Cabinet

Date & time	Place	Contact	Chief Executive
Tuesday, 3 February 2015 at 2.00 pm	Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN	Vicky Hibbert or Anne Gowing Room 122, County Hall Tel 020 8541 9229 or 020 8541 9938 vicky.hibbert@surreycc.gov.uk or anne.gowing@surreycc.gov.uk	David McNulty

Cabinet Members: Mr David Hodge, Mr Peter Martin, Mrs Mary Angell, Mrs Helyn Clack, Mr Mel Few, Mr John Furey, Mr Mike Goodman, Mr Michael Gosling, Mrs Linda Kemeny and Ms Denise Le Gal

Cabinet Associates: Mr Steve Cosser, Mrs Clare Curran, Mrs Kay Hammond and Mr Tony Samuels

If you would like a copy of this agenda or the attached papers in another format, eg large print or braille, or another language please either call 020 8541 9122, write to Democratic Services, Room 122, County Hall, Penrhyn Road, Kingston upon Thames, Surrey KT1 2DN, Minicom 020 8541 9698, fax 020 8541 9009, or email vicky.hibbert@surreycc.gov.uk or 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 Vicky Hibbert or Anne Gowing on 020 8541 9229 or 020 8541 9938.

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1 **APOLOGIES FOR ABSENCE**

2 **MINUTES OF PREVIOUS MEETING: 16 DECEMBER 2014**

The minutes will be available in the meeting room half an hour before the start of the meeting.

3 **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:
- In line with the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, declarations may relate to the interest of the member, or the member's spouse or civil partner, or a person with whom the member is living as husband or wife, or a person with whom the member is living as if they were civil partners and the member is aware they have the interest.
- Members need only disclose interests not currently listed on the Register of Disclosable Pecuniary Interests.
- Members must notify the Monitoring Officer of any interests disclosed at the meeting so they may be added to the Register.
- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest.

4 **PROCEDURAL MATTERS**

4a **Members' Questions**

The deadline for Member's questions is 12pm four working days before the meeting (28 January 2015).

4b **Public Questions**

The deadline for public questions is seven days before the meeting (27 January 2015*)*.

4c **Petitions**

The deadline for petitions was 14 days before the meeting, and no petitions have been received.

4d **Representations received on reports to be considered in private**

To consider any representations received in relation why part of the meeting relating to a report circulated in Part 2 of the agenda should be open to the public.

5 **REPORTS FROM SELECT COMMITTEES, TASK GROUPS, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL**

6 **CONFIDENT IN SURREY'S FUTURE: CORPORATE STRATEGY 2015 - 2020** (Pages 1 - 6)

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.

7 **REVENUE AND CAPITAL BUDGET 2015/16 TO 2019/20 AND TREASURY MANAGEMENT STRATEGY** (Pages 7 - 144)

To propose and recommend to the Full County Council:

1. the draft revenue and capital budgets for the five years 2015-20, which are collectively known as the Council's Medium Term Financial Plan (MTFP);
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.

8 **FINANCE AND BUDGET MONITORING REPORT FOR DECEMBER 2014** (Pages 145 - 148)

The Council takes a multiyear approach to its budget planning and monitoring, recognising that the two are inextricably linked. This report presents the Council's financial position at the end December 2014 (ninth month /third quarter of the 2014/15), including the council's balance sheet as this is the end of quarter 3.

The details of this financial position are covered in the Annexes to this report.

Please note that the Annex to this report will be circulated separately prior to the Cabinet meeting.

[The decisions on this item can be called in by the Council Overview and Scrutiny Committee]

9 **2014 EDUCATION PERFORMANCE OUTCOMES** (Pages 149 - 164)

This report presents an overview of the educational outcomes of children and young people in early years, primary, secondary, post 16 and special school phases for the academic year ending in the summer of 2014.

[The decisions on this item can be called in by the Children and Education Select Committee]

10 **EXPANDING THE SURREY FAMILY SUPPORT PROGRAMME** (Pages 165 - 176)

The Surrey Family Support Programme (SFSP) is the name given to the local implementation of the Government's Troubled Families Programme in 2012. The programme aims to improve outcomes for families who have multiple needs through a model of multi-agency working. The Programme is also one of the six projects included in Surrey's participation in the Public Services Transformation Network (PTSN).

This report gives an overview of the expansion of the Government's national programme from 2015-2020 and the implications for the Surrey Family Support Programme.

Cabinet is asked to agree to an Outcomes Plan that will enable the local programme to begin its expansion pending the conclusion of consultations over the new ways of working with partner agencies. The Outcomes Plan will mark the transition from the current Troubled Families Programme (Phase 1) to the new expanded Programme (Phase 2).

[The decisions on this item can be called in by the Children and Education Select Committee]

11 **PROVISION OF TARGETED CHILDREN AND ADOLESCENT MENTAL HEALTH SERVICES AND THE HOPE SERVICE: SECTION 75 AGREEMENT WITH SURREY CLINICAL COMMISSIONING GROUPS AND CONTRACT EXTENSION WITH SURREY AND BORDERS PARTNERSHIP NHS FOUNDATION TRUST** (Pages 177 - 184)

This Cabinet report seeks approval from Members to:

a) Enter into a new Section 75 Pooled Funding Agreement between the Council and Surrey Clinical Commissioning Groups (CCGs)

b) Avail of the extension period within the existing contract with surrey and Borders Partnership NHS Foundation Trust (SaBP) to ensure continued safe provision of targeted Children and Adolescent Mental Health Services (CAMHS) and the specialist HOPE service (Integrated service including Education, Social Care & Health, working with children and young people with complex mental health needs)

[The decisions on this item can be called in the Children and Education Select Committee]

12 **SAYES COURT PRIMARY SCHOOL, ADDLESTONE** (Pages 185 - 188)

To approve the Business Case for the expansion of Sayes Court Primary School from a 1 Form of Entry primary (210 places) to a 2 Form of Entry primary (420 places) creating 210 additional places in Addlestone to help meet the basic need requirements in the Addlestone area from September 2015.

N.B. An annex containing exempt information is contained in Part 2 of the agenda – item 17.

[The decisions on this item can be called in by either the Council Overview and Scrutiny Committee or the Children and Education Select Committee]

13 **THE HYTHE PRIMARY SCHOOL, EGHAM** (Pages 189 - 192)

To approve the Business Case for the expansion of The Hythe Primary School from a 1 Form of Entry Primary (210 places) to a 2 Form of Entry Primary (420 places) creating 210 additional places in Egham to help meet the basic need requirements in the Egham and Hythe area in two phases. Phase 1 to be completed by September 2015, and Phase 2 to be completed by August 2016.

N.B. An annex containing exempt information is contained in Part 2 of the agenda – item 18.

[The decisions on this item can be called in by either the Council Overview and Scrutiny Committee or the Children and Education Select Committee]

14 **AWARD OF FRAMEWORK AGREEMENT FOR THE PROVISION OF GROUNDS MAINTENANCE SERVICES: NON-SCHOOLS** (Pages 193 - 198)

This report seeks approval to award a framework agreement for the provision of Grounds Maintenance Services – Non Schools to commence on 1 April 2015 in two geographical lots to the recommended supplier.

The report provides details of the procurement process, including the results of the evaluation process and, in conjunction with the Part 2 report, demonstrates why the recommended framework agreement award delivers best value for money.

N.B. An annex containing exempt information is contained in Part 2 of the agenda – item 19.

[The decisions on this item can be called in by the Council Overview and Scrutiny Committee]

15 **LEADER / DEPUTY LEADER / CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING** (Pages 199 - 202)

To note any delegated decisions taken by the Leader, Deputy Leader and Cabinet Members since the last meeting of the Cabinet.

16 **EXCLUSION OF THE PUBLIC**

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 the relevant paragraphs of Part 1 of Schedule 12A of the Act.

P A R T T W O - I N P R I V A T E

17 **SAYES COURT PRIMARY SCHOOL, ADDLESTONE** (Pages 203 - 208)

This is a part 2 annex relating to item 12.

Exempt: Not for publication under Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

[The decisions on this item can be called in by either the Council Overview and Scrutiny Committee or the Children and Education Select Committee]

18 **THE HYTHE PRIMARY SCHOOL, EGHAM** (Pages 209 - 214)

This is a part 2 annex relating to item 13.

Exempt: Not for publication under Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

[The decisions on this item can be called in by either the Council Overview and Scrutiny Committee or the Children and Education Select Committee]

19 **AWARD OF FRAMEWORK AGREEMENT FOR THE PROVISION OF GROUNDS MAINTENANCE SERVICES: NON-SCHOOLS** (Pages 215 - 218)

This is a part 2 annex relating to item 14.

Exempt: Not for publication under Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

[The decisions on this item can be called in by the Council Overview and Scrutiny Committee]

20 **PROPERTY TRANSACTIONS** (Pages 219 - 230)

Disposal of the former Redwood Care Home for the Elderly, Merrow, Guildford

Exempt: Not for publication under Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

[The decisions on this item can be called in by the Council Overview and Scrutiny Committee]

21 PUBLICITY FOR PART 2 ITEMS

To consider whether the item considered under Part 2 of the agenda should be made available to the Press and public.

David McNulty
Chief Executive
Monday, 26 January 2015

QUESTIONS, PETITIONS AND PROCEDURAL MATTERS
The Cabinet will consider questions submitted by Members of the Council, members of the public who are electors of the Surrey County Council area and petitions containing 100 or more signatures relating to a matter within its terms of reference, in line with the procedures set out in Surrey County Council's Constitution. **Please note:** 1. Members of the public can submit one written question to the meeting. Questions should relate to general policy and not to detail. Questions are asked and answered in public and so cannot relate to "confidential" or "exempt" matters (for example, personal or financial details of an individual – for further advice please contact the committee manager listed on the front page of this agenda). 2. The number of public questions which can be asked at a meeting may not exceed six. Questions which are received after the first six will be held over to the following meeting or dealt with in writing at the Chairman's discretion. 3. Questions will be taken in the order in which they are received. 4. Questions will be asked and answered without discussion. The Chairman or Cabinet Members may decline to answer a question, provide a written reply or nominate another Member to answer the question. 5. Following the initial reply, one supplementary question may be asked by the questioner. The Chairman or Cabinet Members may decline to answer a supplementary question.

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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

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.

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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

Confident in Surrey's future: Corporate Strategy 2015-20

SURREY

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 COUNTY COUNCIL

CABINET

DATE: **3 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 propose and recommend to the Full County Council:

1. the draft revenue and capital budgets for the five years 2015-20, which are collectively known as the council's Medium Term Financial Plan (MTFP);
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

It is recommended that Cabinet makes the following recommendations to the Full County Council on 10 February 2015:

Cabinet recommendations to Full County Council on the revenue and capital budget:

1. Note 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. Set the County Council precept for band D council tax at £1,219.68 which represents a 1.99% up-lift.
3. Agree 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.
4. Transfer £4.6m from the surplus on the Council Tax Collection Fund to the Economic Downturn Reserve.
5. Approve the County Council budget for 2015/16.
6. Agree the capital programme proposals specifically to:
   - fund essential schemes over the five year period (schools and non-schools)

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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.

7. Agree 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.
8. Require 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.
9. Require 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.
10. Require 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.

Cabinet recommendations to Full County Council on treasury management and borrowing:

11. Approve the Treasury Management Strategy for 2015-20 and approve 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 £25);
    - the treasury management policy (Appendix 8);
    - the prudential indicators (Appendix 9);
    - the schedule of delegation (Appendix 11);
    - the minimum revenue provision policy (Appendix 14).

It is further recommended that Cabinet makes the following decisions:

12. Approve the MTFP for the financial years 2015-20, which includes:
    - to approve the Total Schools Budget of £560.7m (paragraphs 53 to 59);
    - to support the 2015/16 budget by using £4.3m from earmarked reserves as set out in paragraph 99;
13. Note Cabinet will receive the final detailed MTFP (2015-20) on 24 March 2015 for approval following scrutiny by Select Committees.

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REASON FOR RECOMMENDATIONS

Full County Council will meet on 10 February 2015 to agree the summary budget and set the council tax precept for 2015/16. Cabinet advises the Full County Council how best to meet the challenges the Council faces and these proposals will aim to ensure the Council continues to maintain its financial resilience and protect its long term financial position.

DETAILS

Revenue and capital budget

Introduction

1. This report proposes the MTFP (2015-20), which Cabinet members have developed through a series of budget workshops since 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. The proposed 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.

