b>1.8</b>	<b>2.0</b>	<b>2.0</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>



## Community Partnership & Safety

Head of Service: Jane Last

Strategic Director for Customer & Communities: Yvonne Rees

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
Other bodies grants	-0.2					
Reimbursement & recovery of costs		-0.2	-0.2	-0.2	-0.2	-0.2
<b>Total funding</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>
<b>Expenditure:</b>						
Employment	1.2	1.2	1.2	1.2	1.3	1.3
Non employment expenditure	1.8	1.8	1.8	1.8	1.8	1.8
<b>Total expenditure</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.1</b>	<b>3.1</b>
<b>Net budget</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.9</b>	<b>2.9</b>

## Coroner

Coroner: Tracey Fottrell

Strategic Director for Customer & Communities: Yvonne Rees

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
<b>Total funding</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Expenditure:</b>						
Employment	0.4	0.4	0.4	0.4	0.4	0.4
Non employment expenditure	0.9	0.9	0.9	0.9	0.9	0.9
<b>Total expenditure</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>
<b>Net budget</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>

## Cultural Services

Head of Service: Peter Milton  
Asst Chief Executive Officer: Susie Kemp

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
UK Government grants	-3.5	-3.5	-3.3	-3.2	-3.2	-3.0
Fees & charges	-8.3	-8.4	-8.5	-8.6	-8.7	-8.9
Property income	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2
Reimbursement & recovery of costs	-0.6	-0.8	-0.8	-0.8	-0.8	-0.8
<b>Total funding</b>	<b>-12.6</b>	<b>-12.9</b>	<b>-12.8</b>	<b>-12.8</b>	<b>-12.9</b>	<b>-12.9</b>
<b>Expenditure:</b>						
Employment	18.5	19.0	19.2	19.5	19.7	20.1
Non employment expenditure	4.7	3.9	3.3	3.2	3.3	3.2
<b>Total expenditure</b>	<b>23.2</b>	<b>22.9</b>	<b>22.5</b>	<b>22.7</b>	<b>23.0</b>	<b>23.3</b>
<b>Net budget</b>	<b>10.6</b>	<b>10.0</b>	<b>9.7</b>	<b>9.9</b>	<b>10.1</b>	<b>10.4</b>

## Customer Services & Directorate Support

Head of Service: Mark Irons  
Strategic Director for Customer & Communities: Yvonne Rees

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
Fees & Charges	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Reimbursement & recovery of costs	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
<b>Total funding</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.3</b>
<b>Expenditure:</b>						
Employment	5.4	4.4	4.5	4.6	4.7	4.7
Non employment expenditure	0.2	0.2	0.2	0.2	0.2	0.2
<b>Total expenditure</b>	<b>5.6</b>	<b>4.6</b>	<b>4.7</b>	<b>4.8</b>	<b>4.9</b>	<b>4.9</b>
<b>Net budget</b>	<b>5.3</b>	<b>4.3</b>	<b>4.4</b>	<b>4.5</b>	<b>4.6</b>	<b>4.6</b>

## Emergency Management

Head of Service: Ian Good  
Asst Chief Executive Officer: Susie Kemp

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
Joint working income	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total funding</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Expenditure:</b>						
Employment	0.4	0.5	0.5	0.5	0.5	0.5
Non employment expenditure	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total expenditure</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>
<b>Net budget</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>

## Environment

Head of Service: Ian Boast  
Strategic Director for Environment & Infrastructure: Trevor Pugh

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
UK Government grants	-4.5	-3.5	-1.5	-1.5	-1.5	-1.4
Fees & charges	-2.8	-3.0	-3.1	-3.2	-3.2	-3.3
Joint working income	-0.7	-0.5	-0.5	-0.5	-0.5	-0.6
Reimbursement & recovery of costs	-1.8	-2.2	-2.3	-2.3	-2.4	-2.5
<b>Total funding</b>	<b>-9.8</b>	<b>-9.3</b>	<b>-7.4</b>	<b>-7.5</b>	<b>-7.7</b>	<b>-7.8</b>
<b>Expenditure:</b>						
Employment	9.0	9.0	9.0	9.1	9.3	9.5
Non employment expenditure	84.5	80.0	79.4	82.0	85.3	88.4
<b>Total expenditure</b>	<b>93.5</b>	<b>89.0</b>	<b>88.4</b>	<b>91.1</b>	<b>94.6</b>	<b>97.9</b>
<b>Net budget</b>	<b>83.7</b>	<b>79.7</b>	<b>81.0</b>	<b>83.6</b>	<b>86.9</b>	<b>90.1</b>

## Finance

**Director of Finance: Sheila Little**  
Chief Executive Officer: David McNulty

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
Fees & charges	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Reimbursement & recovery of costs	-0.2	-0.3	-0.3	-0.3	-0.2	-0.3
<b>Total funding</b>	<b>-1.7</b>	<b>-1.8</b>	<b>-1.8</b>	<b>-1.8</b>	<b>-1.7</b>	<b>-1.8</b>
<b>Expenditure:</b>						
Employment	5.7	5.5	5.5	5.6	5.7	5.8
Non employment expenditure	4.8	4.6	5.0	5.4	5.5	5.6
<b>Total expenditure</b>	<b>10.5</b>	<b>10.1</b>	<b>10.5</b>	<b>11.0</b>	<b>11.2</b>	<b>11.4</b>
<b>Net budget</b>	<b>8.9</b>	<b>8.3</b>	<b>8.7</b>	<b>9.2</b>	<b>9.5</b>	<b>9.6</b>

## Highways and Transport

**Asst Director: Jason Russell**

Strategic Director for Environment & Infrastructure: Trevor Pugh

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
UK Government grants	-0.4	-0.3	0.0	0.0	0.0	0.0
Fees & charges	-3.7	-3.8	-3.9	-4.0	-4.2	-4.3
Joint working income	-3.4	-3.5	-3.6	-3.7	-3.8	-3.8
Reimbursement & recovery of costs	-0.6	-0.3	-0.3	-0.3	-0.3	-0.3
<b>Total funding</b>	<b>-8.1</b>	<b>-7.9</b>	<b>-7.8</b>	<b>-8.0</b>	<b>-8.2</b>	<b>-8.4</b>
<b>Expenditure:</b>						
Employment	12.4	11.8	12.0	11.5	11.7	11.9
Non employment expenditure	41.1	41.2	41.5	42.5	43.8	45.1
<b>Total expenditure</b>	<b>53.5</b>	<b>53.1</b>	<b>53.6</b>	<b>54.0</b>	<b>55.4</b>	<b>57.0</b>
<b>Net budget</b>	<b>45.3</b>	<b>45.2</b>	<b>45.7</b>	<b>46.0</b>	<b>47.2</b>	<b>48.5</b>

## Human Resources & Organisational Development

Head of Service: Carmel Millar

Strategic Director for Business Services: Julie Fisher

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
Fees & charges	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Reimbursement & recovery of costs	-1.3					
<b>Total funding</b>	<b>-1.7</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.4</b>
<b>Expenditure:</b>						
Employment	6.8	4.9	5.0	5.1	5.2	5.3
Non employment expenditure	4.6	4.5	4.6	4.7	4.8	4.9
<b>Total expenditure</b>	<b>11.4</b>	<b>9.5</b>	<b>9.6</b>	<b>9.8</b>	<b>10.0</b>	<b>10.2</b>
<b>Net budget</b>	<b>9.7</b>	<b>9.1</b>	<b>9.3</b>	<b>9.4</b>	<b>9.6</b>	<b>9.8</b>

## Information Management and Technology

Head of Service: Paul Brocklehurst

Strategic Director for Business Services: Julie Fisher

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
Joint working income	-0.3	-0.5	-0.5	-0.5	-0.6	-0.6
Reimbursement & recovery of costs	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
<b>Total funding</b>	<b>-0.4</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-0.7</b>	<b>-0.7</b>
<b>Expenditure:</b>						
Employment	10.2	11.0	11.0	11.2	11.4	11.6
Non employment expenditure	15.4	14.2	14.2	14.5	14.8	15.1
<b>Total expenditure</b>	<b>25.6</b>	<b>25.2</b>	<b>25.3</b>	<b>25.8</b>	<b>26.2</b>	<b>26.7</b>
<b>Net budget</b>	<b>25.1</b>	<b>24.5</b>	<b>24.6</b>	<b>25.1</b>	<b>25.6</b>	<b>26.1</b>

## Legal & Democratic Services

Director of Legal & Democratic Services: Ann Charlton

Asst Chief Executive Officer: Susie Kemp

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
UK Government grants	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Fees & charges		0.0	0.0	0.0	0.0	0.0
Reimbursement & recovery of costs	-0.3	-0.4	-0.4	-0.4	-0.4	-0.5
<b>Total funding</b>	<b>-0.4</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.5</b>
<b>Expenditure:</b>						
Employment	5.2	5.3	5.3	5.6	5.7	5.8
Non employment expenditure	3.8	3.6	3.7	4.8	3.5	3.6
<b>Total expenditure</b>	<b>9.1</b>	<b>8.9</b>	<b>9.0</b>	<b>10.4</b>	<b>9.2</b>	<b>9.4</b>
<b>Net budget</b>	<b>8.7</b>	<b>8.4</b>	<b>8.5</b>	<b>9.9</b>	<b>8.7</b>	<b>8.8</b>

## Policy & Performance

Head of Service: Liz Lawrence

Asst Chief Executive Officer: Susie Kemp

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
UK Government grants	-0.5	-0.8	-0.4	-0.4	-0.4	-0.4
Reimbursement & recovery of costs	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
<b>Total funding</b>	<b>-0.8</b>	<b>-1.1</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-0.7</b>
<b>Expenditure:</b>						
Employment	2.6	2.3	2.4	2.4	2.4	2.5
Non employment expenditure	0.8	1.4	1.0	1.0	1.0	1.0
<b>Total expenditure</b>	<b>3.4</b>	<b>3.7</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>
<b>Net budget</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.8</b>

## Procurement

Head of Service: Laura Langstaff

Strategic Director for Business Services: Julie Fisher

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
Reimbursement & recovery of costs	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
<b>Total funding</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>
<b>Expenditure:</b>						
Employment	3.3	3.2	3.3	3.4	3.4	3.5
Non employment expenditure	0.2	0.2	0.2	0.2	0.2	0.2
<b>Total expenditure</b>	<b>3.5</b>	<b>3.4</b>	<b>3.5</b>	<b>3.6</b>	<b>3.6</b>	<b>3.7</b>
<b>Net budget</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>

## Property

Head of Service: John Stebbings

Strategic Director for Business Services: Julie Fisher

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
Fees & charges	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7
Property income	-6.4	-8.0	-8.1	-8.3	-8.5	-8.6
<b>Total funding</b>	<b>-7.0</b>	<b>-8.6</b>	<b>-8.8</b>	<b>-9.0</b>	<b>-9.1</b>	<b>-9.3</b>
<b>Expenditure:</b>						
Employment	7.6	8.0	8.2	8.3	8.5	8.6
Non employment expenditure	31.1	28.8	30.5	31.8	33.1	34.7
<b>Total expenditure</b>	<b>38.7</b>	<b>36.8</b>	<b>38.7</b>	<b>40.1</b>	<b>41.6</b>	<b>43.3</b>
<b>Net budget</b>	<b>31.7</b>	<b>28.2</b>	<b>29.9</b>	<b>31.2</b>	<b>32.4</b>	<b>33.9</b>

## Public Health

Head of Public Health: Helen Atkinson

Asst Chief Executive Officer: Susie Kemp

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
UK Government grants	-25.6	-35.5	-42.0	-42.0	-42.0	-42.0
Reimbursement & recovery of costs	-3.3	0.0				
<b>Total funding</b>	<b>-28.9</b>	<b>-35.5</b>	<b>-42.0</b>	<b>-42.0</b>	<b>-42.0</b>	<b>-42.0</b>
<b>Expenditure:</b>						
Employment	2.9	2.8	2.9	2.9	2.9	3.0
Non employment	26.0	33.0	39.1	39.1	39.1	39.0
<b>Total expenditure</b>	<b>28.9</b>	<b>35.8</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>
<b>Net budget</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Schools

Asst Director: Peter-John Wilkinson

Strategic Director for Children, Schools and Families: Nick Wilson

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
Central Dedicated Schools Grant	-434.2	-423.3	-422.6	-422.6	-422.6	-422.6
UK Government grants	-34.0	-45.7	-45.7	-45.7	-45.7	-45.7
<b>Total funding</b>	<b>-468.2</b>	<b>-469.0</b>	<b>-468.3</b>	<b>-468.3</b>	<b>-468.3</b>	<b>-468.3</b>
<b>Expenditure:</b>						
School expenditure	468.2	469.0	468.3	468.3	468.3	468.3
<b>Total expenditure</b>	<b>468.2</b>	<b>469.0</b>	<b>468.3</b>	<b>468.3</b>	<b>468.3</b>	<b>468.3</b>
<b>Net budget</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>