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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. Presented separately at this Cabinet meeting is a refreshed version of the Council's Corporate Strategy. 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

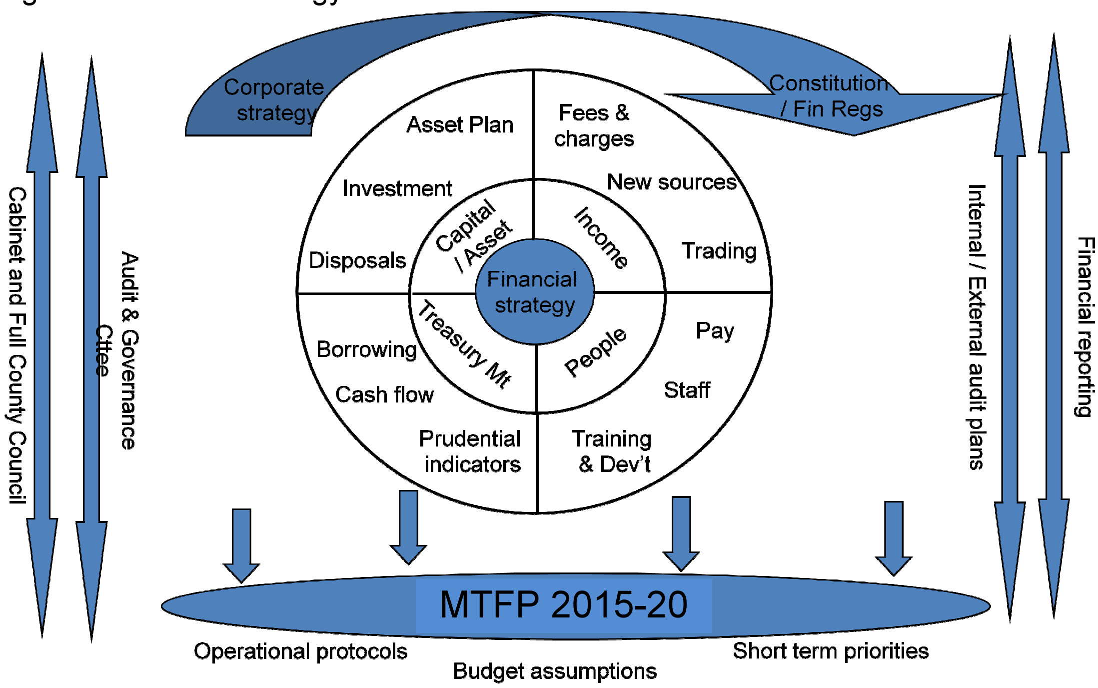
12. The council's financial strategy provides the strategic framework and overarching corporate financial policy document for managing the council's finances and ensuring sound governance and compliance with best practices. 7

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, 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.

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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.

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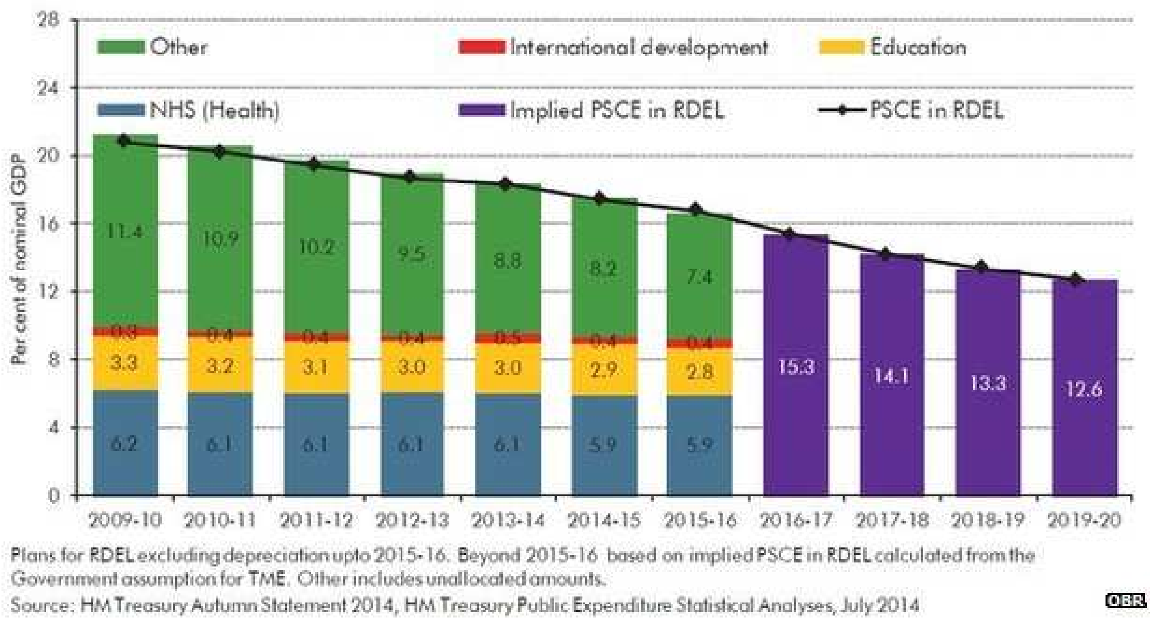
24. The Chancellor's Autumn Statement of 3 December 2014 set out the current government's policy for the medium term. This was for deficit reduction over the lifetime of the next parliament. The highlights that affect local government directly included a repeat of the business rates increase cap; a proposed 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



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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 supplemetary 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

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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).

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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 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.

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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.

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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

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

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 theper pupil increase (or ceiling) to a maximum of approximately 5.5%.

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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.

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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.

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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. 7

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 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £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
Total Funding	-1,652	-1,668	-1,687	-1,727	-1,770	-1,811

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.

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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

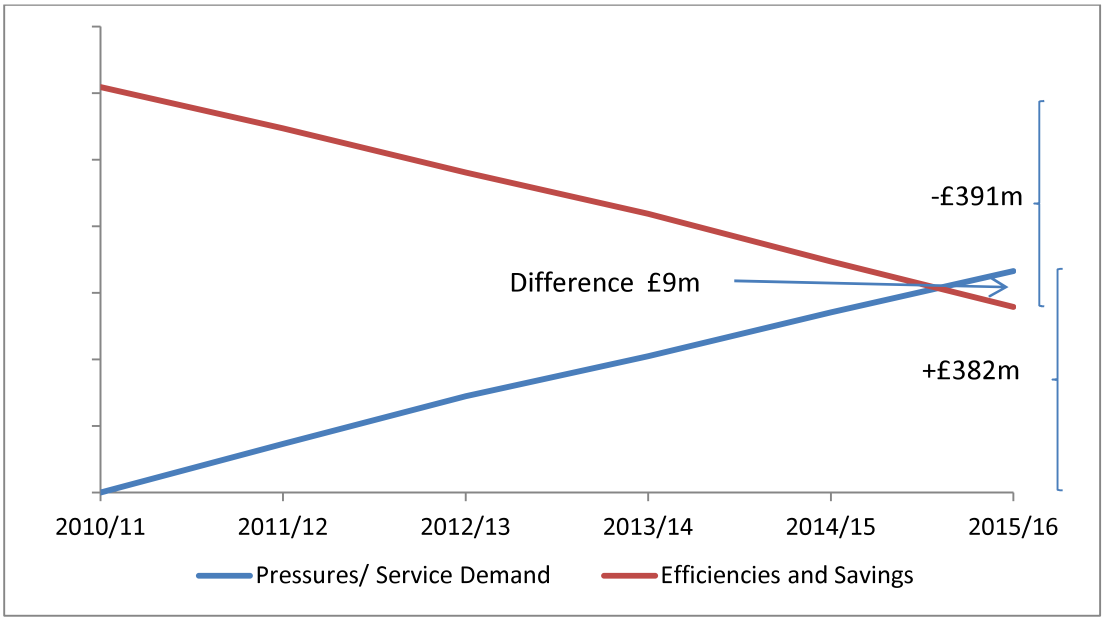
91. Since 2010 the spending demands and budget pressures the Council has faced have increased at a faster rate: taking 2010/11 as the baseline, the Council's spending pressures increased by £326m over the four years to 2014/15. This is forecast to continue in 2015/16 with a further £56m rise in pressures 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.

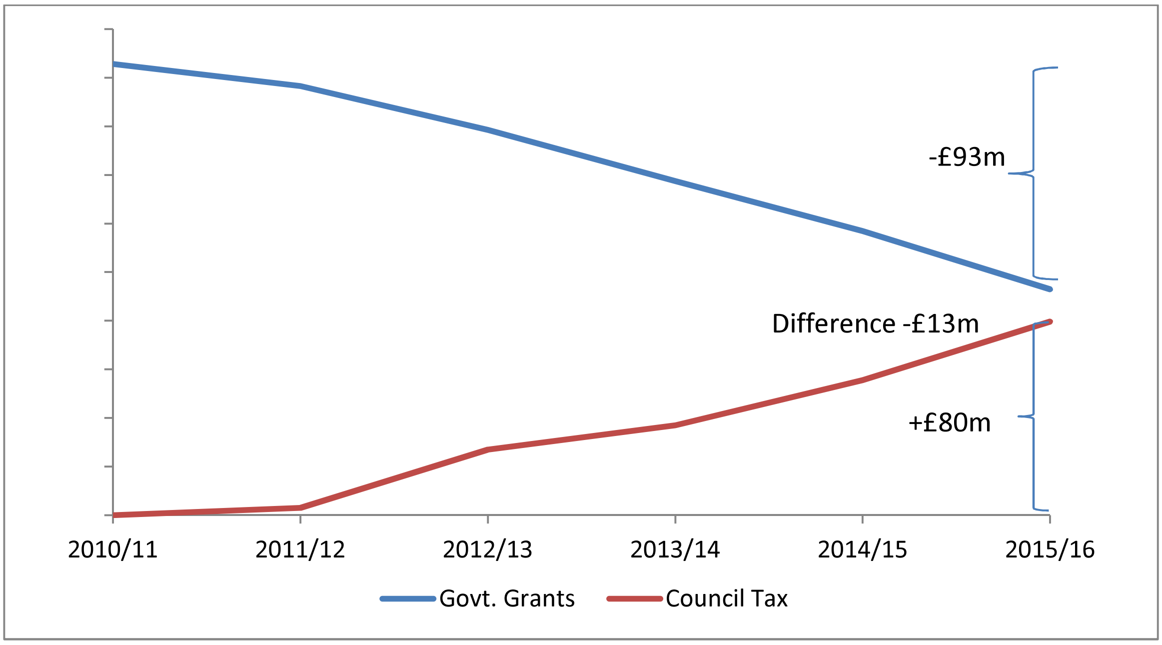
Figure 3: Profile of pressures and savings, 2010/11 to 2015/16



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%
Savings required in MTFP	-£62m	-£32m	-£20m	-£7m	-£32m
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
- new service funding and spending pressures includes statutory, contractual and demographic changes.

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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 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £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
Total expenditure	**1,652**	**1,668**	**1,687**	**1,727**	**1,770**	**1,811**

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.

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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 remaing 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 anticpated 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 overspending of £2.5m against the approved revised budget of £2054m. The main reasons for the overspend 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. These are explained in

another report on this agenda, Item 8 (Finance and budget monitoring report for December 2014).

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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.

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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
Total	**185**	**180**	**126**	**114**	**90**	**695**

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.

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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

	Provisional settlement 2015/16 £m
Capital grants announced	
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
Total capital grants announced	**57**
Total capital grants yet to be announced	**29**
Total grants	**86**

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	15
Third party contributions		5	8	10	10	10	42
Borrowing		91	83	39	29	24	266
Total	**0.0**	**185**	**180**	**126**	**114**	**90**	**695**

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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

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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.

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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,

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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: 7

- "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.

Area assessed:	**Direct implications:**
Corporate parenting / looked after children	No significant implications arising from this report.
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report.
Public health	No significant implications arising from this report.

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

WHAT HAPPENS NEXT

161. The Full County Council will set its budget and council tax precept on 10 February 2015.

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

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 further efficiencies included in the budget assumptions for the next MTFP (2015-20) makes a total of £464m 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).

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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 being 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 Governments 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 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.

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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 the 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

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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

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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.

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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 Actual £m	2014/15 Projected £m	2015/16 ← - - - - - £m	2016/17 - - - - - £m	2017/18 Estimated £m	2018/19 - - - - - £m	2019/20 - - - - - → £m
Capital Finance Requirement at 31 March	**682**	**767**	**838**	**899**	**913**	**916**	**916**
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
Under/(over) borrowing	**213**	**201**	**205**	**209**	**214**	**219**	**224**

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.

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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.

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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.

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Table 2.3: Treasury indicators and limits

	2015/16 to 2019/20		2014/15 year end projection	
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%
Total external borrowing			**307**	**100%**

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

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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.

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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

	2014/15 % of portfolio	**2015/16 % of portfolio**	**2016/17 % of portfolio**
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.

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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

Counterparty	Period (days)	Principal £000	Rate %	Principal repaid £000	Principal outstanding £000
Glitnir	364	5,000	6.25%	4,192	808
Glitnir	366	5,000	6.20%	4,193	807
		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

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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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SURREY

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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

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	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

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- 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

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	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

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- 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.

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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%	

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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

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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

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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

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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

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- 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%.

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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

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- 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

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	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

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	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

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- 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

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	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%	

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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

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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

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- 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

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	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

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- 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

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Staff Sickness

	2007/8	2008/9	200910	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

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- 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

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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 Responsibly (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	**-3.6**	-2.9	-2.0	-1.4	-0.2	0.7	1.6
Public Sector Net Borrowing[1]	**7.3**	6.8	5.6	4.4	2.7	1.2	-0.1
Public Sector Net Debt	**73.9**	75.5	78.3	80.0	79.9	78.4	75.9

1 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.