## Schools and Learning

Asst Director: Peter-John Wilkinson

Strategic Director for Children, Schools and Families: Nick Wilson

### Income & Expenditure revenue budget

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m
<b>Funding:</b>						
Central Dedicated Schools Grant	-100.6	-109.1	-110.1	-111.1	-111.1	-111.1
UK Government grants	-1.5	-2.1	-1.5	-1.5	-1.5	-1.5
Fees & charges	-27.5	-27.8	-28.4	-29.1	-29.9	-30.7
Joint working income	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Reimbursement & recovery of costs	-3.3	-3.4	-3.5	-3.5	-3.6	-3.7
<b>Total funding</b>	<b>-133.6</b>	<b>-143.1</b>	<b>-144.1</b>	<b>-145.9</b>	<b>-146.8</b>	<b>-147.6</b>
<b>Expenditure:</b>						
Employment	48.3	46.3	44.4	44.4	44.8	45.3
Non employment expenditure	165.7	169.5	173.1	177.6	183.5	189.4
<b>Total expenditure</b>	<b>214.0</b>	<b>215.8</b>	<b>217.5</b>	<b>222.0</b>	<b>228.4</b>	<b>234.7</b>
<b>Net budget</b>	<b>80.4</b>	<b>72.8</b>	<b>73.4</b>	<b>76.1</b>	<b>81.6</b>	<b>87.1</b>

## Services for Young People

Asst Director: Garath Symonds

Strategic Director for Children, Schools and Families: Nick Wilson

### Income & Expenditure revenue budget

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m
<b>Funding:</b>						
Central Dedicated Schools Grant	-6.2	-6.5	-6.5	-6.5	-6.5	-6.5
UK Government grants	-1.0	-0.8	-0.8	-0.8	-0.8	-0.7
Other bodies grants	-1.0	-1.2	-1.2	-1.2	-1.2	-1.2
Fees & charges	-1.7	-1.6	-1.7	-1.7	-1.8	-1.8
Reimbursement & recovery of costs	-0.6	-0.3	-0.3	-0.3	-0.3	-0.4
<b>Total funding</b>	<b>-10.4</b>	<b>-10.5</b>	<b>-10.5</b>	<b>-10.5</b>	<b>-10.5</b>	<b>-10.6</b>
<b>Expenditure:</b>						
Employment	14.2	12.9	13.0	13.2	13.6	13.9
Non employment expenditure	13.3	12.7	12.7	12.5	12.7	13.0
<b>Total expenditure</b>	<b>27.4</b>	<b>25.6</b>	<b>25.7</b>	<b>25.7</b>	<b>26.3</b>	<b>26.9</b>
<b>Net budget</b>	<b>17.0</b>	<b>15.1</b>	<b>15.2</b>	<b>15.2</b>	<b>15.8</b>	<b>16.3</b>

## Shared Service Centre

Head of Service: Simon Pollock

Strategic Director for Business Services: Julie Fisher

### Income & Expenditure revenue budget

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m
<b>Funding:</b>						
UK Government grants	-1.1					
Fees & charges	-1.4	-1.5	-1.5	-1.5	-1.6	-1.6
Joint working income	-1.7	-1.8	-1.8	-1.8	-1.9	-1.9
Reimbursement & recovery of costs	0.0	-1.3	-1.3	-1.3	-1.4	-1.4
<b>Total funding</b>	<b>-4.3</b>	<b>-4.5</b>	<b>-4.6</b>	<b>-4.7</b>	<b>-4.8</b>	<b>-4.9</b>
<b>Expenditure:</b>						
Employment	7.0	8.0	8.1	8.2	8.4	8.5
Non employment expenditure	1.4	0.7	0.7	0.7	0.7	0.7
<b>Total expenditure</b>	<b>8.3</b>	<b>8.7</b>	<b>8.8</b>	<b>8.9</b>	<b>9.1</b>	<b>9.3</b>
<b>Net budget</b>	<b>4.0</b>	<b>4.2</b>	<b>4.2</b>	<b>4.3</b>	<b>4.3</b>	<b>4.4</b>

## Strategic Leadership

Asst Chief Executive Officer: Susie Kemp

### Income & Expenditure revenue budget

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m
<b>Funding:</b>						
<b>Total funding</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Expenditure:</b>						
Employment	0.4	0.4	0.5	0.5	0.5	0.5
Non employment expenditure	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total expenditure</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>
<b>Net budget</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>

## Strategic Services

Strategic Director for Children, Schools and Families: Nick Wilson

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
Central Dedicated Schools Grant	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
UK Government grants	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Fees & charges	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Reimbursement & recovery of costs	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
<b>Total funding</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>
<b>Expenditure:</b>						
Employment	2.4	2.6	2.7	2.7	2.7	2.8
Non employment expenditure	0.5	0.3	0.3	0.3	0.3	0.3
<b>Total expenditure</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>3.0</b>	<b>3.0</b>
<b>Net budget</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.2</b>	<b>2.2</b>

## Surrey Fire and Rescue Service

Chief Fire Officer: Russell Pearson

Chief Executive Officer: David McNulty

### Income & Expenditure revenue budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Funding:</b>						
UK Government grants	-7.9	-9.7	-9.8	-8.5	-11.8	-11.0
Other bodies grants	-2.3					
Fees & charges	-0.1	0.0	0.0	0.0	0.0	0.0
Property income	0.0	0.0	0.0	0.0	0.0	0.0
Joint working income	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Reimbursement & recovery of costs	-0.7	-3.0	-3.2	-2.9	-3.2	-3.2
<b>Total funding</b>	<b>-11.3</b>	<b>-13.1</b>	<b>-13.3</b>	<b>-11.8</b>	<b>-15.4</b>	<b>-14.6</b>
<b>Expenditure:</b>						
Employment	28.5	27.8	27.4	26.9	26.3	26.1
Non employment expenditure	18.2	20.2	20.4	19.2	22.5	21.6
<b>Total expenditure</b>	<b>46.7</b>	<b>48.0</b>	<b>47.8</b>	<b>46.1</b>	<b>48.8</b>	<b>47.7</b>
<b>Net budget</b>	<b>35.4</b>	<b>34.9</b>	<b>34.5</b>	<b>34.3</b>	<b>33.4</b>	<b>33.1</b>

## Trading Standards

Head of Service: Steve Ruddy

Strategic Director for Customer & Communities: Yvonne Rees

### Income & Expenditure revenue budget

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m
<b>Funding:</b>						
Fees & Charges	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Reimbursement & recovery of costs	-0.3	-0.3	-0.5	-0.5	-0.5	-0.5
<b>Total funding</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-0.7</b>
<b>Expenditure:</b>						
Employment	2.3	2.2	2.3	2.3	2.3	2.4
Non employment expenditure	0.3	0.3	0.3	0.3	0.3	0.3
<b>Total expenditure</b>	<b>2.6</b>	<b>2.5</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>
<b>Net budget</b>	<b>2.1</b>	<b>2.0</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>2.0</b>

## Capital Programme 2015 to 2020

Scheme	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	201/20 £000s	Total £000s
<b>Adult Social Care</b>						
Major Adaptations	800	800	800	800	800	4,000
In-house capital improvement schemes	250	250	250	250		1,000
User led organisational hubs	100	100	0	0		200
<b>Adult Social Care</b>	<b>1,150</b>	<b>1,150</b>	<b>1,050</b>	<b>1,050</b>	<b>800</b>	<b>5,200</b>
<b>Children, School &amp; Families</b>						
Schools devolved formula capital	2,231	2,231	2,231	2,231	2,231	11,155
Foster carer grants	300	300	300	300	300	1,500
Adaptations for children with disabilities	299	299	299	299	299	1,495
School Kitchens	982	0	0	0	0	982
<b>Children, School &amp; Families</b>	<b>3,812</b>	<b>2,830</b>	<b>2,830</b>	<b>2,830</b>	<b>2,830</b>	<b>15,132</b>
<b>Customer &amp; Communities</b>						
Fire-Vehicle & Equipment Replacement	2,698	1,804	2,008	2,120	1,500	10,130
Fire Transformation	5,231					5,231
Local Committee Allocations	0	0	0	0	0	0
<b>Customer &amp; Communities</b>	<b>7,929</b>	<b>1,804</b>	<b>2,008</b>	<b>2,120</b>	<b>1,500</b>	<b>15,361</b>
<b>Environment &amp; Infrastructure</b>						
Highway maintenance	21,018	21,018	21,518	26,018	26,018.0	115,590
Local transport schemes	4,000	4,000	4,000	4,000	4,000.0	20,000
Bridge strengthening	1,956	1,956	1,956	1,956	1,956.0	9,780
Flooding & drainage	776	776	776	776	776.0	3,880
Traffic signals replacement	550	550	550	550	550.0	2,750
Safety barriers	256	256	256	256	256.0	1,280
Highways Vehicle Replacement	200	200	200	200	0.0	800
External funding	1,700	1,700	1,700	1,700	1,700.0	8,500
<b>Sub-total</b>	<b>30,456</b>	<b>30,456</b>	<b>30,956</b>	<b>35,456</b>	<b>35,256</b>	<b>162,580</b>
Environment						
Maintenance at closed landfill sites	100	100	100	100		400
Rights of way and byways	85	85	85	85	85	425
Basingstoke Canal Remedial Works	500	500				1,000
<b>Sub-total</b>	<b>685</b>	<b>685</b>	<b>185</b>	<b>185</b>	<b>85</b>	<b>1,825</b>
Economy, Strategy & Transport						
Economic regeneration	1,000	1,000	1,000	1,000	1,000	5,000
Road safety schemes	200	200	200	200	200	1,000
External Funding	2,002	4,576	5,354	5,479	5,479	22,890
<b>Sub-total</b>	<b>3,202</b>	<b>5,776</b>	<b>6,554</b>	<b>6,679</b>	<b>6,679</b>	<b>28,890</b>
<b>Environment &amp; Infrastructure</b>						
		<b>36,917</b>	<b>37,695</b>	<b>42,320</b>	<b>42,020</b>	<b>193,295</b>

## Capital Programme 2015 to 2020

<b>Recurring programmes</b>						
Carbon reduction - Schools 1	2,221	1,500	1,500	1,500	1,500	<b>8,221</b>
Schools - Disability Discrimination Act	466	477	487	497	497	<b>2,424</b>
Schools capital maintenance, inc.childrens centres	9,223	9,223	9,223	9,223	9,223	<b>46,115</b>
Carbon reduction - Corporate	1,212	1,239	1,264	1,289	1,289	<b>6,293</b>
Fire risk assessments/minor works/DDA	555	668	580	592	592	<b>2,987</b>
Non schools structural maintenance	6,893	5,683	5,797	5,911	5,911	<b>30,195</b>
IT Project Investment	1,116	2,031	1,459	955	955	<b>6,516</b>
IT Equipment Replacement Reserve	2,500	2,500	2,500	2,500	2,500	<b>12,500</b>
<b>Total recurring programmes</b>	<b>24,186</b>	<b>23,321</b>	<b>22,810</b>	<b>22,467</b>	<b>22,467</b>	<b>115,251</b>
<b>Projects</b>						
Portesbury SEN School	7,633	210				<b>7,843</b>
Gypsy Sites	2,353					<b>2,353</b>
Cultural Services	1,250					<b>1,250</b>
Fire Station reconfiguration	5,750	2,583				<b>8,333</b>
Woking Fire Station	0	1,000				<b>1,000</b>
Merstham Library & Youth	2,200	1,000				<b>3,200</b>
Fire training tower replacement	485					<b>485</b>
Replace aged demountables	1,950					<b>1,950</b>
SEN strategy	2,550	7,044				<b>9,594</b>
Joint Public Sector Property Projects	760	1,140				<b>1,900</b>
Land acquisition for waste	3,000	3,122				<b>6,122</b>
Projects to enhance income	876	600				<b>1,476</b>
Projects to reprovision and deliver capital receipts	1,930	1,720				<b>3,650</b>
Adults Social Care Infrastructure Grants (IT)	304					<b>304</b>
Telephones Unicorn Network (BT)	85	95	105	732		<b>1,017</b>
Reigate Priory School	500	500				<b>1,000</b>
Trumps Farm Solar Panels	3,800					<b>3,800</b>
Short Stay Schools	2,468					<b>2,468</b>
Data Centre	230		56	169		<b>455</b>
<b>Total projects</b>	<b>38,124</b>	<b>19,014</b>	<b>161</b>	<b>901</b>	<b>0</b>	<b>58,200</b>
<b>Business Services</b>	<b>62,310</b>	<b>42,335</b>	<b>22,971</b>	<b>23,368</b>	<b>22,467</b>	<b>173,451</b>
<b>Schools Basic Need</b>	<b>75,328</b>	<b>95,336</b>	<b>58,795</b>	<b>40,790</b>	<b>19,800</b>	<b>290,049</b>
<b>Chief Executive Office</b>						
Community Buildings Grant scheme	150	150	150	150	150	<b>750</b>
<b>Chief Executive Office</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>750</b>
<b>Total</b>	<b>185,022</b>	<b>180,522</b>	<b>125,499</b>	<b>112,628</b>	<b>89,567</b>	<b>694,238</b>

## **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 £21.3 m general balances at 1 April 2014. The council has applied none of this to support the 2014/15 budget. Going into 2015/16 the Director of Finance recommends the level of general balances remains the same. This approach is considered prudent when combined with the policy of removing the risk

contingency from within the revenue budget, leaving general balances to provide mitigation against the risk of non-delivery of service reductions and efficiencies from 2015/16.

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 Director of Finance's report on the budget for 2015/16 recommends:

- holding general balances to £21.3m, combined with;
- removing the risk contingency within the revenue budget to nil (from £5m in 2014/15).