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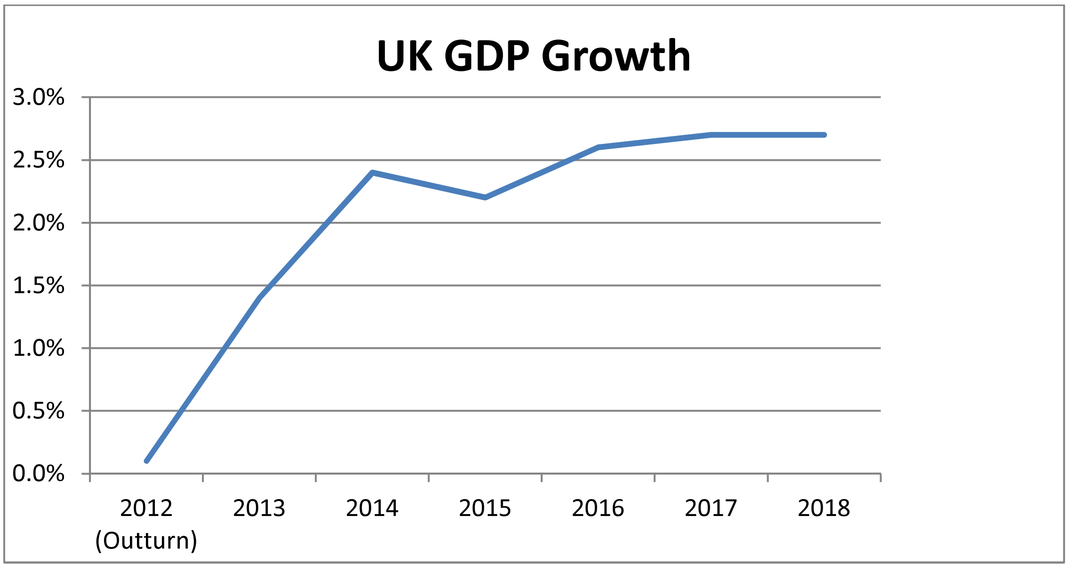
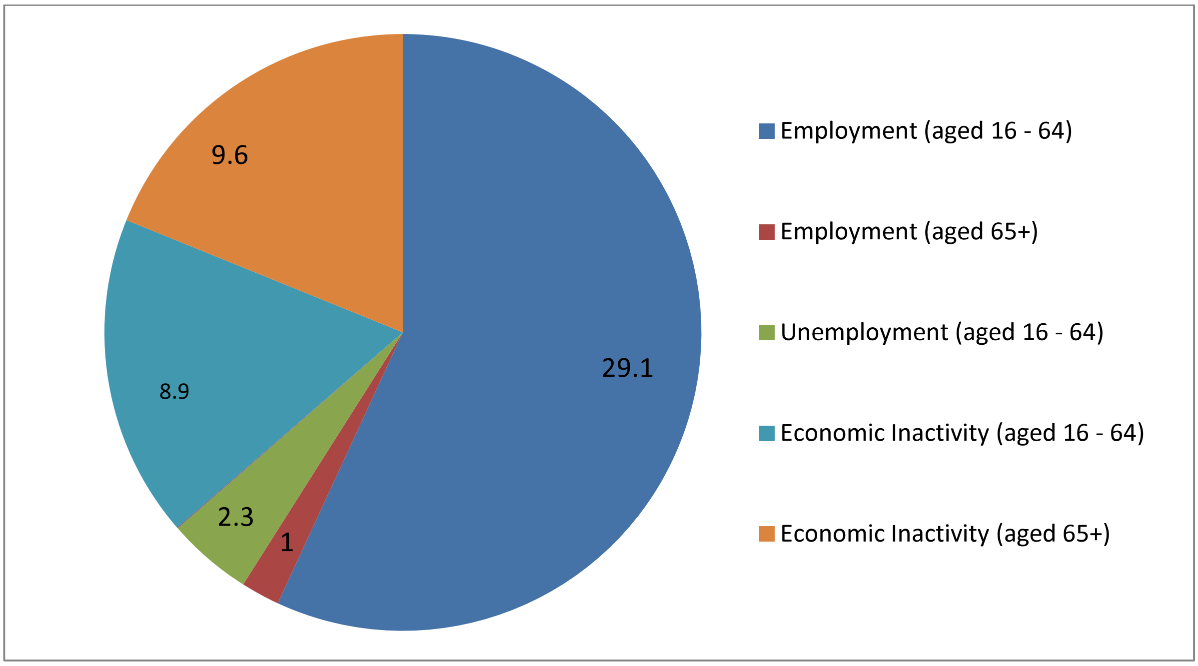
Graph A2:1 UK GDP growth:



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

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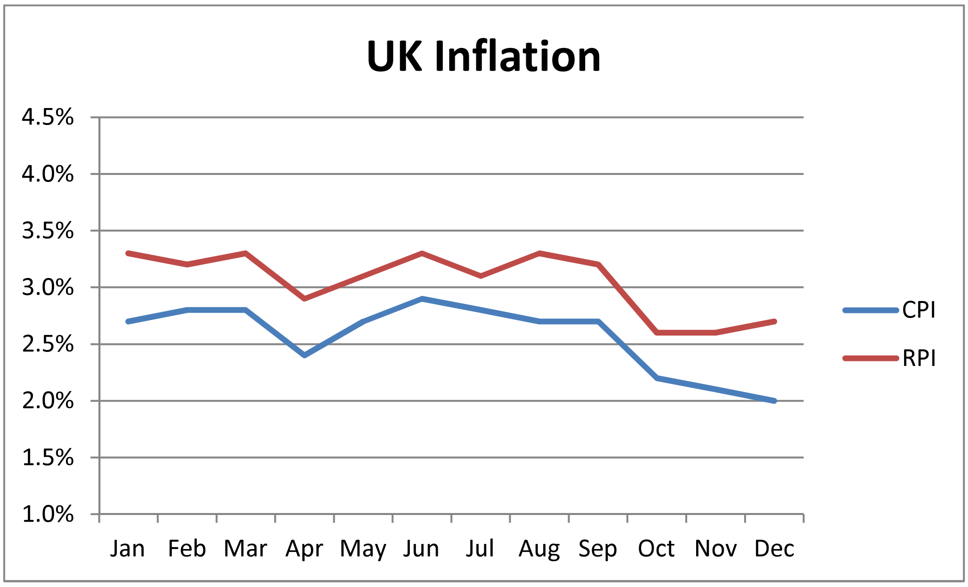
been at or below the 2% target set by the government.The largest contributions to the fall in the CPI rate came from prices for food & non-alcoholic beverages and recreational goods & services. These were partially offset by an upward contribution from motor fuels. The overall price increase for gas 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

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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%.

Appendix 3

Government grants	2015/16	Forecast 2016/17	2017/18	2018/19	2019/20
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Business rates retention grants					
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
Dedicated schools grant					
DSG schools	-544,670	-544,926	-545,926	-545,926	-545,926
Other government grants					
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 commisioning	-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
	-883,642	**-871,345**	**-865,167**	**-865,351**	**-863,744**

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Overall Council

Income & Expenditure category summary

	MTFP 2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Funding						
Local taxation - Council Tax	-571.3	-598.0	-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	-883.5	-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
Total funding	**-1,625.9**	**-1,663.6**	**-1,686.5**	**-1,726.5**	**-1,770.0**	**-1,811.6**
Expenditure						
Service staffing	311.3	301.6	291.6	293.9	297.6	301.7
Service non-staffing	872.2	896.9	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
Total expenditure	**1,651.7**	**1,667.6**	**1,686.6**	**1,726.5**	**1,770.0**	**1,811.6**
Funded by reserves	**25.8**	**4.0**	**0.0**	**0.0**	**0.0**	**0.0**

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

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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	60.6	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 Deve	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
Total expenditure	**1,651.7**	**1,667.5**	**1,686.5**	**1,726.5**	**1,770.0**	**1,811.6**

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

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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
Funding:						
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
Total funding	**-72.4**	**-56.8**	**-58.2**	**-59.9**	**-62.8**	**-65.7**
Expenditure:						
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
Total expenditure	**412.4**	**428.6**	**432.8**	**447.9**	**475.9**	**506.4**
Net budget	**340.0**	**371.8**	**374.6**	**388.0**	**413.1**	**440.7**

Central Income & Expenditure

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
Funding:						
Council Tax incl collection fund	-571.3	-598.0	-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
Total funding	**-845.7**	**-879.2**	**-895.4**	**-932.7**	**-968.0**	**-1,005.9**
Expenditure:						
Employment	0.4	5.3				
Non employment expenditure	65.1	55.3	65.8	78.1	74.1	68.1
Total expenditure	**65.5**	**60.6**	**65.8**	**78.1**	**74.1**	**68.1**
Net budget	**-780.3**	**-818.6**	**-829.6**	**-854.6**	**-893.9**	**-937.8**

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Children's Services

Asst Director: Caroline Budden

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
Funding:						
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
Total funding	**-6.7**	**-7.1**	**-7.1**	**-7.2**	**-7.3**	**-7.3**
Expenditure:						
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
Total expenditure	**89.8**	**95.5**	**95.7**	**97.8**	**100.8**	**103.7**
Net budget	**83.1**	**88.4**	**88.6**	**90.6**	**93.5**	**96.4**

Communications

Head of Service: Louise Footner

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
Funding:						
Fees & charges	0.0	0.0	0.0	0.0	0.0	0.0
Total funding	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Expenditure:						
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
Total expenditure	**1.8**	**2.0**	**2.0**	**2.1**	**2.1**	**2.1**
Net budget	**1.8**	**2.0**	**2.0**	**2.1**	**2.1**	**2.1**

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
Funding:						
Other bodies grants	-0.2					
Reimbursement & recovery of costs		-0.2	-0.2	-0.2	-0.2	-0.2
Total funding	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**
Expenditure:						
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
Total expenditure	**3.0**	**3.0**	**3.0**	**3.0**	**3.1**	**3.1**
Net budget	**2.8**	**2.8**	**2.8**	**2.8**	**2.9**	**2.9**

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
Funding:						
Total funding	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Expenditure:						
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
Total expenditure	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**
Net budget	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**

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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
Funding:						
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
Total funding	**-12.6**	**-12.9**	**-12.8**	**-12.8**	**-12.9**	**-12.9**
Expenditure:						
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
Total expenditure	**23.2**	**22.9**	**22.5**	**22.7**	**23.0**	**23.3**
Net budget	**10.6**	**10.0**	**9.7**	**9.9**	**10.1**	**10.4**

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
Funding:						
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
Total funding	**-0.3**	**-0.3**	**-0.3**	**-0.3**	**-0.3**	**-0.3**
Expenditure:						
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
Total expenditure	**5.6**	**4.6**	**4.7**	**4.8**	**4.9**	**4.9**
Net budget	**5.3**	**4.3**	**4.4**	**4.5**	**4.6**	**4.6**

7

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
Funding:						
Joint working income	0.0	0.0	0.0	0.0	0.0	0.0
Total funding	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Expenditure:						
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
Total expenditure	**0.5**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**
Net budget	**0.5**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**

Environment

Head of Service: Ian Boast

Strategic Director for Enviroment & 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
Funding:						
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
Total funding	**-9.8**	**-9.3**	**-7.4**	**-7.5**	**-7.7**	**-7.8**
Expenditure:						
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
Total expenditure	**93.5**	**89.0**	**88.4**	**91.1**	**94.6**	**97.9**
Net budget	**83.7**	**79.7**	**81.0**	**83.6**	**86.9**	**90.1**

7

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
Funding:						
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
Total funding	**-1.7**	**-1.8**	**-1.8**	**-1.8**	**-1.7**	**-1.8**
Expenditure:						
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
Total expenditure	**10.5**	**10.1**	**10.5**	**11.0**	**11.2**	**11.4**
Net budget	**8.9**	**8.3**	**8.7**	**9.2**	**9.5**	**9.6**

Highways and Transport

Asst Director: Jason Russell
Strategic Director for Enviroment & 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
Funding:						
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
Total funding	**-8.1**	**-7.9**	**-7.8**	**-8.0**	**-8.2**	**-8.4**
Expenditure:						
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
Total expenditure	**53.5**	**53.1**	**53.6**	**54.0**	**55.4**	**57.0**
Net budget	**45.3**	**45.2**	**45.7**	**46.0**	**47.2**	**48.5**

7

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
Funding:						
Fees & charges	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Reimbursement & recovery of costs	-1.3					
Total funding	**-1.7**	**-0.4**	**-0.4**	**-0.4**	**-0.4**	**-0.4**
Expenditure:						
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
Total expenditure	**11.4**	**9.5**	**9.6**	**9.8**	**10.0**	**10.2**
Net budget	**9.7**	**9.1**	**9.3**	**9.4**	**9.6**	**9.8**

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
Funding:						
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
Total funding	**-0.4**	**-0.6**	**-0.6**	**-0.6**	**-0.7**	**-0.7**
Expenditure:						
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
Total expenditure	**25.6**	**25.2**	**25.3**	**25.8**	**26.2**	**26.7**
Net budget	**25.1**	**24.5**	**24.6**	**25.1**	**25.6**	**26.1**

7

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
Funding:						
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
Total funding	**-0.4**	**-0.5**	**-0.5**	**-0.5**	**-0.5**	**-0.5**
Expenditure:						
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
Total expenditure	**9.1**	**8.9**	**9.0**	**10.4**	**9.2**	**9.4**
Net budget	**8.7**	**8.4**	**8.5**	**9.9**	**8.7**	**8.8**

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
Funding:						
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
Total funding	**-0.8**	**-1.1**	**-0.7**	**-0.7**	**-0.7**	**-0.7**
Expenditure:						
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
Total expenditure	**3.4**	**3.7**	**3.4**	**3.4**	**3.4**	**3.5**
Net budget	**2.6**	**2.6**	**2.7**	**2.7**	**2.7**	**2.8**

7

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
Funding:						
Reimbursement & recovery of costs	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Total funding	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**
Expenditure:						
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
Total expenditure	**3.5**	**3.4**	**3.5**	**3.6**	**3.6**	**3.7**
Net budget	**3.3**	**3.3**	**3.3**	**3.4**	**3.4**	**3.5**

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
Funding:						
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
Total funding	**-7.0**	**-8.6**	**-8.8**	**-9.0**	**-9.1**	**-9.3**
Expenditure:						
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
Total expenditure	**38.7**	**36.8**	**38.7**	**40.1**	**41.6**	**43.3**
Net budget	**31.7**	**28.2**	**29.9**	**31.2**	**32.4**	**33.9**