### **Proposed policy for 2015/16**

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 Balances

### Earmarked revenue reserves balances

	Actual balance at 31 Mar 2014 £m	Actual balance at 31 Dec 2014 £m	Forecast 31 Mar 2015 £m	Proposed use to support 2015/16 budget £m	Forecast 1 Apr 2015 £m
Revolving Infrastructure & Investment Fund	20.2	20.2	20.8		20.8
Eco Park Sinking Fund	14.6	14.6	18.9		18.9
Investment Renewals Reserve	13.0	12.6	10.9		10.9
Insurance Reserve	8.8	9.7	9.7		9.7
General Capital Reserve	7.7	7.8	6.7		6.7
Budget Equalisation Reserve	33.6	3.2	7.2	-4.3	2.9
Street lighting PFI Reserve	6.2	5.8	5.8		5.8
Economic Downturn Reserve	6.0	4.2	4.2	4.6	8.8
Vehicle Replacement Reserve	5.4	6.1	2.9		2.9
Child Protection Reserve	3.1	1.9	1.9		1.9
Equipment Replacement Reserve	3.4	2.9	1.7		1.7
Business Rate Appeals Reserve	0.0	1.3	1.3		1.3
Pensions Stabilisation Reserve	0.0	1.1	1.1		1.1
Interest Rate Reserve	4.7	1.0	1.0		1.0
Financial Investment Reserve	1.6	0.6	0.6		0.6
Waste Site Contingency Reserve	0.3	0.0	0.0		0.0
<b>Earmarked Reserves</b>	<b>128.6</b>	<b>93.0</b>	<b>94.7</b>	<b>0.3</b>	<b>95.0</b>
<b>General Fund Balance</b>	<b>21.3</b>		<b>21.3</b>		<b>21.3</b>

### Purpose of earmarked reserves

**Revolving Infrastructure & Investment Fund** is to provide the revenue costs of funding infrastructure and investment initiatives that will deliver savings and enhance income in the longer term. Currently, the council transfers net income generated by the portfolio to the reserve.

**Eco Park Sinking Fund** is to fund the future of the council's waste disposal project from surpluses in initial years.

**Investment Renewals Reserve** enables investments in service developments. to invest to make savings in the future. The reserve makes loans to services or invest to save projects, which may be repayable. The recovery of the loan is tailored to the requirements of each business case, which is subject to robust challenge before approval as part of the council's governance arrangements.

**Insurance Reserve** holds the balance resulting from a temporary surplus or deficit on the council's self insurance fund and is assessed by an actuary for the possible liabilities the council may face. It specifically holds £3.5m to cover potential losses from the financial failure of Municipal Mutual Insurance (MMI) in 1992 and also possible claims against the council. The company had limited funds to meet its liabilities, consequently, future claims against policy years covered by MMI may not be fully paid, so would be funded from this reserve. The balance on this reserve represents the latest assessed possible liability.

**General Capital Reserve** holds capital resources, other than capital receipts, available to fund future capital expenditure.

## Projected Earmarked Reserves and Balances

**Budget Equalisation Reserve** supports future years' revenue budgets from unapplied income and budget carry forwards.

**Street Light Private Finance Initiative (PFI) Reserve** holds the balance of the street lighting PFI grant income over and above that used to finance the PFI to date. The balance will be used when future expenditure in year exceeds the grant income due in that same year.

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

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

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

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

**Business Rate Appeals Reserve** mitigates against volatility in business rates income (driven by the volume and value of successful valuation appeals). The council bears 10% of any appeals losses (districts and boroughs 40% and central government 50%) and has set aside £1.25m against potential business rates valuation appeals in 2014/15.

**Pensions Stabilisation Reserve** enables the council to smooth its revenue contributions to the pension fund between years.

**Interest Rate Reserve** enables the council to fund its capital programme from borrowing in the event of an expected change in interest rates or other borrowing conditions.

**Financial Investments Reserve** was set up in 2008/09 to mitigate potential future losses due to the failure of banks and financial institutions the council had deposits with (specifically Icelandic banks). While the remaining outstanding balance in relation to Icelandic banks is expected to be repaid in full, it is exposed to foreign exchange risk and the Financial Investments Reserve retains a sum to mitigate against this.

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

## 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

The Council has adopted the Prudential Code.

### Capital expenditure

B.2.1. Table B2.1 sets out actual and estimated capital expenditure and its funding for 2013/14 to 2019/20. 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 2013/14 - 2019/20

	<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>2019/20</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>
Capital expenditure	224	198	185	181	125	113	90
Financed by:							
Government grants	103	92	86	88	74	72	52
Capital receipts	0	0	0	0	0	0	0
Revenue, reserves and third party contributions	9	5	8	9	13	13	14
<b>Net financing need for the year*</b>	<b>112</b>	<b>101</b>	<b>98</b>	<b>84</b>	<b>38</b>	<b>28</b>	<b>24</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) 2013/14 to 2019/20

	2013/14 Actual £m	2014/15 Projected £m	2015/16 ← ----- £m	2016/17 ----- £m	2017/18 Estimated ----- £m	2018/19 ----- £m	2019/20 ----- £m
Opening CFR	560	682	767	838	899	913	916
Add new borrowing:							
MRP and other financing movements*	10	-16	-20	-23	-24	-25	-24
Net Financing Need**	112	101	91	84	38	28	24
Closing CFR	682	767	838	899	913	916	916
<b>Total CFR movement</b>	122	85	71	61	14	3	0

\*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 preceding 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 2013/14 to 2019/20

	<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>2019/20</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	424	486	557	618	631	634	633
<b>CFR</b>	682	767	838	899	913	916	916

### 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 2013/14 to 2019/20

	2013/14 Actual £m	2014/15 Projected £m	2015/16 ← ----- £m	2016/17 £m	2017/18 ----- Estimated ----- £m	2018/19 £m	2019/20 -----> £m
Borrowing	467	527	601	653	643	633	622
Other long term liabilities	82	92	88	84	79	75	71
<b>Total</b>	<b>549</b>	<b>619</b>	<b>689</b>	<b>737</b>	<b>722</b>	<b>708</b>	<b>693</b>
Actual external debt	424	486	557	618	631	634	633



### 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 2013/14 to 2019/20

	<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>2019/20</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	527	596	674	730	721	712	701
Other long term liabilities	82	92	88	84	79	75	71
<b>Total</b>	<b>609</b>	<b>688</b>	<b>762</b>	<b>814</b>	<b>800</b>	<b>787</b>	<b>772</b>
Actual external debt	424	486	557	618	631	634	633

### **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>2014/15 Projected</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
		← ----- <b>Estimated</b> ----- →				
Ratio of financing costs to net revenue stream	4.45%	4.92%	5.54%	5.13%	4.96%	4.96%

### **Incremental impact of capital investment decisions on Council Tax 2015/16 to 2019/20**

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 2015/16 to 2019/20**

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Band D Council Tax	£15.16	£24.08	£30.11	£30.68	£30.58

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 UK

- B.3.1. GDP growth surged during 2013 and the first half of 2014. Since then it appears to have subsided somewhat but still remains strong by developed economy standards and is expected to continue likewise into 2015 and 2016. There needs to be a significant rebalancing of the economy away from consumer spending to business and manufacturing investment and exporting in order for this recovery to become more firmly established.
- B.3.2 One drag on the economy has been that wage inflation has only recently started to exceed CPI inflation, so enabling disposable income and living standards to start improving. The plunge in the price of oil brought CPI inflation down to a low of 1.0% in November 2014, the lowest rate since September 2002. Inflation is expected to stay around or below 1.0% for the best part of a year and this will help to improve consumer disposable income and so underpin economic growth during 2015.
- B.3.3 However, labour productivity needs to improve substantially to enable wage rates to increase and further support consumer disposable income and economic growth. In addition, the encouraging rate at which unemployment has been falling should feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen early in 2015.

### The US

- B.3.4 The US, the biggest world economy, has generated stunning growth rates of 4.6% (annualised) in Q2 2014 and 5.0% in Q3. This is hugely promising for the outlook for strong growth going forwards and it very much looks as if the US is now firmly on the path of full recovery from the financial crisis of 2008. Consequently, it is now confidently expected that the US will be the first major western economy to start on central rate increases by mid 2015.

### The Eurozone

- B.3.5 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:
- Greece: the general election on 25 January 2015 is likely to bring a political party to power which is anti EU and anti austerity. If this results in Greece leaving the Euro, it is unlikely that this will destabilise the Eurozone as the EU is regarded as having put in place adequate firewalls to contain the immediate fallout to just Greece. The indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is very difficult to quantify.

- As for the Eurozone in general, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, worries over the Ukraine situation, the Middle East, and the Ebola crisis have led to a resurgence of those concerns, with increased risk of prolonged deflation and weak growth. Sovereign debt difficulties (especially Greece) have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done).
- It is, therefore, possible over the next few years that levels of government debt to GDP ratios could 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 suggest the use of higher quality counterparties for shorter time periods.

## 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.

### **Director of Finance**

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
  - municipal bonds agency
- 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. The Council does not expect to make non-specified investments, so no additional criteria are provided.

### **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-

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. Use of seven money market funds with the individual amount to a single fund set at £25m, with qualifying funds requiring a AAA rating from Fitch, Moody's or Standard & Poor's (two out of the three rating agencies).

### **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
Term deposits: UK banks and building societies	Short-term F1, Long-term A-
Term deposits: overseas banks	Short-term F1, Long-term A- (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	ST	LT	ST	LT		
Bank/Building Society	F1	A-	P-1	A3	A1	A-	£20m	3 months
Bank/Building Society	F1+	AA-	P-1	Aa3	A1+	AA-	£25m	1 year
Bank/Building Society	F1+	AA	P-1	Aa2	A1+	AA	£35m	1 year
Money Market Funds	AAA		AAA		AAA		£25m	n/a
Enhanced Cash / Bond Funds	AAA / v1		Aaa-bf		AAAf / s1		£20m	n/a
Debt Management Office	-		-		-		Unlimited	6 months
Supranational	-		-		-		£10m	1 year
Local Authority	-		-		-		£20m	1 year

- 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 two of the three rating agencies) up to a maximum of £175m (with a maximum of £25m per Money Market Fund).
- iii) £60m (per call account) is made available to invest in overnight high interest call accounts with RBS and Lloyds. 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

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 2015**

	Fitch Ratings		Moody's Ratings		S&P Ratings	
	S/T	L/T	S/T	L/T	S/T	L/T
<b>UK</b>		AA+		AA1		AAA
HSBC	F1+	AA-	P1	AA3	A1	AA-
Lloyds	F1	A	P1	A1	A1	A
Royal Bank of Scotland	F1	A	P2	BAA1	A2	A-
Nationwide Building Society	F1	A	P1	A2	A1	A
Barclays	F1	A	P1	A2	A1	A
Santander (UK)	F1	A	P1	A2	A1	A
<b>Australia</b>		AAA		AAA		AAA
Australia & NZ Banking Group	F1+	AA-	P1	AA2	A1+	AA-
Commonwealth Bank of Australia	F1+	AA-	P1	AA2	A1+	AA-
Macquarie Bank	F1	A	P1	A2	A1	A
National Australia Bank	F1+	AA-	P1	AA2	A1+	AA-
Westpac Banking Corporation	F1+	AA-	P1	AA2	A1+	AA-
<b>Canada</b>		AAA		AAA		AAA
Canadian Imperial Bank	F1+	AA-	P1	AA3	A1	A+
Bank of Montreal	F1+	AA-	P1	AA3	A1	A+
Bank of Nova Scotia	F1+	AA-	P1	AA2	A1	A+
Royal Bank of Canada	F1+	AA	P1	AA3	A1+	AA-
Toronto-Dominion Bank	F1+	AA-	P1	AA1	A1+	AA-
<b>Germany</b>		AAA		AAA	A+	AAA
DZ Bank	F1+	A+	P1	A1	A1+	AA-
KfW	F1+	AAA	P1	AAA	A1+	AAA
Landwirtschaftliche Rentenbank	F1+	AAA	P1	AAA	A1+	AAA
<b>Singapore</b>		AAA		AAA		AAA
Development Bank of Singapore	F1+	AA-	P1	AA1	A1+	AA-
Oversea Chinese Banking Corp	F1+	AA-	P1	AA1	A1+	AA-
United Overseas Bank	F1+	AA-	P1	AA1	A1+	AA-
<b>Sweden</b>		AAA		AAA		AAA
Skandinaviska Enskilda Banken	F1	A+	P1	A1	A1	A+
Svenska Handelsbanken	F1+	AA-	P1	AA3	A1+	AA-
Swedbank AB	F1	A+	P1	A1	A1	A+
<b>Switzerland</b>		AAA		AAA		AAA
UBS AG	F1	A	P1	A2	A1	A

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## Approved countries for investments

### AAA

- Australia
- Canada
- Denmark
- 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.



*County Council Meeting – 10 February 2015*

## REPORT OF THE CABINET

The Cabinet met on 16 December 2014 and 3 February 2015. The report from the meeting held on 3 February 2015 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 16 December 2014 meeting are included within the agenda at item 10. The minutes of the 3 February 2015 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 9 February 2015).

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

#### **Cabinet Member for Schools and Learning Statement in relation to Youth Collective, Surrey County Council's newly formed Youth Parliament**

A key question which faces today's society is how do we get more young people involved in decision making processes and governance? Young people should be given the opportunity to voice their concerns on issues that impact upon their well-being and contribution to their community. Surrey County Council's newly formed youth parliament, Youth Collective, aims to do exactly this.

As a young person led inclusive, representative and democratic body, it is a forum for young people to SPEAK, DO and IMPROVE and strive to make positive change- not only for those involved but for the whole community. Not only will Youth Collective give young people a voice on issues that are important to them, it will promote young people's involvement in the wider democratic process.