7

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
Funding:						
UK Government grants	-25.6	-35.5	-42.0	-42.0	-42.0	-42.0
Reimbursement & recovery of costs	-3.3	0.0				
Total funding	**-28.9**	**-35.5**	**-42.0**	**-42.0**	**-42.0**	**-42.0**
Expenditure:						
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
Total expenditure	**28.9**	**35.8**	**42.0**	**42.0**	**42.0**	**42.0**
Net budget	**0.0**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**

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
Funding:						
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
Total funding	**-468.2**	**-469.0**	**-468.3**	**-468.3**	**-468.3**	**-468.3**
Expenditure:						
School expenditure	468.2	469.0	468.3	468.3	468.3	468.3
Total expenditure	**468.2**	**469.0**	**468.3**	**468.3**	**468.3**	**468.3**
Net budget	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

7

Schools and Learning

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
Funding:						
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
Total funding	**-133.6**	**-143.1**	**-144.1**	**-145.9**	**-146.8**	**-147.6**
Expenditure:						
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
Total expenditure	**214.0**	**215.8**	**217.5**	**222.0**	**228.4**	**234.7**
Net budget	**80.4**	**72.8**	**73.4**	**76.1**	**81.6**	**87.1**

Services for Young People

Asst Director: Garath Symonds

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
Funding:						
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
Total funding	**-10.4**	**-10.5**	**-10.5**	**-10.5**	**-10.5**	**-10.6**
Expenditure:						
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
Total expenditure	**27.4**	**25.6**	**25.7**	**25.7**	**26.3**	**26.9**
Net budget	**17.0**	**15.1**	**15.2**	**15.2**	**15.8**	**16.3**

7

Shared Service Centre

Head of Service: Simon Pollock
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
Funding:						
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
Total funding	**-4.3**	**-4.5**	**-4.6**	**-4.7**	**-4.8**	**-4.9**
Expenditure:						
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
Total expenditure	**8.3**	**8.7**	**8.8**	**8.9**	**9.1**	**9.3**
Net budget	**4.0**	**4.2**	**4.2**	**4.3**	**4.3**	**4.4**

Strategic Leadership

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
Funding:						
Total funding	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Expenditure:						
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
Total expenditure	**0.4**	**0.4**	**0.5**	**0.5**	**0.5**	**0.5**
Net budget	**0.4**	**0.4**	**0.5**	**0.5**	**0.5**	**0.5**

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
Funding:						
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
Total funding	**-0.8**	**-0.8**	**-0.8**	**-0.8**	**-0.8**	**-0.8**
Expenditure:						
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
Total expenditure	**2.9**	**2.9**	**2.9**	**2.9**	**3.0**	**3.0**
Net budget	**2.1**	**2.1**	**2.1**	**2.1**	**2.2**	**2.2**

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
Funding:						
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
Total funding	**-11.3**	**-13.1**	**-13.3**	**-11.8**	**-15.4**	**-14.6**
Expenditure:						
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
Total expenditure	**46.7**	**48.0**	**47.8**	**46.1**	**48.8**	**47.7**
Net budget	**35.4**	**34.9**	**34.5**	**34.3**	**33.4**	**33.1**

7

Trading Standards

Head of Service:Steve Ruddy

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
Funding:						
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
Total funding	**-0.5**	**-0.5**	**-0.7**	**-0.7**	**-0.7**	**-0.7**
Expenditure:						
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
Total expenditure	**2.6**	**2.5**	**2.6**	**2.6**	**2.6**	**2.7**
Net budget	**2.1**	**2.0**	**1.9**	**1.9**	**1.9**	**2.0**

Appendix 5

Capital Programme 2015 to 2020

7

Scheme	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	201/20 £000s	Total £000s
Adult Social Care						
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**
Adult Social Care	**1,150**	**1,150**	**1,050**	**1,050**	**800**	**5,200**
Children, School & Families						
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**
Children, School & Families	**3,812**	**2,830**	**2,830**	**2,830**	**2,830**	**15,132**
Customer & Communities						
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**
Customer & Communities	**7,929**	**1,804**	**2,008**	**2,120**	**1,500**	**15,361**
Environment & Infrastructure						
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**
Sub-total	**30,456**	**30,456**	**30,956**	**35,456**	**35,256**	**162,580**
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**
Sub-total	**685**	**685**	**185**	**185**	**85**	**1,825**
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**
Sub-total	**3,202**	**5,776**	**6,554**	**6,679**	**6,679**	**28,890**
Environment & Infrastructure	**34,343**	**36,917**	**37,695**	**42,320**	**42,020**	**193,295**

Capital Programme 2015 to 2020

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

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

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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
Earmarked Reserves	**128.6**	**93.0**	**94.7**	**0.3**	**95.0**
General Fund Balance	**21.3**		**21.3**		**21.3**

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.

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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.

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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.

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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

	2013/14 Actual £m	**2014/15 Projected £m**	**2015/16 ← Estimated £m**	**2016/17 £m**	**2017/18 Estimated £m**	**2018/19 £m**	**2019/20 Estimated → £m**
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
Net financing need for the year*	**112**	**101**	**98**	**84**	**38**	**28**	**24**

*Capital expenditure to be met by borrowing

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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 £m	2018/19 £m	2019/20 £m
			← - - - - - - - - - -	Estimated	- - - - - - - - - - →		
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
Total CFR movement	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

	2013/14 Actual £m	**2014/15 Projected £m**	**2015/16 ← £m**	**2016/17 £m**	**2017/18 Estimated £m**	**2018/19 £m**	**2019/20 → £m**
Gross borrowing	424	486	557	618	631	634	633
CFR	682	767	838	899	913	916	916

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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
Total	**549**	**619**	**689**	**737**	**722**	**708**	**693**
Actual external debt	424	486	557	618	631	634	633

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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

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

Ratio of financing costs to net revenue stream

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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

	2014/15 Projected	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
		← - - - - - - - - - -		**Estimated**		**- - - - - - - - - - →**
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

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
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.[1]

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.

[1] 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.

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- 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.

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- 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.

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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.

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

Specified investments

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

	Minimum 'High' credit criteria
DMA deposit facility	-
Term deposits: local authorities	-
Term deposits: 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

	Fitch		Moody's		S&P			
Type	ST	LT	ST	LT	ST	LT	Maximum Value	Maximum Term
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.

7

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.

7

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
UK		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
Australia		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-
Canada		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-
Germany		AAA		AAA	A+	AAA
DZ Bank	F1+	A+	P1	A1	A1+	AA-
KfW	F1+	AAA	P1	AAA	A1+	AAA
Landswirtschaftliche Rentenbank	F1+	AAA	P1	AAA	A1+	AAA
Singapore		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-
Sweden		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+
Switzerland		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 - lighting - structural maintenance - minor works	 40 years 20 years 12 years 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.

7

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.

SURREY COUNTY COUNCIL

CABINET

DATE: **3 FEBRUARY 2015**

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

8

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

SUBJECT: **FINANCE AND BUDGET MONITORING REPORT FOR DECEMBER 2014**

SUMMARY OF ISSUE:

The council takes a multiyear approach to its budget planning and monitoring, recognising that the two are inextricably linked. This report presents the council's financial position at the end of December 2014 (ninth month /third quarter of the 2014/15), including the council's balance sheet as this is the end of quarter 3.

The details of this financial position are covered in the Annexes to this report.

RECOMMENDATIONS:

Recommendations to follow

REASON FOR RECOMMENDATIONS:

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.

DETAILS:

1. The Council's 2014/15 financial year commenced on 1 April 2014. This report includes the budget monitoring report for the ninth period of the financial year. As this is the end of the third quarter, the report also includes additional information from the Council's balance sheet, in particularly the level of reserves, balances and debt.

2. The Council has a risk based approach to budget monitoring across all services. This approach is to ensure resources are focussed on monitoring those higher risk budgets due to their value, volatility or reputational impact.

3. There is a set of criteria to evaluate all budgets into high, medium and low risk. The criteria cover:
   - the size of a particular budget within the overall Council's budget hierarchy (the range is under £2m to over £10m);
   - budget complexity relates to the type of activities and data being monitored (the criterion is about the percentage of the budget spent on staffing or fixed contracts - the greater the percentage the lower the complexity);

8

- volatility is the relative rate at which either actual spend or projected spend move up and down (volatility risk is considered high if either the current year's projected variance exceeds the previous year's outturn variance, or the projected variance has been greater than 10% on four or more occasions during this year)
- political sensitivity is about understanding how politically important the budget is and whether it has an impact on the Council's reputation locally or nationally (the greater the sensitivity the higher the risk).

4. High risk areas report monthly, whereas low risk services areas report on an exception basis. This will be if the year to date budget and actual spend vary by more than 10%, or £50,000, whichever is lower.

5. The annex to this report sets out the Council's revenue budget forecast year end outturn as at the end of December 2014. The forecast is based upon current year to date income and expenditure as well as projections using information available to the end of the month.

6. The report provides explanations for significant variations from the budget, with a focus on staffing and efficiency targets. As a guide, a forecast year end variance of greater than £1m is material and requires a commentary. For some services £1m may be too large or not reflect the service's political significance, so any variance over 2.5% may also be material.

Consultation:

7. All Cabinet Members will have consulted their relevant Strategic Director on the financial positions of their portfolios.

Risk management and implications:

8. Risk implications are stated throughout the report and each Strategic Director has updated their strategic and or service Risk Registers accordingly. In addition, the Leadership risk register continues to reflect the increasing uncertainty of future funding likely to be allocated to the Council.

Financial and value for money implications

9. The report considers financial and value for money implications throughout and future budget monitoring reports will continue this focus. The Council continues to have a strong focus on its key objective of providing excellent value for money.

Section 151 Officer commentary

10. The Section 151 Officer confirms that the financial information presented in this report is consistent with the council's general accounting ledger and that forecasts have been based on reasonable assumptions, taking into account all material, financial and business issues and risks.

Legal implications – Monitoring Officer

11. There are no legal issues and risks.

Equalities and Diversity

12. Any impacts of the budget monitoring actions will be evaluated by the individual services as they implement the management actions necessary.

Climate change/carbon emissions implications

8

13. The County Council attaches great importance to being environmentally aware and wishes to show leadership in cutting carbon emissions and tackling climate change.

14. Any impacts on climate change and carbon emissions to achieve the Council's aim will be considered by the relevant service affected as they implement any actions agreed.

WHAT HAPPENS NEXT:

The relevant adjustments from the recommendations will be made to the Council's accounts.

Contact Officer:
Sheila Little, Director of Finance
020 8541 7012

Consulted:
Cabinet / Corporate Leadership Team

Annexes:
Annex 1 – the revenue and capital budget monitoring to the end of December 2014 and year end forecasts. As the end of the third quarter of the financial year, it also includes information on the council's balance sheet.

Sources/background papers:
None

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SURREY COUNTY COUNCIL

CABINET

DATE:	**3 FEBRUARY 2015**
REPORT OF:	**MRS LINDA KEMENY, CABINET MEMBER FOR SCHOOLS AND LEARNING**
LEAD OFFICER:	**NICK WILSON, STRATEGIC DIRECTOR FOR CHILDREN, SCHOOLS AND FAMILIES**
SUBJECT:	**2014 EDUCATION PERFORMANCE OUTCOMES**

9

SUMMARY OF ISSUE:

This report presents an overview of the educational outcomes of children and young people in early years, primary, secondary, post 16 and special school phases for the academic year ending in the summer of 2014.

Surrey continues to perform better than the national and South East region in most key measures at all key stages. Attainment at the end of Key Stage 1, Key Stage 2 and Key Stage 4 in summer 2014 was in the top quintile nationally. In particular, Surrey is ranked 17th out of 150 local authorities for the proportion of pupils that achieve 5 or more good GCSEs with English and Mathematics. The achievement of disadvantaged pupils also continues to improve

As of 31 August 2014, the proportion of schools that are good or better is 81.4%. The proportion of secondary and special schools that are judged to be good or better remains significantly higher than both nationally and other schools in the South-East. Surrey is ranked 11th out of 150 Local authorities for the proportion of pupils in a good or better secondary school at 93%. The proportion of primary schools judged to be good or better, whilst increasing, remains a priority. Ofsted considers that support from the local authority provided to schools is strong and effective.

The Surrey School Improvement Strategy – Every School A Good School – implemented in April 2013 has had a significant impact. Targeted support and intervention to a wide range of schools has facilitated the improvement of many schools with, for example, attainment at the end of KS2 in schools that are on Focused Support increasing at a faster rate than both in other Surrey schools and nationally.

RECOMMENDATIONS:

It is recommended that the Cabinet notes the 2014 Education Outcomes as set out in the report.

REASON FOR RECOMMENDATIONS:

To ensure that Cabinet is fully informed of the latest education outcomes.

9

DETAILS:

1. Surrey pupils continue to perform well at all key stages compared with their peers nationally. The great majority of performance measures are above the national average.

Early Years (ages 2-4)

2. Foundation Stage assessment changed significantly in 2013; as a result, trend data is only available for one year. A child is defined as achieving a Good Level of Development (GLD) if they achieve at least the expected level for all eight goals within the three prime area of learning: communication and language, physical development and personal, social and emotional development, and in all four of the literacy and mathematics goals within the specific areas of learning.

Early Years: Strengths

3. The proportion of pupils achieving a GLD in Surrey is now three points over the national average which takes the County Council within the top third of all authorities. The County Council has also risen from 8th to 7th (1st being top) out of its statistical neighbours. This reduces the gap on the top authority within the statistical neighbours and is now only four points away compared with nine last year.