Young people aged between 11 and 19, or 25 if they have special educational needs, are able to get involved with Youth Collective. They must live, work or be educated within one of our boroughs and districts. Elections to the first Youth Collective were held in November 2014 - Woking was the most competitive borough at 172 votes. The elections returned 11 democratically elected young people with between 5 and 10 nominated representatives from minority groups such as young carers, LGBT (Lesbian, Gay, Bi-sexual and Transgender) and looked after children.

In January, all the members attended a residential at High Ashurst Outdoor Education Centre. The aim of the weekend was to build team morale, improve skills and set campaigns for the coming year. It was clear that all the young people shared the same vision and wanted to make a difference to the services on offer to young people within Surrey. The young people decided upon anti-bullying, anti-discrimination,

better access to services and stability for young people in care to be the campaigns for Youth Collective 2015.

Over the coming months, the young people will plan their campaigns and take action to achieve them. Garath Symonds, Assistant Director for Young People and Clare Curran, Cabinet Associate will act as an intermediary between Surrey County Council and Youth Collective. The young people will also have the opportunity to attend cabinet and select committee meetings if and when appropriate as well as engaging with Youth Task Groups and local committees in their area.

It is only just the beginning for Youth Collective. There is a lot to look forward to as the group begins to form its own identity and find its place in the decision making process within Surrey County Council.

Linda Kemeny  
Cabinet Member for Schools and Learning  
29 January 2015

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

### **A CONFIDENT IN OUR FUTURE, CORPORATE STRATEGY 2015 – 2020**

The Cabinet will be considering Confident in our Future, Corporate Strategy 2015 – 2020 at its meeting on 3 February 2015. A copy of the Cabinet report is attached as an Appendix 1 to this report and the recommendation arising from the Cabinet's meeting will be circulated as a supplementary paper.

### **B REVISED MINERALS AND WASTE DEVELOPMENT SCHEME (MWDS)**

1. The Minerals and Waste Development Scheme (the Scheme) is the County Council's public statement of its planning policy documents and its programme for revising these documents. A revision to the Scheme is required primarily because the Surrey Waste Plan will need to be reviewed in the foreseeable future and the Scheme therefore needs to set out a programme for the review of the Waste Plan.
2. The Planning and Compulsory Purchase Act 2004 requires that local plans are to be prepared which set out the manner in which development and use of land should take place in a planning authority's area and that they should be kept up to date. In Surrey, the County Council is responsible for the minerals and waste development framework which provides the minerals and waste planning policy in Surrey. The main documents are the Surrey Minerals Plan 2011(SMP) and the Surrey Waste Plan 2008 (SWP).
3. When determining planning applications the County Council as County Planning Authority must have regard to these plans, so far as material to the application, and any other material considerations. It is important, therefore, that these plans are consistent with current policy and legislation and remain fit for purpose.
4. The Scheme originally came into effect on 11 April 2005. Subsequent revisions were necessary in October 2006, March and December 2007, December 2008

and October 2011. These revisions have mainly related to the progress of the Surrey Minerals and Waste plans to their respective adoption stages.

5. Changes to the Scheme are necessary for a number of reasons but primarily as a result of the need to review the Surrey Waste Plan in the foreseeable future and therefore to set out a programme for its review. The proposed revised Scheme is attached as **Appendix 2**.
6. The Cabinet **recommended** that:  
  
That the revised Minerals and Waste Development Scheme, as set out in Appendix 2, be approved.

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

*16 December 2014*

#### **A SURREY LOCAL FLOOD RISK MANAGEMENT STRATEGY**

1. The Flood and Water Management Act 2010 (hereafter the Act) identified risk management authorities - bodies with an interest in flood risk management. The County, in its role as Lead Local Flood Authority, is responsible for the management of flood risk associated with surface water, groundwater and ordinary watercourses, with the Environment Agency having an overseeing role in this as well as their responsibility for managing the flood risk associated with main rivers. The organisations involved include:
  - The Environment Agency
  - County Councils and Unitary Authorities (lead local flood authorities)
  - Highway Authorities
  - District and Borough Councils
  - Water Companies
  - Internal Drainage Boards
2. In recognition of this, Surrey County Council established the Surrey Flood Risk Partnership Board (hereafter the Partnership Board). All Surrey District and Borough Councils have joined and it includes senior officer representatives from the Environment Agency and Thames Water.
3. The Board also includes Surrey's Local Resilience Forum and Surrey Fire and Rescue Service and other key partners
4. The Partnership Board has overseen the development of the Strategy which is a requirement under the Act, for Surrey County Council to produce as Lead Local Flood Authority for the County.
5. The Strategy followed guidance set out in the National Flood and Coastal Erosion Risk Management Strategy 2011 and laid out high level ambitions. It will be a statutory document that Surrey's risk management authorities must pay heed to.
6. The Act requires Surrey County Council to develop a strategy for 'local flood risk'. That is, from surface runoff, groundwater and ordinary watercourses i.e.

smaller rivers and streams. The Partnership Board has developed an integrated strategy across all flood risks.

7. The Strategy is supported by Surrey County Council's drainage strategy, wetspots programme and other strategies and plans produced by Surrey's risk management authorities including the Environment Agency, sewerage undertakers (water companies) and District and Borough Councils.
8. The Environment Agency has undertaken a review of the significant winter flood incidents in 2013/14 associated with the main rivers in Surrey and Surrey County Council is currently carrying out Section 19 reports into the flooding incidents associated with surface water, groundwater and watercourse flooding. This is required under Section 19 of the Flood and Water Management Act 2010. The Surrey Flood Risk Partnership Board will review the Section 19 reports over the coming year. Surrey's risk management authorities will need to address the concerns raised in the reports.
9. **The Cabinet agreed:**
  1. That the Surrey Local Flood Risk Management Strategy and action plan be approved and adopted as set out in the appendices of the submitted Cabinet report.
  2. That active engagement be undertaken with all risk management authorities through the Surrey Flood Risk Partnership Board.
  3. That the Council publicises the findings of the Flood and Water Management Section 19 investigations on the Council's external website.

## **B THE AGREEMENT WITH SURREY WILDLIFE TRUST (SWT) FOR THE MANAGEMENT OF THE COUNTY COUNCIL'S COUNTRYSIDE ESTATE**

1. A review was recently undertaken to assess the effectiveness of the Agreement and to set out changes which will improve the outcomes. Key areas of focus have been the management of built property, management of the woodlands and the opportunity to improve visitor facilities and generate income from the Estate. Attention on these areas will, in turn, help to move the management of the Estate to a self funding position, providing improvements for visitors and reducing costs.
2. The County Council's Countryside Estate comprises 6,206 acres (2,514 hectares) of land owned by the County Council, with a further 2,538 acres (1,028 hectares) managed under Access Agreements. The Estate has five farms, woodland, heathland and downland held by the County Council for public benefit, recreation and landscape conservation.
3. Following a procurement process to find a suitable partner to work with, a fifty year Agreement to manage the Countryside Estate was signed with SWT in 2002, which included a financial formula. The formula allowed for an incremental reduction in SCC's contribution that resulted in a £300,000 reduction in the base contribution between 2007 and 2012. The current review set out to establish the effectiveness of that Agreement.

4. A Countryside Management Task Group was set up by the Environment and Transport Select Committee in July 2012. The key recommendations which relate to the Agreement with Surrey Wildlife Trust (SWT) are set out below:
  - (i) The Strategic Director for Environment and Infrastructure reviews the contract between Surrey Wildlife Trust and Surrey County Council. This review should include:
    - All aspects of the contract;
    - The development and measurement of more clearly defined outputs that ensure value for money;
    - A review of the governance arrangements and;
    - The development of a communication strategy to promote the benefit of the partnership arrangements to Members of the County Council and Surrey residents.
  - (ii) Specific management plans are created for iconic locations in Surrey. These locations include such sites as Newlands Corner and Ockham. The plans will develop improved visitor facilities to encourage people to stay longer and enjoy the sites. In addition, it is planned to make local produce more available to a wider customer base through countryside sites. A programme of consultation will allow stakeholders to suggest improvements and comment on these plans.
5. Surrey County Council has drawn up a set of terms for the ongoing Agreement with Surrey Wildlife Trust, which are:
  - SCC financial contributions
  - Governance
  - Financial and Risk Mechanism
  - Property Management
  - Development Plans
  - Woodlands
  - Performance Indicators
6. **The Cabinet agreed:**
  1. That the proposed changes to the Agreement, as set out in the submitted Cabinet report, be noted.
  2. That the details of the proposed changes to the Agreement be worked up by the Assistant Director of Environment and Infrastructure, in consultation with the Cabinet Member for Environment and Planning.
  3. That a further report recommending the draft final terms for the Amended Agreement be brought to Cabinet for approval in April 2015.

**C QUARTERLY REPORT ON DECISIONS TAKEN UNDER SPECIAL URGENCY ARRANGEMENTS: 1 OCTOBER – 31 DECEMBER 2014**

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 has been one decision during the last quarter, as follows:

**Youth Engagement Fund Application**  
(taken at Cabinet on 25 November 2014)

**Reason for Urgency:**

That the decision cannot be reasonably deferred because the deadline for submission of the bid to Department for Works and Pensions was 28 November 2014.

**Mr David Hodge**  
**Leader of the Council**  
**30 January 2015**

**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 3 FEBRUARY 2015**

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

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

**SUBJECT: CONFIDENT IN SURREY'S FUTURE, CORPORATE STRATEGY 2015- 2020**



**SUMMARY OF ISSUE:**

The Cabinet are asked to endorse a refreshed version of the Council's Corporate Strategy. The Strategy will then be presented to the County Council meeting on 10 February 2015 for approval alongside the Revenue and Capital Budget. 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 Surrey's future*, Corporate Strategy 2015-2020 and recommend that it be presented to the County Council meeting on 10 February 2015 for approval alongside the Revenue and Capital Budget 2015-20.

**REASON FOR RECOMMENDATIONS:**

By reconfirming a long term vision for the county and setting goals and key actions for the next financial year the refreshed Corporate Strategy provides a clear sense of direction for Council staff, 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. It was agreed that the Strategy would undergo a light touch refresh on an annual basis. This report presents a refresh of the version that was previously approved by the Council on 11 February 2014.

***Confident in Surrey's future*, Corporate Strategy 2015-2020**

2. The strategic challenges facing the Council stem from two significant and persisting trends. Firstly, population changes - alongside the introduction of new responsibilities and duties - mean there are an increasing number of things the Council needs to do in order to fulfil its purpose. Secondly, the total financial resource available to do these things continues to reduce in real terms.

3. By putting its Strategy into action since 2013 the Council has made good progress in meeting these challenges. The recently published [Annual Report 2013/14](#) and [Chief Executive's six month progress reports](#) illustrate this.
4. The progress made confirms the value of staying true to the long term Strategy the Council agreed in July 2013. The refreshed document for 2015-20 therefore reconfirms the strategic direction which has helped the Council to navigate significant challenges over recent years.
5. What has been altered this year is the presentation and structure of the document. In particular, reflecting feedback from staff and Members, it is now an even shorter document. This is intended to make the key points clearer and easier to absorb for readers.
6. The refreshed document (**Annex 1**) is shaped succinctly around five key elements.
  - (1) **Purpose:** the unique role the Council has, what it exists to do.
  - (2) **Context:** the conditions the Council will operate in for the next five years.
  - (3) **Vision:** a statement communicating what will need to change over the next five years so the Council can continue to fulfil its purpose.
  - (4) **Values:** the values everyone at the Council will uphold in all their work.
  - (5) **Goals:** the headline outcomes required over the next five years and the specific key actions for the next year that will help achieve these.
7. Given the continuity in strategic direction the content of this shorter version is largely distilled from the existing Strategy, but there are some key updates.
8. Firstly, the vision statement has been updated to “*one place, one budget, one team for Surrey*”. This reflects the need to further deepen and accelerate collaboration among partners over coming years, and the strong case for Surrey to be granted greater local powers.
9. Secondly, the list of key actions for the next financial year has been updated. These actions have also been grouped under three headline goals. These goals (Wellbeing, Economic prosperity, Resident experience) describe the key outcomes that everyone in the Council will be contributing to for the benefit of residents.
10. Attached to this report is a plain text version of the refreshed Strategy: *Confident in Surrey's future*, Corporate Strategy 2015-2020 (**Annex 1**).

### **Supporting strategies and plans**

11. There are a number of more detailed supporting strategies and plans which contribute to the delivery of the Strategy. These will continue to be refreshed periodically as required. This includes, for example, a new Fairness and Respect Strategy, which will be refreshed to align with the Corporate Strategy 2015-2020.
12. The detailed goals and actions that services will deliver in 2015/16 will be included as part of the Medium Term Financial Plan reported to the Cabinet on 24 March 2015.



### **CONSULTATION:**

13. 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 seminars on the Chief Executive's six month progress report and budget workshops.

### **RISK MANAGEMENT AND IMPLICATIONS:**

14. There are no direct risk management implications arising from this report.

### **Financial and Value for Money Implications**

15. The Corporate Strategy is developed in line with budget planning. It sets the strategic direction reflected in the Revenue and Capital Budget 2015-20 which is presented separately to Cabinet at this meeting.

### **Section 151 Officer Commentary**

16. The Corporate Strategy has been refreshed alongside the development of the Council's future budget. The Revenue and Capital Budget 2015-20 is presented separately to Cabinet at this meeting.

### **Legal Implications – Monitoring Officer**

17. Cabinet will need to take account of the Public Sector Equality Duty in considering this Strategy. There is a requirement to have due regard to the need to advance equality of opportunity for people with protected characteristics, foster good relations between such groups, and eliminate any unlawful discrimination. These matters are dealt with in the equalities paragraphs of the report. Otherwise there are no legal implications/legislative requirements arising directly from this report.

### **Equalities and Diversity**

18. The Strategy sets out goals and commitments that have positive implications for all residents, including protected groups. There are specific positive commitments in relation to children and young people, older people, and people with disabilities. However, given the high-level nature of these goals it is not possible to carry out an equality impact assessment at this stage.
19. The equalities implications of the goals will continue to be considered in relation to the more detailed and specific policies that stem from the overall Strategy, including the full Medium Term Financial Plan 2015-20 which will be reported to Cabinet on 24 March 2015.

### **Other Implications:**

20. 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 strategic goals set out in the Corporate Strategy will ensure the Council maintains a focus on these key areas.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No significant implications arising from this report. Note the commitment in the Strategy to improve outcomes for children in need.

Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report. Note the commitments in the Strategy to improve outcomes for children in need, older people, and people with disabilities.
Public Health	No significant implications arising from this report. Note the commitment in the Strategy to support a healthy living approach.
Climate change	No significant implications arising from this report. Note the commitment in the Strategy on a sustainable economy.
Carbon emissions	No significant implications arising from this report. Note the commitment in the Strategy on a sustainable economy.

#### **WHAT HAPPENS NEXT:**

- *Confident in Surrey's future*, Corporate Strategy 2015-2020 is presented to the County Council meeting on 10 February 2015 for approval.
- The detailed goals and actions that services will deliver in 2015/16 to support the Corporate Strategy are presented to Cabinet alongside the Medium Term Financial Plan on 24 March 2015.
- In readiness for the start of the 2015/16 financial year a fully designed version of the Strategy is published on the Council's website.
- An internal communications campaign is run to raise awareness of the Strategy.
- The measures and targets for the Council's goals and key actions for 2015/16 are finalised and progress is reported through the year on the Council's website.
- The Chief Executive submits six-monthly progress reports to the Council meetings in July and December 2015.
- Select Committees continue to scrutinise work programmes and performance.

---

#### **Lead Officer:**

David McNulty, Chief Executive

#### **Consulted:**

Cabinet Members

Council Overview and Scrutiny Committee (29 January 2014)

Continual Improvement and Productivity Network

#### **Annexes:**

Annex 1: *Confident in Surrey's future*, Corporate Strategy 2015-2020 (plain text version)

#### **Sources/background papers:**

- *Confident in our future*, Corporate Strategy 2014-2019, report to Council 11 February 2014
  - Chief Executive's six-monthly progress report, report to Council 9 December 2014
  - Surrey County Council's Annual Report 2013/14
-

## PURPOSE

We are the representative body elected to ensure Surrey residents remain healthy, safe and confident about their future

## VISION

ONE place  
ONE budget  
ONE team for Surrey

## VALUES



Listen



Responsibility



Trust



Respect

## Context

Residents expect services to be easy to use, responsive and value for money. Demands are increasing while financial resources are decreasing. We will meet these challenges by continuing to work as one team with our residents and partners. By working together, investing in early support, and using digital technology we will improve and ensure residents can lead more independent lives.



Changing birth rates and people moving into Surrey means that 13,000 more school places are expected to be needed by 2020



Surrey's population is increasing and is ageing - by 2020, it is estimated that older people will make up 20% of the population, increasing demand on health and social care services



Surrey's economy expanded by 17% between 2009 and 2013, but there are critical challenges: roads are congested; employers struggle to attract staff with the right skills; and there is limited affordable housing

## Our strategic goals

### 1. Wellbeing

Everyone in Surrey has a great start to life and can live and age well

To support this goal in 2015/16 we will

- Provide over 2,800 additional school places for the September 2015 school year
- Improve outcomes for children in need
- Support 750 families through the Surrey Family Support Programme
- Help older and disabled people to live independently at home
- Support a healthy living approach

### 2. Economic prosperity

Surrey's economy remains strong and sustainable

To support this goal in 2015/16 we will

- Support young people to participate in education, training or employment
- Ensure more than 50% of council spending is with Surrey businesses
- Improve and renew 70kms of roads
- Increase waste recycling and reduce the amount produced and sent to landfill
- Support a £50m plus infrastructure investment programme

### 3. Resident experience

Residents in Surrey experience public services that are easy to use, responsive and value for money

To support this goal in 2015/16 we will

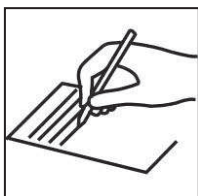
- Collaborate with partners to transform services for residents
- Use digital technology to improve services for residents
- Invest in flood and maintenance schemes
- Work with partners to tackle issues that make residents less safe
- Deliver £62m savings

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# Surrey Minerals and Waste Development Scheme 2014

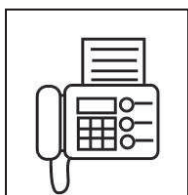


## How to contact us



### In writing

Surrey County Council  
Planning and Development Group  
Environment and Infrastructure  
County Hall  
Kingston upon Thames  
Surrey KT1 2DN



### By fax

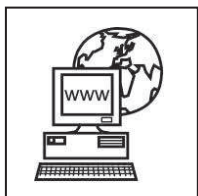
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[www.surreycc.gov.uk](http://www.surreycc.gov.uk)

We are happy to give information in either large print or in another language. If you want this service please call us on 03456 009 009.

**Surrey Minerals and Waste Development Framework**  
**Minerals and Waste Development Scheme**

Trevor Pugh  
Director, Environment & Infrastructure  
Surrey County Council  
County Hall  
Penrhyn Road  
Kingston upon Thames  
KT1 2DN

Published by  
Surrey County Council  
2014

# 1 Introduction

1.1 This document is the Minerals and Waste Development Scheme (the Scheme) for Surrey. It is a public statement identifying which local development documents will be produced.

1.2 The Minerals and Waste Development Scheme:

- provides a brief description of the adopted minerals and waste local plans and the relationship between them;
- sets out the planned timetable for reviewing each development plan document and the key milestones in the process;
- indicates which supplementary planning guidance will continue to be used as a material consideration in determining planning applications;
- indicates how Sustainability Appraisal (SA) and Strategic Environmental Assessment (SEA) are integrated into the preparation of the Minerals and Waste Development Framework (MWDF); and
- indicates how the MWDF will be managed and resourced.



## 2 Minerals and Waste Development Framework

### Content of the Minerals and Waste Development Framework

- 2.1. The minerals and waste development framework for Surrey consists of:
- Surrey Minerals Plan, adopted July 2011 (Core Strategy and Primary Aggregates DPDs),
  - the Surrey Waste Plan, adopted in 2008
  - Aggregates Recycling DPD, adopted August 2011 (a joint minerals and waste development plan document covering the recycling of construction and demolition waste)
  - the Minerals Site Restoration SPD, adopted July 2011 and any other supplementary planning documents on minerals and waste
  - the Minerals and Waste Development Scheme
  - the Statement of Community Involvement, adopted in July 2006 which is to be refreshed in 2015
  - annual monitoring reports including an annual Local Aggregates Assessment.
- 2.2 **Appendix 1** illustrates the relationship between the documents that make up the Minerals and Waste Local Development Framework.
- 2.3 All the minerals and waste local development documents (MWLDDs) are complete and have been adopted. **Appendix 2** provides an indicative timeframe for the review arrangements for all LDDs.

### Minerals and Waste Submission Proposals Maps

- 2.4 The Waste Plan Proposals Map comprises a key diagram and maps for individual sites for future waste development appended to the Waste Plan DPDs. The Minerals Submission Proposals Map shows indicatively designations such as the Areas of Outstanding Natural Beauty (AONB) and Green Belt, and the preferred areas and areas of search. The detailed maps in the Core Strategy and Primary Aggregates DPDs which are part of the submission proposals map take precedence for preferred areas and areas of search. A Proposals Map has also been prepared for the Aggregates Recycling DPD.

### Minerals and Waste Planning Annual Monitoring Report

- 2.5 Authorities are required to prepare annual monitoring reports (AMR) to assess the implementation of the local development scheme and the extent to which policies in local development documents are being achieved.
- 2.6 Surrey County Council has published an AMR on minerals and waste planning each year since 1985. This time series has been continued under the new system in expanded format to include monitoring of the

MWDS and monitoring of the indicators and targets in the minerals and waste development documents as they are adopted. The AMR will contain the relevant information required under the regulations<sup>1</sup>, and an annual Local Aggregates Assessment. Recent reports are posted on the Surrey County Council website.

### **Statement of Community Involvement**

- 2.7 The Statement of Community Involvement (SCI) explains to local communities and stakeholders how they will be involved in the preparation of the Minerals and Waste Development Framework and in the consideration of planning applications and the steps that the County Council will take to facilitate this.
- 2.8 The SCI was submitted to the Secretary of State at the end of 2005 and, following examination by the Planning Inspectorate, was adopted by the Council in January 2007. Since the adoption of the SCI further regulatory changes no longer require the SCI to be submitted to the Secretary of State. The SCI is being updated and it will be adopted in 2015.

### **Supplementary Planning Documents**

- 2.9 Supplementary Planning Documents (SPDs) are intended to expand upon policy or provide further detail to policies in development plan documents. Restoration of mineral workings is covered in the *Minerals Site Restoration SPD* which was formally adopted in July 2011. This document sets out best practice in restoration techniques and presents indicative restoration schemes for all of the preferred areas for working of primary aggregates and silica sand as identified in the Surrey Minerals Plan and is kept under review.

### **Sustainability Appraisal**

- 2.10 The Surrey Waste Plan and Surrey Minerals Plan development plan documents have all been subject to Sustainability Appraisal and habitats regulations assessment.

### 3 Monitoring and Review

3.1 An annual monitoring report is prepared as part of the framework documentation. Part of the role of the annual monitoring report will be to monitor implementation of the MWDS. In relation to the Scheme it will:

- assess the timetable specified in this Scheme for preparation of each document. It reports on the progress made and whether the authority has met targets and milestones or is on schedule to do so. The report sets out where the authority has fallen behind or will not meet targets, the reasons behind this and what steps will be taken to address these problems. The authority will also indicate if it is necessary to amend the local development scheme in the light of this assessment;
- monitor the extent to which policies in the MWDF are being achieved and any policy areas where change is needed; and
- identify any significant changes to the evidence base which might affect the Plans.
- carry out an annual Local Aggregates Assessment to ensure there is a steady and adequate supply of aggregates