4. As in the previous year, results for Surrey exceed the national average across all seven areas of learning. Both boys and girls are 3 points or higher in all their prime areas of learning than nationally and at least 5 points higher in their specific areas of learning.

Early Years: Key Priorities

5. The proportion of Surrey pupils eligible for free school meals (FSM) achieving a GLD has positively increased from 26% in 2013 to 38% in 2014, but is still under the national average of 45%. The gap between those obtaining a GLD who are FSM compared to those without FSM has grown over the last year and is larger than national at 26 points compared with 19.

6. Even though Surrey's boys and girls are performing higher than their national counterparts, the gender gap in favour of girls within Surrey has increased from 14 percentage points in 2013 to 18 in 2014. The largest increases were within Mathematics and Literacy.

7. 64% of girls whose first language was other than English achieved a good level of development compared with 43% of boys, a 21 percentage point difference; this is a 12 percentage point increase since 2013.

Key Stage 1 (ages 4-7): Strengths

8. In 2014, 75% and 89% of pupils achieved the required standards in Phonics in Year 1 and 2 respectively; 5 percentage points higher than 2013 and one percentage point above the national level.

9. Overall, Surrey’s key stage 1 performance remains strong compared to all authorities nationally and to statistical neighbours. Performance improved or was maintained in all subjects and at all thresholds this year.

10. There is positive attainment gap at Level 3 and above between Surrey and national in reading and mathematics, where Surrey is ranked 2nd and 3rd, respectively out of 152 local authorities.

11. Surrey is in the top twenty in the national rankings across all subjects at both the expected (level 2+) and higher (level 2b+; level 3) thresholds. In particular, Surrey is in the top 4 out of 152 authorities nationally for mathematics at all thresholds.

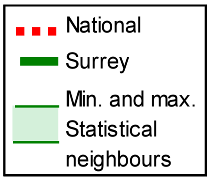
Key Stage 1: Key Priorities

12. Surrey’s attainment at key stage 1 remains high at all thresholds (89% or more of pupils achieved level 2 and above in all subjects). Whilst still in the top 20 authorities nationally, Surrey’s national rank in writing remains below those in reading and maths at all thresholds this year.

Key Stage 2 (ages 7-11)

13. The Department of Education announced a number of changes to key stage 2 for 2013. They no longer calculate an English level but report the reading test and writing teacher assessment levels individually. As a result the floor targets indicator is now based on progress in reading, progress in writing, progress in maths and achievement of level 4+ in reading, writing and maths.

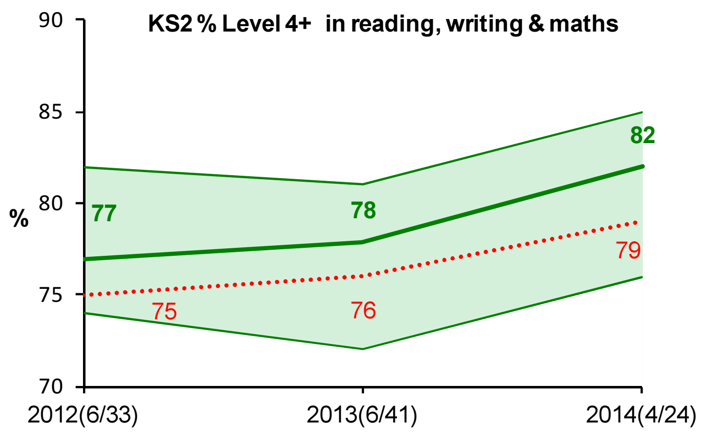
14. Key to trend graphs shown below:



Figures in brackets represent Surrey’s ranking against our statistical neighbours and all other authorities in England.

Key Stage 2: Strengths

15. The proportion of pupils attaining level 4 and above in reading, writing and maths remains above national. Surrey is ranked 24th out of 152 local authorities and 4th out of 11 statistical neighbours for level 4 and above in reading, writing and maths. These rankings are improvements on last year.



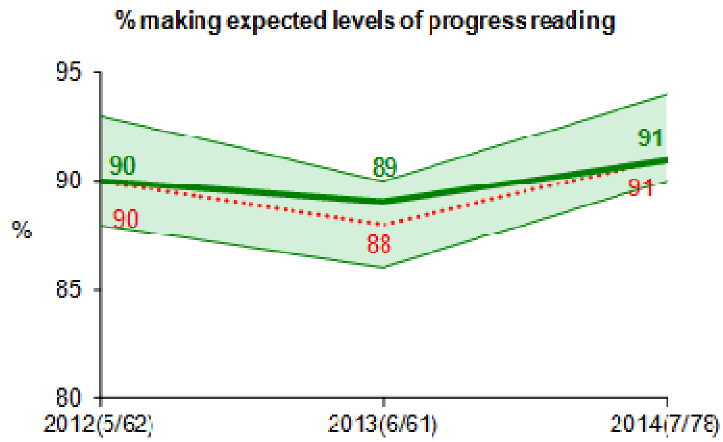
16. The proportion of pupils attaining level 5 in reading, writing and maths remains higher than national and Surrey is ranked 19th out of 152 local authorities.

17. The percentage of pupils attaining Level 4+ in the new grammar, punctuation and spelling test is above both the national and south east averages. Surrey is ranked 30th out of 152 local authorities.

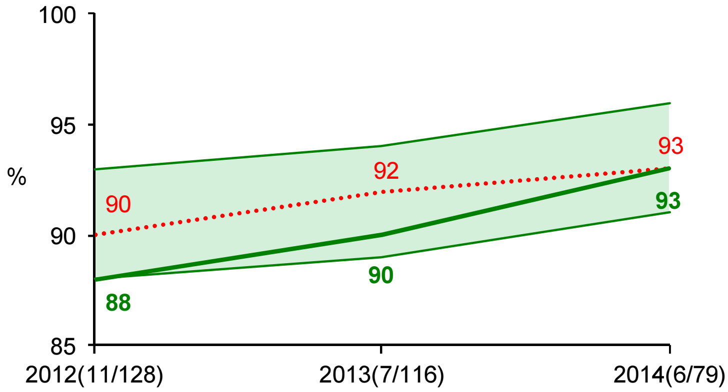
Key Stage 2: Key Priorities

18. Although some improvements have been seen this year in the percentage of pupils making expected progress, Surrey's national rankings in the progress measures remain considerably lower than those for attainment.

19. The proportion of pupils making expected progress in both reading and writing is now equal to that seen nationally. The percentage of pupils who made expected progress in writing is 93%, three percentage points higher than last year. Surrey is ranked 79th out of 150 local authorities, an improvement of 37 places on last year. The percentage of pupils who made expected progress in reading is 91%, two percentage points higher than last year. Surrey is ranked 78th out of 150 local authorities, a fall of 16 places on last year.

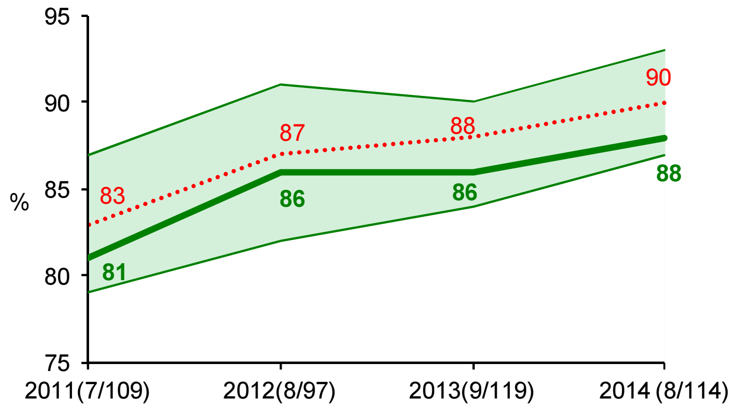


% making expected levels of progress writing



20. Surrey remains below the national average for the percentage of pupils making expected progress in mathematics. Surrey is ranked 114th out of 150 local authorities. This is an improvement of 5 places on last year. The gap between the percentage of pupils making expected progress nationally and the percentage in Surrey has remained the same at two percentage points.

% making expected levels of progress maths



21. Improving the attainment and progress of pupils in receipt of the Pupil Premium remains a key priority at key stage 2 (see paragraph number 43 – 46 No Child Left Behind).

22. There are nine schools out of 204 below floor standard in 2014. This number cannot be directly compared with previous years as the attainment threshold increased from 60% in 2013 to 65% in 2014. Only five schools would have been below the floor in 2014 if the threshold had not changed, which is two schools fewer than in 2013.

23. It is expected that the school improvement measures currently in place will continue to improve outcomes at key stage 2. These include partnering weaker schools with stronger schools that are able to assist them to improve their practices and outcomes.

Key Stage 4 (ages 14-16)

24. Two major reforms have been implemented by the Department for Education which affect the calculation of key stage 4 performance measures data in 2014. In addition, there have been three further changes which apply to the 2013/14

results but not to previous years. As a result, care must be taken when comparing the 2013/14 results with those for previous years.

Key Stage 4: Strengths

25. The percentage of Surrey pupils achieving 5+ A*-C including English and mathematics based on first entry is 62.8%. This compares to 56.1% nationally. Surrey has gone from 15th in 2012/13 to 17th in 2013/14 in the national rankings. Compared with statistical neighbours, Surrey has maintained its position of 4th (out of 11) for this measure.

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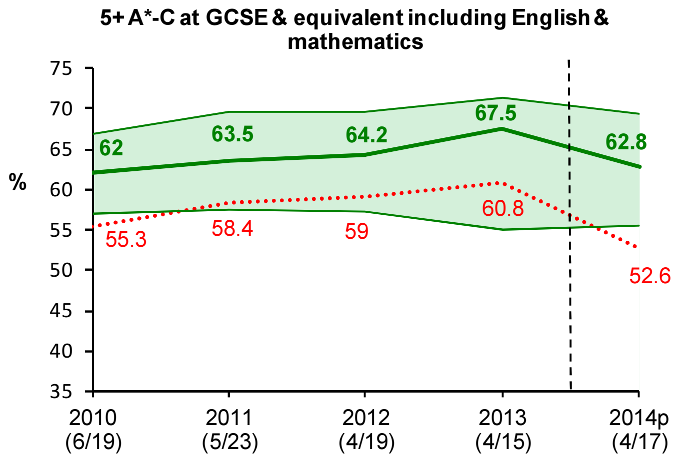
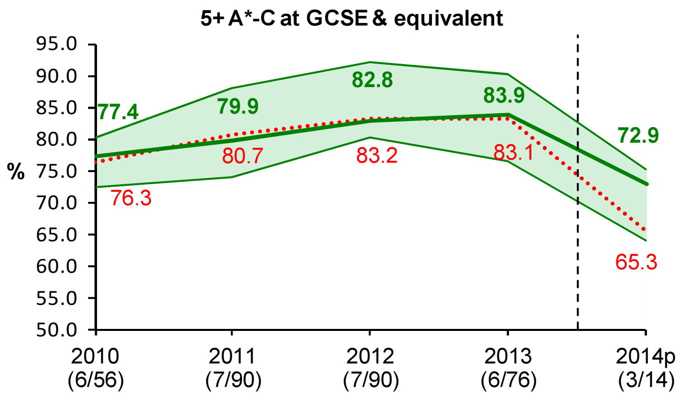


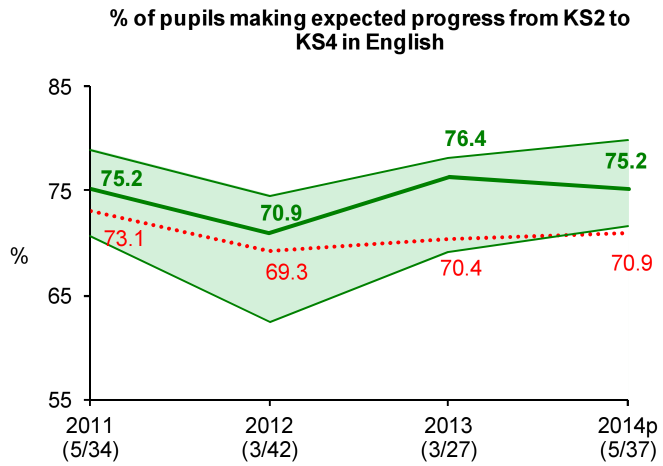
26. In 2012/13 the published statistics were calculated using a different methodology. The percentage of Surrey pupils achieving 5+ A*-C including English and mathematics using this 'best grade' method was 67.5%. The national figure was 60.8%.

27. The proportion of Surrey young people who achieved five or more GCSEs (any subjects) at grades A* to C in 2013/14 is 72.9%. Surrey remains above the national average of 65.3%. Surrey is ranked 14th for this measure in 2013/14, up from 76th the previous year. This puts Surrey in the top 10% of local authorities. In 2012/13 the percentage of Surrey pupils achieving 5+ A*-C was 83.9% compared with 83.1% nationally.

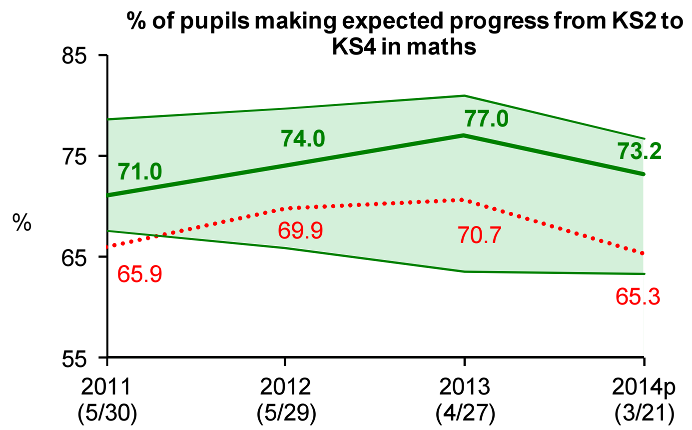


28. The changes to the methodology used for calculating the attainment statistics in 2013/14 have also had a significant impact upon the Key Stage 2 to 4 progress calculations. The proportion of pupils making expected progress in English is 75.2% in 2013/14 in Surrey compared with 71.0% nationally. Surrey

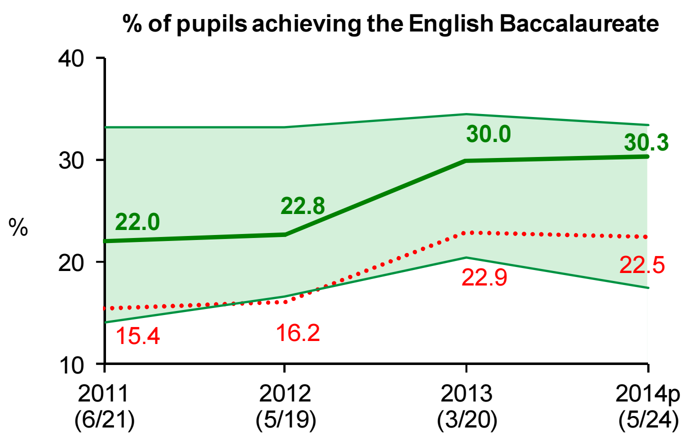
has gone from 27th to 37th in the national rankings. Compared to its statistical neighbours, Surrey has gone from 3rd to 5th place.



29. The proportion of pupils making expected progress in mathematics in 2013/14 is 73.2% compared with 65.4% nationally. Surrey has climbed one place to 3rd position in the statistical neighbour rankings. Surrey is ranked 21st nationally for this measure, compared with 27th in 2012/13.



30. Forty-six percent of pupils in Surrey were entered for all components of the English Baccalaureate in 2013/14 compared with 39 percent nationally. Of those who were entered, 30.3% of pupils in Surrey achieved this measure compared with 24% nationally. Surrey is ranked 5th compared to statistical neighbours and 24th nationally for the percentage of pupils achieving the English Baccalaureate.



Key Stage 4: Key Priorities

31. Improving the attainment and progress of pupils in receipt of the Pupil Premium remains a key priority at key stage 2 (see paragraph number 43 – 46 No Child Left Behind).

Key Stage 5 (age 16+): Strengths

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32. Provisional results at key stage 5 for 2014 indicate that average points per entry and the percentage achieving 2+ A Level passes (the minimum university entry requirement) are slightly above national, regional and statistical neighbour averages.

33. On average, Surrey pupils scored 213.9 points per entry, which is slightly higher than a grade C.

34. 91.7% of pupils completing A Levels in Surrey achieved 2 or more passes, putting the County Council in the top 25% of local authorities nationally.

35. 16.3% of pupils completing A Levels in Surrey achieved 3 or more passes at grades AAB of better. This places Surrey above the national average in 2014, and in the top third of Local Authorities, but slightly below regional and statistical neighbour averages.

Key Stage 5: Key Priorities

36. 11.7% of pupils completing A Levels in Surrey achieved passes at grades AAB or better including 2 or more passes in facilitating subjects. Surrey is placed 10th of 11 statistical neighbours against this measure, and below regional and statistical neighbour averages, though slightly above the national average.

37. The proportion of A Level entries in Surrey in 2014 that were in Science, Technology, Engineering and Maths (STEM) subjects (31.1%) was lower than regional, national and statistical neighbour comparators. Surrey is ranked 10th against its statistical neighbours and 90th nationally for this measure.

38. Babcock 4S works closely with school and sixth form leaders to improve outcomes through its Post-16 Leadership Development Programme and through its school monitoring arrangements. 30 of the 31 sixth-forms in Surrey are now rated Good or Outstanding by Ofsted (97%) which is a significant achievement on the part of schools and those who support them.

39. Ofsted is responsible for measuring quality within Surrey's Further Education (FE) provision. The Education Funding Agency (EFA), as the funding body, sets minimum floor standards and institutions which fall below them are issued with Notices to Improve. If the necessary improvements are not achieved within the time period set, the institutions are not funded to deliver provision in the relevant subject areas.

Children looked after by the local authority

40. Over the course of the last academic year covering the period of this report (September 2013 to July 2014) 706 children of statutory school age were pupils of the Surrey Virtual School because they remained, became or ceased to be looked after during this period. Over this period, around 40 percent of these

children, at any one time, were educated in schools or other educational provisions outside of Surrey's borders in more than 50 other local authorities across the UK.

41. All looked after children in Surrey's care are enrolled into the best performing schools available in the area where the child is placed, with Ofsted judgements of at least 'Good' in order to best support and accelerate opportunities for learning.

42. Key stage 1 results f or 2014 show improvement on last year's results across the board and remain above the national average. 44% of pupils had no SEN in this cohort, compared with only 21% in 2013 and 29% in 2012. Overall results in percentage terms at key stage 2 remained similar to the previous year for Level 4 and above in reading (54%) and writing (42%), with an 11 percentage point improvement in mathematics (46%). They remain below the national average. This 2014 cohort had high levels of SEN (80%), including nine pupils (36%) with a statement.

43. Key stage 4 results have been confirmed to show that 13.2% of pupils achieved 5+ A*-C GCSEs, including English and mathematics. As a consequence of the change in methodology for GCSE calculations this year, national results have reduced to 12% - making Surrey's key stage 4 results above the national average for 2014.

No Child Left Behind Project

44. A key focus of the 2012/13 Service Delivery Agreement is narrowing the achievement gap between both low attaining pupils entitled to support provided by pupil premium and other pupils. This has been driven through the No Child Left Behind Campaign. During the year a wide range of initiatives were put in place including:

- Additional Headteacher Quadrant Meetings
- No Child Left Behind Leaflet
- HMI survey
- Detailed data analysis of Surrey context
- Updated data available to all schools
- 60 Audit of good practice
- School visits
- Primary Vision conference
- Sharing information

45. The impact is beginning to be seen in improved outcomes at all key stages. In addition, schools are highly supportive of the project and the culture of high expectations and no excuses for all is increasingly embedded in schools. This work is a continued priority initiative for this academic year.

46. The performance of disadvantaged pupils (Free School Meals in the past 6 years or Looked After) in Surrey has improved across the primary key stages this year. National results are published at Key Stage 2. The gap between disadvantaged pupils in Surrey and disadvantaged pupils nationally has reduced in all key indicators at this key stage apart from expected progress in maths, where the gap remains the same. Outcomes for Surrey disadvantaged pupils remain below disadvantaged pupils nationally.

47. At Key Stage 4, the outcomes for disadvantaged pupils has declined. Until national figures are published it is unclear whether this is representative of changes in assessment or the outcomes for this cohort.

Ofsted

48. Ofsted carried out 106 inspections during the 2013/14 academic year. Inspection results for all state funded schools within Surrey to the end of the 2013/14 academic year were as follows:

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Total good or outstanding schools		
	Surrey	**National**
Nursery	100.0%	95.9%
Primary	78.0%	81.5%
PRU	80.0%	83.1%
Secondary	90.4%	70.9%
Special	100.0%	89.6%
Total	81.4%	80.6%

49. The proportion of Surrey schools that were good or outstanding as at the end of the 2013/14 academic year is 81%. This is in line with the national and above south east figures (78%).

50. The proportion of secondary, special and short stay schools that are judged to be good or better are notably higher than both nationally and in the south east as a whole. In particular, 90% of all secondary schools are judged to be good or outstanding, up 5% from last year, compared with 71% nationally.

51. The proportion of primary schools judged to be good or outstanding remains an area of concern and is lower than that found nationally (81%), although in line with the south east as a whole (78%). The proportion of primary schools that are outstanding (24%) remains considerably higher than the national and south east figures (both 17%).

52. It should be noted that by the end of December 2014, the provisional figure for the proportion of good or outstanding primary schools in Surrey had risen to 79.4%. The comparable national figure is not yet available[1].

53. 93% of secondary pupils in Surrey attended a good or outstanding school at the end of August 2014, up 3 percentage points compared with 2013. This is considerably higher than the national figure of 70%.

54. 76% of primary pupils attend a good or outstanding school, up 1 percentage point compared to the end of August 2013. This compares with a national figure of 81%.

School Improvement: Every School a Good School - Impact

[1] Ofsted are due to publish their own provisional figures for the period to 31st December 2014 in late January 2015 and their official statistics in March 2015

55. A new School Improvement Strategy was introduced in April 2013 with the following key priorities.

To:
- Increase the proportion of schools that are judged by Ofsted to be ‘good’ or ‘outstanding’
- Increase the proportion of children that attend a good or better school
- Improve the proportion of pupils that make or exceed expected progress in mathematics and English by the end of both KS2 and KS4
- Rapidly improve the attainment and progress of disadvantaged and vulnerable children so they achieve as well as other children
- Continue to develop leadership capacity at senior level through partnership work with Teaching Schools, National Support Schools and other good or outstanding schools
- Develop aspiring leaders to improve succession planning.

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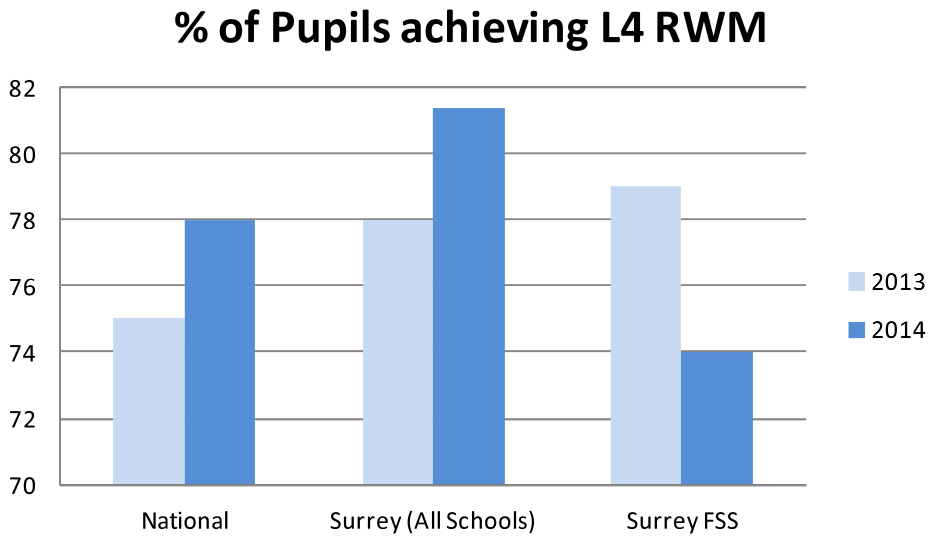
56. The Strategy identifies the appropriate support and challenge for all schools so they are able to improve further and share their expertise locally and more widely. It is based on a strategy of differentiated support for all schools. In order to distinguish between highly effective schools and those schools which would benefit from additional support, The county Council monitors all schools through the systematic and routine collection of information relating to school and pupil performance, and statutory compliance. Intensive support is given to any school that needs to improve to a position of securing ‘good’. Once assessed, schools are put into one of two groups:

- **Overview Schools**
- **Focused Support Schools**

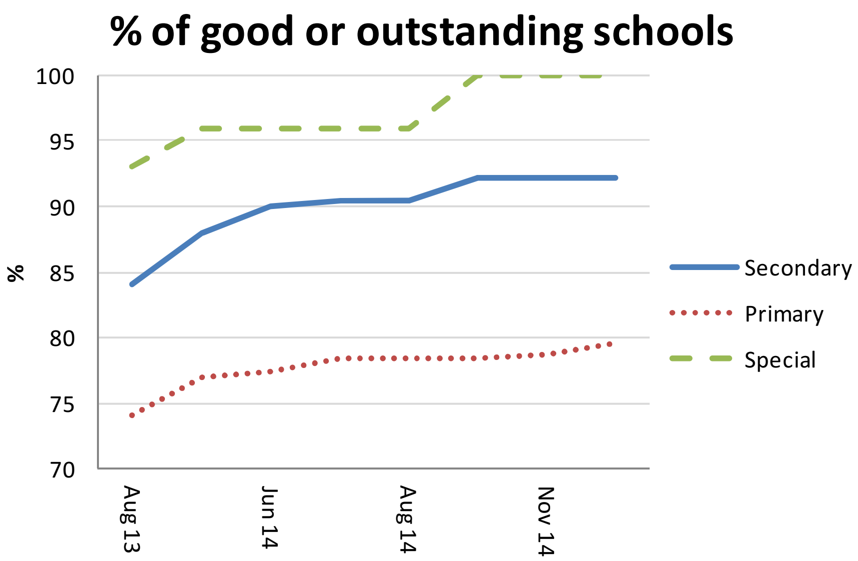
57. Over 100 schools were intensively supported through the Strategy as Focused Support Schools in 2013/14. These schools were provided a wide range of leadership, teaching and learning and inclusion support from both Babcock Consultants or from Systems leaders and other outstanding school practitioners. This has significantly contributed to the overall picture of improvement in terms of both outcomes for pupils and provision in schools as outlined in this paper.

58. Overall outcomes in Focused Support Primary Schools show improvements. The percentage of pupils attaining L4+ in reading, writing and mathematics in schools that were on Focused Support from April 13 until at least August 14 increased at a faster rate than both in Surrey and Nationally. Outcomes for children in Focused Support Schools overall are now higher than in all schools nationally with improvements in over 2/3 schools.