Minerals and Waste Development Framework

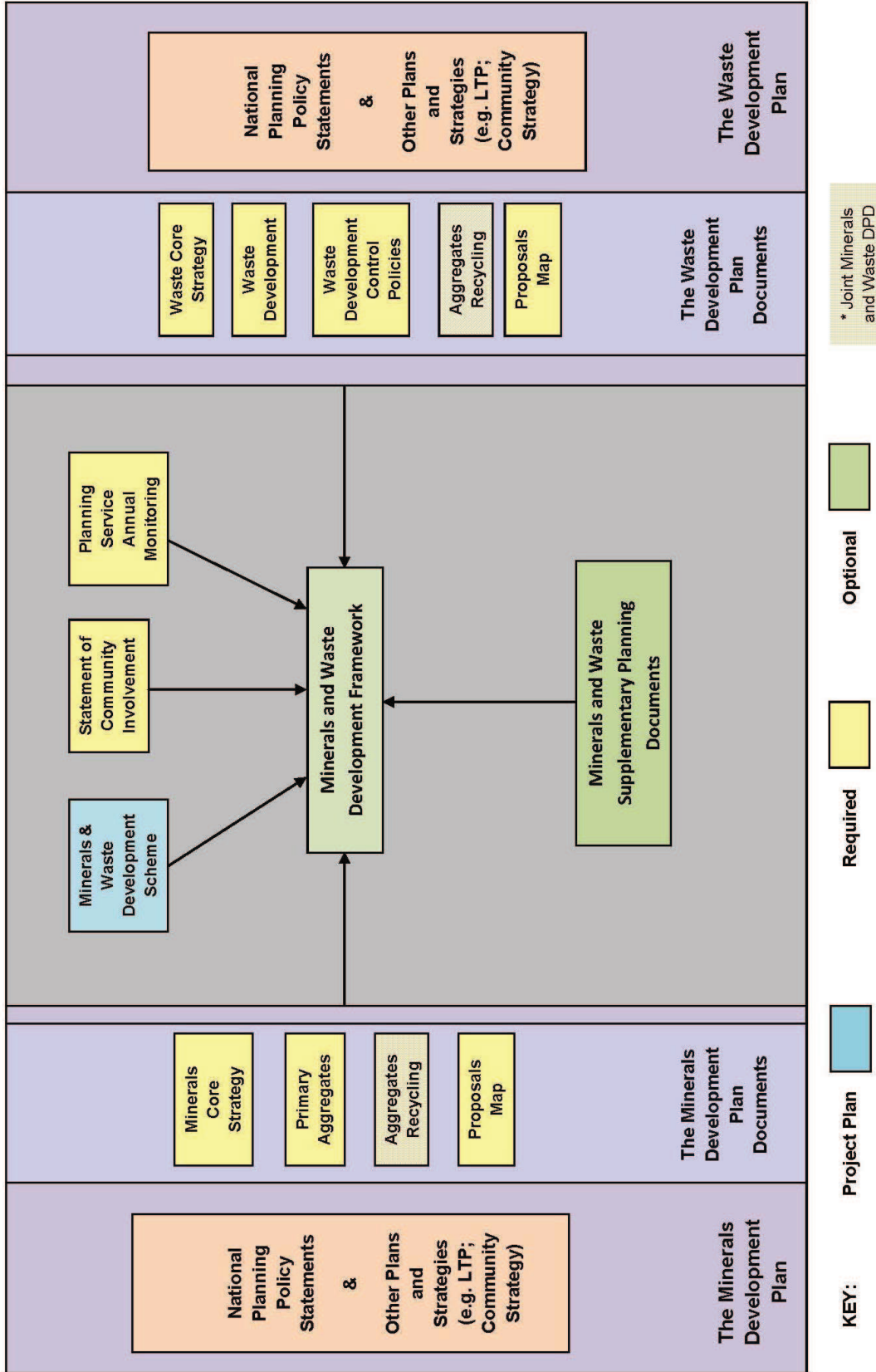


Table 1: Profiles of Minerals and Waste Local Development Documents

All documents in the following table are countywide in their coverage

	Subject	Adopted	Arrangements for review
<b>Statement of Community Involvement (LDD)</b>	Sets the Council's service level agreement with stakeholders and the community and their involvement in preparation of the Minerals and Waste Development Framework.	July 2006 <sup>1</sup>	Amendments have been made to the regulations since adoption and the Localism Act introduced further changes. A revised SCI has been published for public comment (27 Oct 15– 02 Feb 15) and will be adopted in spring 2015
<b>Surrey Waste Plan (DD)</b> 175	<b>Core Strategy:</b> Sets out the authority's vision, objectives and waste development spatial strategy for Surrey and provides the policy framework for development management <b>Waste Development:</b> Policy framework to address need for waste facilities and identification of sites for such facilities <b>Development Control Policies:</b> Policy framework for the consideration of planning applications for waste development in Surrey	May 2008	The planning service annual monitoring report (AMR) assesses each year how the objectives and policies in the Waste Plan are being implemented, indicating whether the policies need to be amended or replaced.  The Waste Plan covers the period until 2018 and work on a review is planned to commence in early 2016. The current engagement programme up to adoption is set out below.  Issues and Options: Sept – Nov 2016 Draft Plan: May - June 2017 Submission plan: Sept - Oct 2017 Submission to SoS: Dec 2017 Examination in Public: May 2018 Adoption: Oct 2018.

<sup>1</sup> Minor correction to comply with Inspector's recommendation – January 2007

	Subject	Adopted	Arrangements for review
<p><b>Surrey Minerals Plan (DPD)</b></p>	<p><b>Core Strategy:</b> Sets out the vision, objectives and spatial strategy for mineral development to 2026 incorporating specific policies on silica sand, brick clay and oil and gas, together with generic policies to determine planning applications for mineral development.</p> <p><b>Primary Aggregates:</b> Policy framework to address the need for and provision of sharp sand, gravel and soft sand in Surrey. The document identifies preferred areas to meet need for aggregates and contains policies for controlling primary aggregate extraction.</p>	<p>July 2011</p>	<p>The AMR and local aggregate assessment (LAA) will identify when a review is required in relation to changing circumstances, the demand for aggregates and other minerals and availability of sites suitable for mineral development.</p> <p>It is not considered necessary to programme a review at present.</p>
<p><b>Surrey Minerals and Waste Plans</b></p>	<p><b>Aggregates Recycling Joint Development Plan Document:</b> Sets out delivery of the visions and aims of the Surrey Minerals and Waste Plans for aggregates recycling. The document identifies sites to meet the targets set out in the Surrey Minerals Plan.</p>	<p>August 2011</p>	<p>The AMR will identify when a review is required, particularly in relation to changing circumstances and availability of sites suitable for aggregates recycling development.</p> <p>It is not considered necessary to programme a review at present.</p>



## OFFICER REPORT TO COUNCIL

### AMENDMENTS TO THE CONSTITUTION

#### **KEY ISSUE/DECISION:**

It is the Council's responsibility to approve changes to the Scheme of Delegation regarding non-executive functions, while amendments to executive functions are delegated to the Leader and are brought to County Council to note.

This report sets out changes to the executive functions set out in the Scheme of Delegation. They specifically refer to new delegations relating to the roundabout sponsorship scheme, trading standards cross border investigations and prosecutions and the Basingstoke Canal Joint Management Committee. These changes are brought to Council for information and do not require formal approval.

These changes are brought to Council in accordance with Articles 4.10 and 5.02 of the Council's Constitution.

#### **BACKGROUND:**

1. Changes to any non-executive functions require approval by Council. There are no proposed changes to non-executive functions at this time. In addition, the Leader is responsible for maintaining a list in Part 3 of the Constitution setting out who will exercise executive functions. Any changes to this list are required to be reported to the next appropriate meeting of the County Council. Such changes, which have already been agreed by the Leader, are set out in paragraphs 2 to 9 of this report.

## FUNCTIONS FOR REPORT TO COUNCIL

### **Delegation of Trading Standards cross border investigations and prosecutions**

2. Offences investigated by Trading Standards will often relate to businesses that operate in a number of different places and cross local authority jurisdictional boundaries. To make best use of resources and to reduce the duplication of efforts the service has been developing better coordination

and intelligence sharing with other authorities. As a result, from time to time one local authority takes the primary role of investigating and prosecuting an offender but part of its case will relate to events in another authority area. Offences may for example have been committed in Surrey (against Surrey residents or businesses) but another authority has completed the investigation and may wish to take legal proceedings. If another authority does this, it is on the basis that the other authority bears the costs and any liability arising from such proceedings.

3. In such circumstances, it is important that proper authority is given to the other Council to do this. As these matters relate to Executive functions, the Leader has agreed how these arrangements are made. The decision to make arrangements in these specific circumstances is delegated to the Strategic Director for Customers and Communities and the Community Protection Manager. The delegation is as follows:

TS8	Strategic Director for Customers and Communities  Community Protection Manager	To make arrangements with another local authority for it to carry out an investigation and initiate and conduct any legal proceedings relating to a cross-border matter where it is agreed that the other local authority should take the lead
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**Delegation of roundabout sponsorship scheme agreements with District, Borough, Town and Parish Councils**

4. Surrey County Council has worked in partnership with many of the borough and district councils for some years to permit roundabout sponsorship by businesses. The Council does not directly administer the sponsorship of any roundabouts, however it operates a scheme which has enabled councils to:
  - improve the appearance of roundabouts
  - improve the image of Surrey as a vibrant location for businesses
  - promote the range of businesses already located there
5. The Council's roundabout sponsorship scheme has recently been reviewed and amended to extend the partnership scheme to local town and parish councils.
6. Previously, any partnership agreements could only be signed off by the Assistant Director for Highways and the new delegation includes a provision to allow Area Team Managers and Local Highways Services Group Managers to sign these off going forward. The delegation is as follows:



T47	Assistant Director Highways  Local Highways Services Group Manager  Area Team Manager	To enter into agreements with other Borough, District, Parish or Town Councils to carry out improvement and/or maintenance of roundabouts in accordance with roundabout sponsorship arrangements
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**Delegation of Basingstoke Canal Joint Management Committee - Memorandum of Understanding approval of amendments**

7. The Council has signed a Memorandum of Understanding (MoU) with partners regarding the Basingstoke Canal Joint Management Committee (JMC). This MoU was agreed by the Executive in February 2009 which was prior to any decisions being delegated to individual Cabinet Members.
8. The JMC have amended the MoU and it was agreed by all partners in February 2014. It now needs to be ratified by the Cabinet and following advice from Legal Services it is felt that this can be done by a Cabinet Member decision.
9. In order to do this a new delegation has been added to the Cabinet Member delegation section of the Scheme of Delegation as set out below.

Function	Limitation
(a7) to agree amendments to the Memorandum of Understanding for the Basingstoke Canal Joint Management Committee	

10. Printed copies of the updated Scheme of Delegation pages will be circulated to replace the existing copies in Members' Constitutions and will be published on the Council's website.

**RECOMMENDATION:**

It is recommended that the amendments agreed by the Leader to the Scheme of Delegation be noted.

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**Lead/Contact Officer:**

Vicky Hibbert  
Cabinet Business Manager  
Tel: 020 8541 9229

**Sources/background papers:**

The Council's Constitution

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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 9 February 2015.

**MINUTES OF THE MEETING OF THE CABINET  
HELD ON 16 DECEMBER 2014 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 Mike Goodman
Mrs Mary Angell	*Mr Michael Gosling
*Mrs Helyn Clack	*Mrs Linda Kemeny
*Mr Mel Few	Ms Denise Le Gal

Cabinet Associates:

*Mr Steve Cosser	Mrs Kay Hammond
*Mrs Clare Curran	*Mr Tony Samuels

\* = Present

**PART ONE  
IN PUBLIC**

**247/14 APOLOGIES FOR ABSENCE [Item 1]**

Apologies were received from Mrs Angell, Mrs Hammond, Ms Le Gal and Mr Martin.

**248/14 MINUTES OF PREVIOUS MEETING: [Item 2]**

The minutes of the meeting held on 25 November 2014 were confirmed and signed by the Chairman.

**249/14 DECLARATIONS OF INTEREST [Item 3]**

No declarations were received.

**250/14 PROCEDURAL MATTERS [Item 4]**

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

No questions from Members were received.

**251/14 PUBLIC QUESTIONS [Item 4b]**

No questions from members of the public were received.

**252/14 PETITIONS [Item 4c]**

No petitions were received.

## **253/14 REPRESENTATIONS RECEIVED ON REPORTS TO BE CONSIDERED IN PRIVATE [Item 4d]**

No representations were received.

## **254/14 REPORTS FROM SELECT COMMITTEES, TASK GROUPS, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL [Item 5]**

### **Adult Social Care Select Committee – Health & Wellbeing Priorities: Older Adults and Prevention:**

The response from the Cabinet Member for Adult Social Care is attached as Appendix 1. There were no further comments on this report and response.

### **Children & Education Select Committee:**

- Surrey Safeguarding Children Board Annual Report 2013-14 and Surrey County Council Safeguarding Unit Report,
- Schools and Safeguarding Update; and
- School Governance Task Group – Interim Report

The responses from the Cabinet Members for Schools and Learning and Children and Families are attached as Appendices 2-4.

The Chairman of the Children and Education Select Committee thanked the Cabinet Members for their responses. She made the following points:

- On the Surrey Safeguarding Children Board Annual Report 2013-14 and Surrey County Council Safeguarding Unit Report - The report on Child Sexual Exploitation was timely and would like to focus on engagement with district and boroughs on all licensable activities, not just taxis.
- On the Schools and Safeguarding Update –The Chairman of the Select Committee was happy with the response received.
- On the School Governance Task Group – Interim Report – With regard to local Members, the Chairman of the Children and Education Select Committee felt that this would be no different to representing residents at any other meeting and that it would be an operational issue to look at member involvement at panel level.

The Cabinet Member for Schools and Learning replied that the appointment of governors was within the constitution of governing bodies and that the process should follow best practice. She stated that she took on board the Select Committee's points and would look at this again in order to streamline the process.

The Leader of the Council invited the Chairman of the Children and Education Select Committee in her role as Chairman to remind Local Committees of their role in the appointment of governors.

## **255/14 SURREY LOCAL FLOOD RISK MANAGEMENT STRATEGY [Item 6]**

The Cabinet Member for Highways, Transport and Flooding introduced the Surrey Local Flood Risk Management Strategy and explained that the County Council had a legal requirement to set out how partners would work together to reduce flood risk including who had responsibility and where this lay. He highlighted the Section 19 reports and informed Members that these are the responsibility of the Environment Agency but that the Council had a role to play in these.

He said that the flooding events from earlier in 2014 had been extreme and the longevity of these had been unexpected. They had proved demanding on the Council and its partners but relationships had held up and demonstrated a high level of partnership working. He stated that the Council had consulted fully on the Strategy and responses were shown in annex 2 of the submitted report. He also drew Members attention to the Equalities Impact Assessment particularly in relation to older people, disabled people and those that were pregnant.

The Cabinet Member for Public Health and Health & Wellbeing referred to paragraph 10 of the submitted report regarding insurance to which the Cabinet Member for Highways, Transport and Flooding replied that there was an ongoing battle and that central government should make this a matter of urgency.

The Cabinet Member for Adult Social Care queried timescales of the Section 19 reports which the Cabinet Member for Highways, Transport and Flooding responded to stating that these reports have been received and ground water investigations were being undertaken and further information would come back to a Cabinet meeting in 2015.

The Cabinet Member for Community Services commended the knowledge of parish councils and praised partnership working during the flooding events last winter. She highlighted the need to extend the repair and renew grant application date and requested that information on this funding is better communicated.

The Leader of the Council expressed concern regarding the 300 Surrey families who were still displaced following the flooding events and stated that the Cabinet would support getting these people back into their homes.

### **RESOLVED:**

1. That the Surrey Local Flood Risk Management Strategy and action plan be approved and adopted as set out in the appendices to the submitted report.
2. That active engagement be undertaken with all risk management authorities through the Surrey Flood Risk Partnership Board.
3. That the Council publicises the findings of the Flood and Water Management Section 19 investigations on the external website.

### **Reasons for Decisions:**

The Strategy is a statutory requirement under the Flood and Water Management Act 2010 and sets the framework for flood risk management in the county by the risk management authorities. The Strategy provides a framework for joint work with residents and businesses to reduce risk and prepare for the future.

### **256/14 REVISED MINERALS AND WASTE DEVELOPMENT SCHEME (MWDS) [Item 7]**

The Minerals and Waste Development Scheme is the County Council's public statement of its planning policy documents and its programme for revising these documents. A revision to the Scheme was required primarily because the Surrey Waste Plan will need to be reviewed in the foreseeable future and the Scheme therefore needs to set out a programme for the review of the Waste Plan.

The Cabinet Member for Adult Social Care drew attention to waste recycling rates. The Cabinet Member for Environment and Planning responded stating that recycling rates have begun to level out after many years of improvement during the time of the Surrey Waste Partnership and that conversations are taking place with Leaders and Chief Executive's of district and borough councils to discuss how recycling rates might be improved further.

### **RESOLVED:**

That the revised Minerals and Waste Development Scheme, as set out in annex 1 of the submitted report be endorsed and be recommended to the County Council for approval.

### **Reasons for Decisions:**

It is a statutory requirement to produce the Scheme and to keep it up to date. The Surrey Waste Plan was adopted in 2008 and Government anticipates that such plans should have a life of around 10 years.

### **257/14 SUPPORTING ECONOMIC GROWTH THROUGH INVESTMENT IN TRANSPORT INFRASTRUCTURE [Item 8]**

On 23 September 2014, the Cabinet approved the arrangements for local financial contribution for the first tranche of three transport schemes of the 2015-16 Local Enterprise Partnership (LEP) Local Growth Deal programme.

Since that Cabinet meeting the financial requirement from the County Council has been confirmed at £1.8m, significantly lower than the £2.7m potential commitment agreed.

The Cabinet Member for Highways, Transport and Flooding commended the report to Members stating that investment in infrastructure was essential to improve and remove congestion. He also drew the Cabinet's attention to the revised recommendation that had been tabled at the meeting regarding the Surrey County Council share of the local contribution for each scheme.

He clarified the information in paragraph 30, regarding Project Horizon and informed Members that this investment would not reduce this funding but would in fact enhance it.

He went on to state that a full Equalities Impact Assessment was not required as the result of the investment will be of benefit to residents.

The Cabinet Member for Community Services raised a query regarding the works due to be undertaken at the Runnymede roundabout and whether this would impact on the Magna Carta 800 years celebration to which the Cabinet Member for Highways, Transport and Flooding stated that this had been considered and work will not be undertaken prior to the June 2015 event as it would not be completed in time.

**RESOLVED:**

That authority be delegated to the Strategic Director for Environment and Infrastructure, in consultation with the Deputy Leader, Cabinet Member for Highways, Transport and Flooding and the Director of Finance to agree the Surrey County Council share of local contribution for each scheme in Table 2 of the submitted report, within the overall total contribution set out in that table.

**Reasons for decisions:**

The proposed schemes will deliver a range of benefits to Surrey's residents, including reduced congestion, improved journey time reliability, enhanced safety, improved access for cyclists, pedestrians and buses, as well as enabling economic development and regeneration.

Under the funding arrangements, local partners are required to provide a local contribution to the schemes to reflect the local benefits that will be provided. Therefore if these schemes wish to proceed to business case submission, The Council will need to confirm that this local contribution is available.

This is the second tranche of schemes to be funded from the Local Growth Deal. The precise amount of contribution that the County Council will need to make will be finalised once discussions with relevant Borough Leaders/Chief Executives have been completed, in accordance with the approach presented to the Cabinet at the meeting of 23 September 2014 and repeated below.

**258/14 THE AGREEMENT WITH SURREY WILDLIFE TRUST FOR THE MANAGEMENT OF THE COUNTY COUNCIL'S COUNTRYSIDE ESTATE [Item 9]**

The Cabinet Member for Environment and Planning said that this was an important paper which highlighted a lot of work that had been undertaken over the last year. He explained that the proposal demonstrated that a big step forward had been made and that it offered the opportunity for Surrey Wildlife Trust to work more commercially.



He stated that the County Council's financial contribution would be reduced to zero by 2021 and that the Council would continue to work closely with Surrey Wildlife Trust to ensure that these savings were met.

Key areas of focus had been the management of built property, management of the woodlands and the opportunity to improve visitor facilities and generate income from the Estate. Measurable key performance indicators and targets, a governance structure and a business plan all demonstrated working together to achieve outcomes.

The Cabinet Member for Schools and Learning expressed her delight at the progress that had been made and that she was pleased to see more work with schools. The Cabinet Associate for Adult Social Care echoed this support.

**RESOLVED:**

1. That the proposed changes to the Agreement set out in the submitted report are noted.
2. That the details of the proposed changes to the Agreement are worked up by the Assistant Director of Environment and Infrastructure in consultation with the Cabinet Member for Environment and Planning.
3. That a further report recommending the draft final terms for the Amended Agreement be brought to Cabinet for approval in April 2015.

**Reasons for Decisions:**

A draft set of high level terms have been agreed with Surrey Wildlife Trust which will ensure the County Council's Countryside Estate is managed in a more sustainable way in the future. This will, in turn, provide better facilities for the public whilst increasing the income generated from the Estate. This will allow the Estate to become self financing. The governance has also been reviewed to ensure that the implementation of these actions happens and their effectiveness is monitored.

**259/14 FINANCE AND BUDGET MONITORING REPORT FOR NOVEMBER 2014  
[Item 10]**

The Leader of the Council introduced the budget monitoring report for month eight of 2014/15, the period up to 30 November and stated that the forecast revenue position was an under spend of -£2.7m at year end. He clarified that the need to fund planned commitments that would continue beyond 2014/15 resulted in the underlying position being -£1.2m under spent which was an improvement on October's forecast outturn of -£0.5m under spent. He noted that this followed improvements of nearly £3m over the previous two months.

He highlighted the Council's four key drivers as being; keeping additional call on the council tax payer to a minimum, continuously driving the efficiency agenda, developing a funding strategy to reduce the Council's reliance on council tax and government grant income and continuing to maximise investment in Surrey.

Other Cabinet Members were invited to highlight the key points and issues from their portfolios, as set out in the Annex to the report.

**RESOLVED:**

1. That the Council forecasts an improved revenue position for 2014/15 of £2.7m underspend, up from £0.5m at 31 October 2014. This position includes the need to fund planned commitments that will continue beyond 2014/15, bringing the underlying position down to £1.2m underspend, as set out in Annex1, paragraph 2 of the submitted report.
2. That services' forecast achieving an improved position on efficiencies and service reductions by year end of £70.0m as set out in Annex1, paragraph 64 of the submitted report.
3. That the Council forecasts investing £203m through its capital programme in 2014/15, as set out in Annex1, paragraph 68 of the submitted.
4. That services management actions to mitigate overspends, as set out throughout Annex1 of the submitted report.
5. That the Bellwin grant compensating the council for costs it incurred responding to the flooding in the winter of 2013/14 and which is funded from general balances to the Budget Equalisation Reserve to support future year's budgets be transferred as set out in Annex1, paragraph 54 of the submitted report.
6. That the new government grant for Universal Infant Free School Meals to schools in accordance with the grant's conditions be allocated, as set out in Annex1, paragraph 9 of the submitted report.

**Reasons for Decisions:**

This report is presented to comply with the agreed policy of providing a monthly budget monitoring report to Cabinet for approval and action as necessary.

**260/14 HEALTH AND SOCIAL CARE INTEGRATION [Item 11]**

The Cabinet Member for Public Health and Health & Wellbeing Board introduced the report on the collaboration and joined up working between health and social care in Surrey. He informed Members that a joined up approach would enable the Council to achieve better outcomes and high quality co-ordinated care for Surrey residents and the report was a clear statement of understanding that the County Council was committed to working together with the medical community to integrate and align health and social care services.

**RESOLVED:**

1. The strategic direction towards further integration for health and social care services be noted;

2. The specific work on health and social care integration and implications in Surrey be noted; and
3. That where specific proposals for the integration of health and social care involve significant change (e.g. pooling budgets or changes to governance structures), these will be presented to the Cabinet for approval.

**Reasons for Decisions:**

There is a move towards integrated services becoming a fundamental part of the way the Council and its partners develop and deliver services. Given the significant acceleration towards the integration of health and social care, this report provides the Cabinet with the opportunity to ensure the Council's stated policy reflects the current status and future direction for children's and adults' social care.

Pursuing opportunities for further integration will help to ensure the County Council meets its statutory duties, set out in both the Care Act 2014 and the Health and Social Care Act 2012, for encouraging and promoting the integration of health and social care.

**261/14 APPROVAL TO AWARD A CONTRACT FOR THE PROVISION OF A COMBINED HEALTHWATCH AND NHS COMPLAINTS ADVOCACY SERVICE [Item 12]**

The Cabinet Member for Public Health and Health & Wellbeing Board introduced the report by stating that the Health and Social Care Act 2012 had placed a statutory duty on local authorities to commission a local Healthwatch service and an independent NHS complaints advocacy service from 1 April 2013.

He informed Members that the report was seeking approval to award a single contract following a competitive tender process for the provision of a Healthwatch and NHS Complaints Advocacy Service and that this service was a valuable and necessary service that he was proud to commission on behalf of the residents of Surrey.

**RESOLVED:**

That a single contract be awarded to Healthwatch Surrey Community Interest Company (CIC) for the provision of Healthwatch and Independent NHS Complaints Advocacy Service as described in the Part 2 of the submitted report, for a period of three years commencing on 1 April 2015 with the option to extend for a maximum of a further two years.

**Reasons for Decisions:**

The existing contractual arrangements for the provision of Healthwatch and Independent NHS Complaints Advocacy Service will come to an end on 31 March 2015.

The award of a new contract from 1 April 2015 will ensure that Surrey residents continue to have a strong voice to influence and challenge how

health and social care services are provided in Surrey and that the Council complies with its statutory requirements to commission a local Healthwatch and Independent NHS Complaints Advocacy service.

#### **262/14 BISLEY CHURCH OF ENGLAND PRIMARY SCHOOL, WOKING [Item 13]**

The Cabinet Member for Schools and Learning introduced the report and said that there was an unprecedented demand for school places across Surrey and that an additional 13,000 school places would be required over the next five years. She informed Members that this placed a huge pressure on the County Council for additional funding in difficult times.

She recommended that the Cabinet approved the Business Case for the expansion of Bisley Church of England Primary School from a 1.5 Form of Entry primary (315 places) to a 2 Form of Entry Primary (420 places) creating 105 additional primary places in the Woking area from September 2016. She informed Members that a consultation had taken place in 2012 and the Council now want to proceed with the expansion to accommodate additional need.

The Leader of the Council indicated support for this report alongside the Cabinet Member for Public Health and Health & Wellbeing who commented on the millions of pounds the Cabinet has invested in schools places over the past year.

#### **RESOLVED:**

That subject to the agreement of the detailed financial information for the expansion as set out in Part 2 of the submitted report, the business case for the provision of an additional 0.5 form of entry (105 places) primary places in Woking be approved.

#### **Reasons for Decisions:**

The proposal supports the Authority's statutory obligation to provide sufficient school places to meet the needs of the population in the Woking area.

#### **263/14 WORPLESDON PRIMARY SCHOOL, GUILDFORD [Item 14]**

The Cabinet Member for Schools and Learning commended the Business Case for the expansion of Worplesdon Primary School from a 2 Form of Entry Primary (420 places) to a 2 Form of Entry at Reception and 3 Form of Entry at Year 3 Primary (540 places) creating 120 additional Key Stage 2 places in Guildford to help meet the basic need requirements in the Guildford area from September 2016. She stated that birth rates have risen steadily since 2005 and this expansion was necessary to meet demand.

#### **RESOLVED:**

That subject to the agreement of the detailed financial information for the expansion as set out in Part 2 of the submitted report, the business case for the provision of an additional 1 form of entry (120 places) Key Stage 2 places in Guildford be approved.

**Reasons for Decisions:**

The proposal supports the Authority's statutory obligation to provide sufficient school places to meet the needs of the population in the Guildford area.

**264/14 CONNAUGHT JUNIOR SCHOOL, BAGSHOT [Item 15]**

The Business Case for the expansion of Connaught Junior School from a 3 form of entry Junior (360 places) to a 4 form of entry Junior (480 places) creating 120 additional Junior places in Bagshot to help meet the basic need requirements in the Surrey Heath area from September 2015 was introduced by the Cabinet Member for Schools and Learning. The Cabinet Member for Environment and Planning informed Members that the parish council also fully supported the business case.

**RESOLVED:**

That subject to the agreement of the detailed financial information for the expansion as set out in Part 2 of the submitted report, the business case for the provision of an additional 1 form of entry (120 places) Junior places in Bagshot be approved.

**Reasons for Decisions:**

The proposal supports the Authority's statutory obligation to provide sufficient school places to meet the needs of the population in the Surrey Heath area.

**265/14 ST ALBAN'S CATHOLIC PRIMARY SCHOOL, WEST MOLESEY [Item 16]**

The Cabinet Member for Schools and Learning informed Members that the Business Case for the expansion of St Alban's Catholic Primary School from a 1 form of entry primary (210 places) to a 2 form of entry Primary (420 places) to create 210 additional places in East Molesey will help meet the basic need requirements in the Elmbridge area from September 2015. She stated that this was a very popular school with a wide catchment area.