59. In addition, two thirds of Focused Support Schools increased the proportion of pupils that made better than expected progress. Overall the proportion of pupils making at least expected progress increased in all three subject areas.

60. Since August 2013 the percentage of good or better schools has increased in Primary, Secondary and Special Schools.



61. Sixteen schools have now had a Requires Improvement (RI) Reinspection. Of those eleven have been judged to be good and five RI for the second time. However, four of these were judged to have good leadership and management. One of those has now become a sponsored academy and so will not have an inspection history published by Ofsted.

62. An independent evaluation of headteachers in Focused Support Schools in January 2014 showed that there was a consensus in most cases that the support had had a positive impact on success as measured against the initial agreed success criteria and on progress data although some schools inspected

during the programme had not had the positive Ofsted judgement they were working towards. Aspects of the programme that head teachers universally recognised as a strength of the process are:

- The **partnership** with the leadership partners and reviewers
- The expectation that **reports** will be produced by the school on a regular basis as part of the review of progress
- The **Leadership Review**
- The **brokered support**

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63. Ofsted are required to comment of Local Authority Support in all of their inspection and monitoring reports. In over 98% of these support has been identified as being strong and effective.

64. Support for 20 schools was delegated and directly provided by one of Surrey's Teaching Schools or National Support Schools. Support for 18 schools is delegated to Teaching or National support schools. Most other Focus Support schools are supported in some way through School-to-school support using over 50 National, Local Specialist Leaders of Education (NLEs, LLEs and SLEs) In addition, one of Surrey's Teaching Schools also provides and intensive teaching programme on behalf of the Babcock funded through the SDA. Ofsted and the National College have identified this as strong practice.

65. Progress in Focused support schools is measured at least termly through an 'Intermediate Review and Challenge Meeting' (IRCM). Progress against priorities identified in the action plan is reviewed and three key judgements are agreed. These are:

- Progress towards securing a 'good' Ofsted judgment (*Insufficient/Reasonable/Accelerated*)
- The impact of the school leadership on improving the quality of teaching and on pupil achievement: (*Inadequate / Reasonable / Strong*)
- Does well co-ordinated support provide ongoing challenge to the school (*yes / no*)

66. At the last review 85% of schools were judged to be making at least reasonable progress with 45% showing strong impact of leadership. However, in 15% of cases progress is insufficient. Where there are two successive insufficient progress judgments additional action is taken which can involve the use of the LAs statutory powers or a change of leadership and/or governance. Since May 2013 there have been 27 changes of leadership as a result of actions from IRCM meetings.

67. A key focus of the 2012/13 SDA is narrowing the achievement gap between both low attaining pupils entitled to support provided by pupil premium and other pupils. This has been driven through the No Child Left Behind Campaign. See paragraphs 43-46 for more detail.

68. The School Improvement Strategy is being currently reviewed and revised to take into account feedback from schools and officers, the strengths and areas for development identified in this report and implications of the 20% reduction in funding due to cuts in the Education Service Grant to the Local Authority.

CONSULTATION:

69. A formal consultation process was not required for this report. This report has been shared with Peter-John Wilkinson, Assistant Director for Schools & Learning and the Children, schools and Families (CSF) Directorate Leadership Team.

RISK MANAGEMENT AND IMPLICATIONS:

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70. There are no risk management implications of the information contained in this report which is for information only.

Financial and Value for Money Implications

71. The Local Authority receives funding for school improvement and other school support services via the Education Services Grant. This grant is reduced every time a school converts to be an academy and the funding redirected to the academy. At the point when a school converts to academy status it becomes responsible for commissioning its own school improvement support along with a range of other services and is funded directly. It is important to highlight that there is a financial implication to the local authority, if it continues to commission support services, including school improvement, for schools that have converted to academy status.

72. The Schools Forum approves an allocation of approximately £1.2m for support for all schools (including academies), top-sliced from all schools delegated budgets. This equates to approximately 20% of the total school improvement budget. Therefore, academies identified as Focused Support Schools are able to access a proportion of the identified support from this budget.

73. The additional funding from the Local Authority for School Improvement has enabled a much larger number of schools to be supported and challenged in an intensive manner. Currently 29% of all schools (including academies) are supported.

Section 151 Officer Commentary

74. The Section 151 Officer recognises the County Council's commitment to the 'Every School a Good School' agenda and confirms funding has been included in the base budget for school improvement across Surrey for 5 years.

75. The financial implication for the local authority around continuing to commission support services, including school improvement, for academy schools has been highlighted in this report.

Legal Implications – Monitoring Officer

76. There are no legal implications of the information contained in this report; the report is for information only.

Equalities and Diversity

77. An EIA was not needed for this report as no proposals are being made; the report is for information only.

WHAT HAPPENS NEXT:

78. A report will be produced for each of the local committees to show how the education outcomes for their area compare to the Surrey and national results. This will be based upon the revised 2014 data. These reports will be presented to the committees from February 2015 onwards.

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Kirstin Butler, Performance & Knowledge Management Team, 0208 541 8606

Consulted:
Peter-John Wilkinson, Assistant Director for Schools & Learning, CSF
CSF Directorate Leadership Team

Annexes:
None

Background papers:
None

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SURREY COUNTY COUNCIL

CABINET

DATE: 3 FEBRUARY 2015

REPORT OF: MRS MARY ANGELL, CABINET MEMBER FOR CHILDREN AND FAMILIES

LEAD OFFICER: NICK WILSON, STRATEGIC DIRECTOR FOR CHILDREN, SCHOOLS AND FAMILIES

SUBJECT: EXPANDING THE SURREY FAMILY SUPPORT PROGRAMME

SUMMARY OF ISSUE:

The Surrey Family Support Programme (SFSP) is the name given to the local implementation of the Government's Troubled Families Programme in 2012. The programme aims to improve outcomes for families who have multiple needs through a model of multi-agency working. The Programme is also one of the six projects included in Surrey's participation in the Public Services Transformation Network (PTSN).

This report gives an overview of the expansion of the Government's national programme from 2015-2020 and the implications for the Surrey Family Support Programme.

Cabinet is asked to agree to an Outcomes Plan that will enable the local programme to begin its expansion pending the conclusion of consultations over the new ways of working with partner agencies. The Outcomes Plan will mark the transition from the current Troubled Families Programme (Phase 1) to the new expanded Programme (Phase 2).

RECOMMENDATIONS:

It is recommended that Cabinet agrees:

1. To the expansion of the Surrey Family Support Programme to include around 1000 families each year between 2015 and 2020.

2. To begin working towards the Government's expanded Troubled Families programme target with immediate effect.

3. To increase the families eligible to join the programme through the criteria set out in the Families Outcomes Plan, attached at Annex 1 to this report.

REASON FOR RECOMMENDATIONS:

In light of the very good local performance on the first phase of the national Troubled Families Programme, the Council was invited by the Government to be an Early Starter for the new expanded Programme. As part of this, the Council has received additional funding of £651,000 this year with a requirement that an additional 549 families are brought into the local Programme by April 2015. This new funding is to be invested in the staff providing intensive support services to the targeted families. Key to beginning the new Programme is implementing new eligibility criteria on which we are required to consult on with local partners.

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In agreeing to the above recommendations, Cabinet will replace the eligibility criteria it agreed for the original Programme in March 2013 with a new set of criteria that will expand the Programme to cover a wider set of families.

Further work is underway to develop agreements with partners over the delivery model of the new service arrangements and these will form part of Surrey participation in the Public Services Transformation Network. The details of these arrangements will be reported to Cabinet in May, once they are concluded. However, in order to begin the new Programme now, a decision is required over the new Outcomes Plan to bring new families into the Programme.

DETAILS:

Background

Phase 1 of the Government's Troubled Families Programme (2010-2015)

1. The national Troubled Families programme was announced by the Government in 2011 with the aim of providing support and targeted interventions to those families with complex and multiple needs that cause problems in their communities and who are a high cost to the public purse. The Programme aims to improve outcomes for families with complex needs and to reduce costs through multi-agency engagement with families and the application of a preventative approach to working with these families.

2. The Government provides some funding towards the programme through a payment by results arrangement.

3. Through the current programme, the Government plans to turn around the lives of 120,000 families by May 2015. The coordination of the National Programme is through the Government's Troubled Families Unit based in the Department of Communities and Local Government (DCLG) with the local management of the Programme given to upper tier authorities.

The Surrey Family Support Programme

4. The Surrey Family Support Programme is the local implementation of the national Troubled Families programme.

5. Key features of the programme include:

    - The co-ordination at community level of support to families by District and Borough Councils

- Relevant agencies are brought together into a Team Around the Family (TAF) to create a joined up approach to the family's needs
- Families undergoing a single multi-agency assessment of their needs and having a single multi-agency support plan
- Those families with the greatest and/or most complex needs are given a period of flexible, intensive home based support by teams managed by the borough and district councils
- All unemployed adults are helped into work

6. Surrey's target is to turnaround 1050 families by May 2015. At October 2014, the programme had turned around 691 families which accounts for 65% of the Surrey target. The Council is on track to meet the target of 1050 families by May 2015.

7. The local programme has been successful in changing the way local services work together in partnership when intervening with whole families and formed one of the six projects to be included in Surrey's participation in the government backed Public Services Transformation Network. 10

Phase 2 of the Government's Troubled Families Programme (2015-2020)

8. Following the early successes of the current Programme, the Government announced an extension and expansion of the national programme and funding for the new expanded Programme included in the last Budget.

9. The expanded Troubled Families programme will run from 2015-2020 and aims to work with an additional 400,000 families nationally. As part of this Surrey has been set a target of making significant and sustained progress with 3,660 families by May 2020. This will involve including up to around 1000 families in the local programme each year from 2015.

10. Surrey is an Early-Starter for the expanded programme. As highlighted in a letter to the Council's Chief Executive from the DCLG, this is due to Surrey being 'one of the highest performing areas in the current Troubled Families Programme'. This means that, although the expanded programme does not officially begin until April 2015, families can be brought into the programme in Surrey under the expanded eligibility criteria when we are ready to do so. Advanced funding of approximately £549,000 has been provided by Government in support of being an Early Starter. To meet the requirements of being an Early Starter, the service has to have identified and started working with 549 families by April 2015 and contributed evidence to the DCLG in support of its 2015 Spending Review submission.

11. In the current phase of the troubled families programme we have identified 1737 families who meet the Governments four criteria for being a troubled family. The expanded national programme widens the eligibility to six criteria. A family must have two of the following six headline problems to be deemed eligible:

    - Parents and children involved in crime or anti-social behaviour
    - Children who have not been attending school regularly
    - Children who need help, e.g. a child with an early help assessment and/or supported by social services
    - Adults who are out of work or at risk of financial exclusion and young people at risk of worklessness
    - Families affected by domestic violence and abuse

- Parents and children with a range of health problems

12. These expanded criteria mean more vulnerable and high cost families in Surrey will be eligible for support from the programme. However, we may only use the Government funding to support the most complex and high cost families.

Delivering the Expanded Programme – Moving the Surrey Family Support Programme into the mainstream

13. As described in paragraph 5, the model of delivery implemented for the Phase 1 Troubled Families Programme was a model of integrated 'Team Around the Family' working with local coordination and intensive support to families delivered through six borough and district council based teams:

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- South East Area team (Mole Valley, Tandridge, Reigate& Banstead)
- Woking
- Guildford
- Waverley
- Surrey Heath/Runnymede
- North East Area team (Elmbridge, Epsom& Ewell and Spelthorne)

14. Whilst this model has enabled the delivery the Programme effectively to date, developing the approach to work with a broader set of problems and working with a larger volume of families over five years requires some changes to the model of delivery. In effect moving the Programme to what was a time limited multi-agency project to what needs to be a mainstream service for working with families with complex needs.

15. Work is underway with partners and across the Council to develop the new model of working using the following principles:

    - The County Council will use a dedicated network model whereby named posts/staff across relevant Council services will be dedicated to work a caseload made solely of Family Support Programme families, but will remain in the their current teams and structures. This would create in each quadrant of the County a virtual team made up of staff from across Youth Support Services, Schools & Learning Services and Adults Services. The programme will have clear working arrangements with the Children's and Safeguarding Service.

    - For relevant SCC commissioned services, e.g. community health services, Health Visitors, Domestic Abuse outreach, etc. the commissioned services would be aligned with the programme using the same principles.

    - Where appropriate, partners are also being asked to commit to this approach. There is agreement so far from the Department for Work and Pensions (DWP)/Job Centre Plus (JCP).

    - The Team Around the Family for most cases will be made up of the dedicated staff which will need to be enhanced through the support of other professionals depending on the issues within the family.

- 500+ families per year could be supported through intensive support via Family Support Teams employed within the Borough and District Councils.

16. Work began on developing this new approach via multi-agency working group last year. However, due to the multi-agency Ofsted inspection over October and November this work has been delayed until now – January 2015.

17. Details of the final model and arrangements with partners will come before Cabinet later in the year.

The Surrey Family Support Programme Families Outcomes Plan

18. Guidance issued by the DCLG stipulates that local authorities must produce a local Outcomes Plan for the expanded programme. This plan must show the following: 10

    - Which families will be prioritised in the local Programme
    - What a significantly improved outcome is for all of the six headline family problems covered by the Programme
    - What will be measured to establish that this outcome has been achieved, and
    - The timeframes against which the sustainability of these outcomes will be measured

19. The Surrey Family Support Programme Outcomes Plan for the expanded programme is attached as Annex 1 to this report.

20. The Outcomes Plan sets out that for a family to be eligible for the expanded programme they must meet at least two of the six Government criteria. For each of these criteria, the plan shows the corresponding Surrey policy objective. The theme of these objectives is keeping families out of high cost acute services through offering preventative support early on.