The Leader of the Council endorsed the report and stated that the Cabinet had approved 775 additional school places at the meeting that afternoon.

**RESOLVED:**

That subject to the agreement of the detailed financial information for the expansion as set out in Part 2 of the submitted report, the business case for the provision of an additional 1 form of entry (210 places) places in East Molesey be approved.

**Reasons for Decisions:**

The proposal supports the Authority's statutory obligation to provide sufficient school places to meet the needs of the population in the Elmbridge area.

## **266/14 EXCLUSION OF THE PUBLIC [Item 17]**

**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.

### **PART TWO – IN PRIVATE**

THE FOLLOWING ITEMS OF BUSINESS WERE CONSIDERED IN PRIVATE BY THE CABINET. SET OUT BELOW IS A PUBLIC SUMMARY OF THE DECISIONS TAKEN.

## **267/14 APPROVAL TO AWARD A CONTRACT FOR THE PROVISION OF A COMBINED HEALTHWATCH AND NHS COMPLAINTS ADVOCACY SERVICE [Item 18]**

This report was the confidential annex relating to item 12 on the agenda and set out the commercial and financial details of the competitive tendering process.

### **RESOLVED:**

That the contract for the provision of local Healthwatch and Independent NHS Complaints Advocacy Service be awarded to Healthwatch Surrey at the value in the submitted report and that the contract length is for 3 years with option to extend for up to 2 years.

### **Reasons for Decisions:**

Following consultation and engagement with stakeholders, a review of the current performance of the contracts and learning from the different models that have been adopted in other parts of the country, clear synergies between the local Healthwatch and the Independent NHS Complaints Advocacy services have been established.

As a result of this work the contract has combined the services into a single contract and a longer contract is being recommended to ensure the benefits from the service can be fully realised and a range of more detailed improvements can be made, for the benefit of Surrey residents, over the lifetime of the contracts.

## **268/14 BISLEY CHURCH OF ENGLAND PRIMARY SCHOOL, WOKING [Item 19]**

The Cabinet Member for Schools and Learning said that this Part 2 report contained the financial and value for money implications relating to item 13.

### **RESOLVED:**

1. That the business case for the project to expand Bisley Church of England Primary School by 105 places be approved.

2. That the arrangements by which a variation of up to 10% of the total value be agreed by the Strategic Director for Business Services, in consultation with the Cabinet Member for Schools and Learning, the Cabinet Member for Business Services and the Leader of the Council.

**Reasons for Decisions:**

The proposal delivers and supports the Authority's statutory obligation to provide sufficient school places to meet the needs of the population in the Woking area.

**269/14 WORPLESDON PRIMARY SCHOOL, GUILDFORD [Item 20]**

This report was the confidential annex for item 14 which contained the financial and value for money implications.

**RESOLVED:**

1. That the business case for the project to expand Worplesdon Primary School by 120 places be approved.
2. That the arrangements by which a variation of up to 10% of the total value be agreed by the Strategic Director for Business Services in consultation with the Cabinet Member for Schools and Learning, the Cabinet Member for Business Services and the Leader of the Council.

**Reasons for Decisions:**

The proposal delivers and supports the Authority's statutory obligation to provide sufficient school places to meet the needs of the population in the Guildford area.

**270/14 CONNAUGHT JUNIOR SCHOOL, BAGSHOT [Item 21]**

This report was the confidential annex for item 15 of this agenda which contained the financial and value for money implications.

**RESOLVED:**

1. That the business case for the project to expand Connaught Junior School by 120 places be approved.
2. That the arrangements by which a variation of up to 10% of the total value be agreed by the Strategic Director for Business Services in consultation with the Cabinet Member for Schools and Learning, the Cabinet Member for Business Services and the Leader of the Council.

**Reasons for Decisions:**

The proposal delivers and supports the Authority's statutory obligation to provide sufficient school places to meet the needs of the population in the Surrey Heath area.

## **271/14 ST ALBAN'S CATHOLIC PRIMARY SCHOOL, WEST MOLESEY [Item 22]**

This report was the confidential annex for item 16 of this agenda.

### **RESOLVED:**

1. That the business case for the project to expand St Alban's Catholic Primary School by 210 places be agreed.
2. That the arrangements by which a variation of up to 10% of the total value be agreed by the Strategic Director for Business Services in consultation with the Cabinet Member for Schools and Learning, the Cabinet Member for Business Services and the Leader of the Council.

### **Reasons for Decisions:**

The proposal delivers and supports the Authority's statutory obligation to provide sufficient school places to meet the needs of the population in the Elmbridge area.

## **272/14 MERSTHAM COMMUNITY HUB [Item 23]**

The proposed Merstham Community Hub (The Hub) will be a new multi functional Surrey County Council (SCC) owned building which will house a library, youth centre, community space, and public cafe on the Triangle site in Portland Drive, Merstham.

In December 2013 Cabinet approved the inclusion of a replacement Services for Young People youth facility within the Hub and approved a total capital allocation of £2.3m in respect of SCC's contribution towards delivering the Community Hub.

The submitted report contained the financial and value for money implications relating to this project.

### **RESOLVED:**

1. That the increase in the capital expenditure allocation as set out in the submitted report be approved.
2. That the acquisition by SCC of the freehold interest in the Merstham Triangle site from Raven Housing Trust Ltd, as proposed in the Memorandum of Understanding between SCC, Reigate and Banstead Borough Council, and Raven Housing Trust be approved.
3. That, following SCC's acquisition of the Merstham Triangle site from Raven, SCC grants a back to back lease of the area required as set out in the submitted report.
4. That RBBC be provided with a 'client construction risk' indemnity against future unforeseen risks arising from the construction of the SCC owned Community Hub element of the scheme.



**Reasons for Decisions:**

The proposal will provide a new community hub that provides local residents with excellent facilities which will enhance their lives and help to regenerate this area of the Merstham estate. This scheme will provide a well designed, sustainable, low energy community building for a wide range of users within easy reach of their homes. The proposals would distinctly enhance the quality of the facilities in the local area.

The proposal enables the Diocese of Southwark to contractually commit to transfer the Battlebridge Lane site (once confirmed that the existing Merstham Library site can be relocated into the new Community Hub)

**273/14 BURPHAM PRIMARY SCHOOL, GUILDFORD [Item 24]**

The submitted Part 2 report contains information which is exempt from Access to Information requirements by virtue of paragraph 3 – Information relating to the financial or business affairs of any particular person (including commercially sensitive information to the bidding companies).

The Cabinet Member for Schools and Learning confirmed her support for the expansion project at Burpham Primary School.

**RESOLVED:**

1. That the business case for additional funding, as set out in the submitted report, to complete the project to expand Burpham Primary School by 220 places be approved.
2. That the arrangements by which a variation of up to 10% of the total value be agreed by the Strategic Director for Business Services in consultation with the Cabinet Member for Schools and Learning, the Cabinet Member for Business Services and the Leader of the Council.

**Reasons for Decisions:**

The proposal delivers and supports the Authority's statutory obligation to provide sufficient school places to meet the needs of the population in the Guildford area.

**274/14 PUBLICITY FOR PART 2 ITEMS [Item 25]**

That non-exempt information relating to items considered in Part 2 of the meeting may be made available to the press and public, if appropriate.

It was agreed that the items regarding the school expansion projects and the Merstham Community Hub would be publicised.

[Meeting closed at 3.45pm]

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**Chairman**

**CABINET RESPONSE TO ADULT SOCIAL CARE SELECT COMMITTEE**

**HEALTH & WELLBEING PRIORITIES: OLDER ADULTS AND PREVENTION  
(considered by ASC Select Committee on 23 October 2014)**

**COMMITTEE RECOMMENDATION:**

The Committee recommends that the Strategic Director and the Cabinet Member for Adult Social Care monitor the working of social care teams in acute hospital in relation to the operation of discharge services.

**RESPONSE:**

I completely agree with the recommendation and am extremely satisfied with the manner which the Hospital based discharge and reablement teams are working in acute hospitals in providing residents with a safe discharge from hospital at the earliest opportunity. The service has robust systems in place for the monitoring of hospital discharges to ensure that we do not cause discharge delays.

We are working with health partners to ensure that services are delivered in an increasingly 'joined -up' way to provide better outcomes for Surrey residents. This work is partially funded through the Whole Systems funding.

**Mel Few  
Cabinet Member for Adult Social Care  
16 December 2014**

## APPENDIX 2

### **CABINET RESPONSE TO CHILDREN AND EDUCATION SELECT COMMITTEE**

#### **SURREY SAFEGUARDING CHILDREN BOARD ANNUAL REPORT 2013-2014 SURREY COUNTY COUNCIL SAFEGUARDING UNIT REPORT (considered by C&ESC on 27 November 2014)**

#### **COMMITTEE RECOMMENDATION:**

1. That Surrey County Council actively engages with District and Borough Councils and Surrey Police to consider how the risk of Child Exploitation can be reduced through regulatory licensing, in particular taxi licensing and in respect of activities described as "Licensable Activities" by the Licensing Act 2003.
2. That, given the crucial work of the Youth Support Service and Children's Services in supporting young people and children at risk of CSE and in reducing the risk of CSE, any future strategy and financial planning by Cabinet ensures that both services are suitably resourced to address CSE and safeguarding in Surrey.

#### **RESPONSE:**

The Safeguarding Unit welcomes the recommendation to take preventive steps in reducing the risk of Child Sexual Exploitation (CSE) through the regulatory licensing process. The Safeguarding Unit will work with the Safeguarding Board's CSE sub-group to engage with the Boroughs and Districts to raise awareness amongst licensed taxis and minicabs of the risks to children in Surrey. In addition, through its Child Employment Team which is responsible for reviewing licensed premises applications, it will specifically address the dangers of CSE when considering applications and ensure that all staff within that team have received training in this field.

**Mary Angell**  
**Cabinet Member for Children and Families**  
**16 December 2014**

**CABINET RESPONSE TO CHILDREN AND EDUCATION SELECT COMMITTEE**

**SCHOOLS AND SAFEGUARDING UPDATE  
(considered by C&ESC on 27 November 2014)**

**COMMITTEE RECOMMENDATION:**

That the Cabinet Member for Schools and Learning, the Cabinet Member for Children and Families and the Cabinet Associate for Children, Schools and Families re-develop the Council's policy on safeguarding in all Surrey schools. It is suggested the Section 11 audits for schools are used to identify key themes in this regard.

**RESPONSE:**

The Assistant Director for Schools and Learning and his Education Safeguarding Team are working with all schools to identify safeguarding best practice. The Audit of Statutory Duties and Safeguarding Responsibilities which is based on the section 11 model will be used to support schools with their policies and procedures around safeguarding their pupils. This audit is directly aligned to the Department of Education's statutory guidance 'Keeping Children Safe in Education'. This audit has also been sent to Independent Schools, in Surrey.

The Cabinet Member for Schools and Learning, the Cabinet Member for Children and Families and the Cabinet Associate for Children, Schools and Families, will review the findings of these audits and ensure that the statutory duties of the local authority around the safeguarding of children are met.

Child Sexual Exploitation (CSE) continues to be a key safeguarding issue in schools. The play 'Chelsea's Choice' which ran for 3 months this year and was presented in 42 secondary schools, highlighted the dangers of grooming behaviours and CSE with young people. We will continue to alert children and young people of the risks related to CSE by continuing with raising awareness.

**Linda Kemeny  
Cabinet Member for Schools and Learning  
16 December 2014**

**CABINET RESPONSE TO CHILDREN AND EDUCATION SELECT COMMITTEE**

**SCHOOL GOVERNANCE TASK GROUP – INTERIM REPORT  
(considered by C&ESC on 27 November 2014)**

**COMMITTEE RECOMMENDATION:**

1. That the Cabinet Member for Schools and Learning, in conjunction with the Assistant Director for Schools and Learning, develops a new Local Authority governor nomination process.
2. That the new process operates under the following principles:
  - Candidates to be considered by a nomination panel set up with a clear delegation of responsibilities;
  - That the Local Authority governor nominee's skills match the required skills of the individual governing body, in order to maximise their effectiveness;
  - That appropriate checks are made as to the suitability of a candidate;
  - That the local Member is informed of any LA governor vacancy, and then invited to put forward a candidate for consideration and join the nomination panel;
  - That a nomination is made within 20 working days of the Council receiving formal notification of a vacancy or a re-nomination request, in order to ensure vacancy rates and the costs of administering the process are kept to a minimum
3. That the Cabinet Member for Schools and Learning and the Children, Schools and Families Directorate makes arrangements for a regular forum for all Local Authority governors to discuss the responsibilities and priorities of the Council.
4. That the Cabinet Member for Schools and Learning and the Assistant Director for Schools and Learning encourage all Surrey state-funded schools to hold open governors' meetings, to be conducted according to an engagement protocol as agreed by the governing body.
5. The Task Group will propose a further set of recommendations in its final report to the Select Committee on 26 January 2015.

**RESPONSE:**

I accept the recommendations with the following caveats:

On bullet point 4, I suggest that the local member is invited to nominate a candidate but not then to join the nomination panel. This would allow fair consideration of the virtues of the various candidates.

Under bullet point 3, I do not recommend a separate meeting for Local Authority Governors. It may be appropriate to invite all Governors to the Chairs of Governors' meetings.

**Linda Kemeny**  
**Cabinet Member for Schools and Learning**  
**16 December 2014**