21. The Outcomes Plan also highlights the eligibility priorities which relate to each of the government criteria. This column conveys what characteristics a family is likely to possess that will make them eligible under that specific headline problem.

22. The progress levels on the Outcomes Plan indicate how a family may present on entry to the programme and then the characteristics they will present when they have made improvement. Level 1 represents a safe and stable family being supported in universal services. If a family presents at Level 4 under a headline problem then they are at the opposite end of the spectrum, presenting with an extensive problem that requires a high level of support. The purpose of these progress levels is to illustrate that a family’s improvement is relative to the level at which they presented at the outset of their involvement with the programme. These entry levels are likely be different for each problem a family is eligible under.

23. The final sustainability column shows how long an improvement from one level to the next must be sustained in order for a family to be regarded as having made significant and sustained progress.

24. The Outcomes Plan is designed to be a simple yet consistent way of tracking outcomes for families throughout their involvement with the programme. It aims to

recognise the differing circumstances and needs of families whilst giving tangible outcomes against which progress can be measured and payment claimed.

25. The Strategic Director for Children Schools and Families and the Chief Executive will undertake a review of the Outcomes Plan annually and may make variations to the eligibility and success criteria in response to local community demands and changes. Where significant changes are to be made, the Plan will be referred back to Cabinet for approval.

26. The Plan may need to undergo some changes resulting from the completion of consultation with partners over new models of working.

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CONSULTATION:

27. The Surrey Families Outcomes plan has been widely consulted on. This includes engagement in internal Surrey County Council forums as well as multi-agency discussions. Consultation has occurred with the following:

- Community Safety Board
- Children and Young People's Strategy Board
- SFSP Multi-agency panels
- District and Borough councils
- Health partners (incl. CCGs)
- Surrey Safeguarding Children Operations Group
- Domestic Abuse development group
- Schools
- Collaborate 2014 conference
- Registered Social Landlords

Matters arising from consultation

28. The majority of those consulted so far have approved of the overall format of the Outcomes Plan.

29. Specific technical points were raised such as the indicators that should be used when measuring improvement in anti-social behaviour, particularly from the viewpoint of Registered Social Landlords. Similarly the need for appropriate indicators from the viewpoint of schools when tracking a child's attendance and exclusions.

30. Third sector organisations and others raised the need to consider very carefully how to track the progress of a family affected by domestic violence and abuse due to the sensitive and often hidden nature of this issue.

31. It was also felt that those vulnerable groups, such as young carers and those affected by child on parent violence, needed to be explicitly referenced in the plan.

32. All matters raised in consultation have been duly noted and considered during the framing of the Outcomes Plan.

33. A number of responses to the consultation concerned clarification and queries over how the Plan might best be used. A guidance note will be prepared and published alongside the plan.

RISK MANAGEMENT AND IMPLICATIONS:

34. This is a complex programme of work involving many local agencies. Local implementation plans are being developed as part of the discussions with partners on scaling up the model. The risk issues arising from this process will be included in the report to Cabinet in May.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS:

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35. Set out below is a table summarising the anticipated DCLG grant income with assumptions for each year of the expanded programme as well as the total expected grant income for the whole five year programme (2015-2020).

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
No. of families brought into the programme (Turnaround target)	549	1000 (778)	1000 (778)	1000 (778)	1000 (777)	-	4549 (3660)
	Family related grant funding (£'000)						
Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Attachment fee (£1,000 per family)	549	778	778	778	777	-	3660
PbR (£800 per family)*	-	440	622	622	622	622	2928
Total family related grant funding	549	1218	1400	1400	1399	622	6588
Service Transformation Grant	102	350	350	350	350	350	1852
Total Grant Funding	651	1568	1750	1750	1749	972	**8440**

*Assumed 1 year lag for results and subject to claims being submitted

36. There is a clear expectation that the expanded Surrey Family Support Programme will operate on an 'invest to save' basis. A more detailed financial case for the sustainability of the programme will be presented to Cabinet at a later date as part the Working Together arrangements (see below).

Working Together (Surrey's Public Service Transformation Network)

37. Surrey public agencies were successful in being invited to take part in the Public Services Transformation Network (PSTN) to work with central government and its agencies on developing integrated service using a community budget approach. This local partnership work has been named Working Together.

38. The Surrey Family Support Programme is one of six Working Together projects that intend to reduce public expenditure in Surrey by shifting the balance of resources away from reactive and acute services to early help and preventative services. As part of this initiative the Programme has explicit objectives in delivering better value for money and improved outcomes for Surrey residents.

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39. As part of Surrey's Public Transformation work, Cabinet agreed an outline Business Plan for the Surrey Family Support Programme in February 2014. This Business Plan is being worked up further with partners for implementation in 2015/16. The Business Plan, once competed, will set out how the Programme will sustainably deliver financial efficiencies across Surrey agencies. This Business Plan will come for Cabinet approval in May 2015.

Section 151 Officer Commentary

40. This report details the potential grant funding available to the County Council over the next 5 years for phase 2 of the national Troubled Families initiative. This funding is subject to eligibility criteria and the project being able to evidence significant and sustained progress (and financial savings) as per the Surrey Families Outcome Plan.

41. The cost of delivering the second phase of the project and the cost profile over the 5 years has yet to be determined. It is expected that the cost of delivery will be funded from the potential grant income. The detailed financial case for the on-going financial sustainability of the project is planned to be developed over the next few months and presented to Cabinet in May.

Legal Implications – Monitoring Officer

42. This report sets out how the expansion of the government's Troubled Families programme will be implemented in Surrey. It should be noted that the programme does not give us any additional powers, and our statutory duties remain unaffected.

43. The programme relies on the sharing of information between agencies, and this is governed by a multi-agency information sharing protocol.

44. The Equalities Impact Assessment (EIA) reflects the fact that the programme is targeted and is not therefore open to all. We do not yet know the profile of the families that will be admitted to the programme in terms of their protected characteristics. To comply with our duties under the Equality Act, we need to ensure that the services provided are able to meet the varying needs of families with different protected characteristics.

Equalities and Diversity

45. In March 2013, an EIA was completed in relation to the existing SFSP which has been included below. This will be updated in light of the expansion of the

programme and the new criteria and will accompany the further report to Cabinet in May 2015.

Information and engagement underpinning equalities analysis	**Information:** • The Troubled Families Programme: Financial Framework (DCLG) • Listening to Troubled Families (DCLG, July 2012) • Working with Troubled Families (DCLG, December 2012) • The Cost of Troubled Families (DCLG, January 2013) **Engagement:** Our engagement up to now has been with internal and external partners who will be part of the programme, to understand the impact this programme will have on them, and their service users. As we are in the process of identifying families, it is not possible to fully understand the impact on particular protected characteristics of service users across the county at this stage.
Key impacts (positive and/or negative) on people with protected characteristics	This programme will co-ordinate multi-agency support for families characterised by crime/anti-social behaviour, adults out of work, and children not attending school. The evidence for family intervention has been consistently strong, for all families.
Changes you have made to the proposal as a result of the EIA	No changes to the proposal as a result of this EIA.
Key mitigating actions planned to address any outstanding negative impacts	Understand the representation of protected characteristics across families and staff participating in the programme, and monitor the impact of the programme over time. Where particular needs are identified, the programme will take steps to advance equal opportunities amongst families and staff, including any necessary training.
Potential negative impacts that cannot be mitigated	None.

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Corporate Parenting/Looked After Children implications

46. The expanded programme includes families with children in need and families with a Child Protection Plan. One of the planned outcomes of the Programme will be a reduction in Looked After Children.

Safeguarding responsibilities for vulnerable children and adults implications

47. As part of the Team Around the Family (TAF) model of multi-agency working, partners take joint responsibility for safeguarding of vulnerable children and adults within families with multiple needs. Working together limits the opportunity for safeguarding issues to go unnoticed.

Public Health implications

48. A health impact assessment was carried out for the existing programme. The following implications were identified:

    Environmental conditions: Positive impact to noise as programme impacts on anti-social behaviour

    General socio-economic and cultural conditions: Positive impact on poverty, community safety, housing conditions, crime, education

    Social and community network: Positive impact on social inclusion

    Health behaviours: Positive impact on substance misuse

49. The programme will monitor the impact on health providers, in particular 0-19 public health services to ensure this has a positive rather than negative impact in their ability to deliver core public health services commissioned.

WHAT HAPPENS NEXT:

50. 549 families will be brought into the expanded programme by April 2015 using the agreed Surrey Families Outcomes Plan.

51. A further report will be presented to Cabinet in May, regarding the link between the Working Together arrangements and include details of the scaled-up model of delivery and business case covering the sustainability of the expanded programme and the financial savings it plans to deliver.

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Samantha Voyle, Project Officer
Telephone: 020 8541 8604

Consulted:
Clare Curran, Cabinet Associate, Children, Schools & Families

Annexes:
Annex 1 – Families Outcomes Plan

Sources/background papers:

- Financial Framework for the Expanded Troubled Families Programme (Department of Communities and Local Government, November 2014)

V2.

Annex 1 - Expanded Family Support Programme Outcomes Plan

DCLG Criteria (Family meets 2 or more)	Surrey Policy Objective	Eligibility Priorities		Progress Level 4	Level 3	Level 2	Level 1	Sustainability
Children who need help	To reduce the number of families requiring a statutory social care intervention	• A child identified and or assessed as needing early help • A child 'in need' as per s17 Children Act 1989 • A child subject to an enquiry under s47 Children Act 1989 • A child subject to a Child Protection Plan • A child previously reported missing and/or at risk of sexual exploitation		• A Looked After Child • Temporary fostered child • Family with Child Protection Plan	• A child 'in need' as per s17 Children Act 1989 (or equivalent) • Complex family • A child identified and or assessed as needing early help	• Action plan completed and delivered for child assessed as needing Early Help	• Thresholds for Early Help or above no longer apply • Child supported in universal settings	• Move down one or more levels • No accepted re-referral causing re-opening of a case in 6 months after case closure
Adults out of work or at risk of financial exclusion and young people at risk of worklessness	All Families that can are engaged in employment, education and or training	• In receipt of out of work benefits (or Universal Credit) • NEET or risk of NEET • Financially excluded (or at risk of) • Children eligible for Free School Meals • Homeless or at risk of homelessness • Significant unmanaged debt		• Unemployed adult • NEET young person • Notice of Seeking Possession on home; Notice to quit; Possession order • Court action for recovery of debt	• Working towards employment, education and or Support Programme • In work experience placement • Agreed tenancy arrears or debt repayment plan • Referral to and engagement with licensed debt/money management services	• In paid or unpaid temporary work • Attending training or support programme • Engagement with arrears and or debt plan	• Sustained employment, education and or training • Attending Work Programme • Financially stable • Sustained engagement with arrears and or debt plan	• Move down one or more levels • Improvement sustained for 6 months or more • Families with an arrears or debt plan receive no escalation in sanctions for 3 months
Children who have not been attending school regularly	To reduce children going into PRUs and or high cost alternative education provision for behaviour issues	• Child is in a PRU • History of persistent absence (+10% absence across last 3 consecutive terms) • Child of any age with at least 10 days of fixed term exclusion in the last 3 consecutive terms • Child not registered with a school or otherwise educated • Child subject to managed move • Child with BESD • Pupil of significant concern e.g. pupil on support plan or equivalent	Pre-school children • Child eligible for Free Early Education for Two Year Olds (FEET) • Child eligible for Early Years Pupil Premium	• Pre-school children not in early years place	• Very poor or no attendance at early years place • Applied for FEET funding and name down at a nursery	• Attending pre-school but less than entitlement	• Attending pre-school at full entitlement	• Over 3 consecutive terms all children have <10% attendance , no permanent exclusions and <3 fixed term exclusions
			Children in primary phase education	• Permanent exclusion in the last 3 consecutive school terms • Persistent absence (+20% absent)	• At least 5 school days of fixed term exclusion in last 3 consecutive terms • Persistent absence (+10% absent)	• Persistent absence (+10% absent)	• Regular school attendance (+90% in the last 3 consecutive school terms)	
			Children in secondary phase education	• PRU or equivalent • Persistent absence (+20% absent) • Permanent exclusion in the last 3 consecutive school terms	• Three or more fixed term exclusions in last 3 consecutive terms • Persistent absence (+10% absent)	• Persistent absence (+10% absent)	• Regular school attendance (+90% across the last 3 consecutive school terms)	

V2.

DCLG Criteria (family meets 2 or more)	Surrey Policy Objective	Eligibility priorities		Progress				Sustainability
				Level 4	Level 3	Level 2	Level 1	
Parents and children involved in crime or ASB	To reduce repeat offending and or repeat anti-social behaviour	• One or more criminal convictions/ASB interventions in previous 12 months • Adult prisoner with caring responsibilities on release • Young offender (offence or ASB behaviour intervention in previous 12 months) • Adult subject to licence/supervision in community	Housing ASB	• Police or other agency receive multiple reports/complaints of ASB • Home is at risk • Family subject to a Community Trigger • CBO/ABC in place • Fast track/monitoring at CIAG	• Family acknowledges the problem and positively engages with agencies • No breaches of CBO • No breaches of SPO • CIAG agree to remove from rolling agenda	• Significant reduction in ASB • No further action from CIAG	• No ASB • Home is secure	• Move down one or more levels • Improvement sustained for 6 months or more • No new complaint of ASB to Landlord for 6 months or more
			Community ASB	• 5 or more convictions in the past 12 months or intelligence to suggest regular offending • Disengaged or poor engagement with probation	• 3-5 convictions in the past 12 months/intelligence suggesting pattern of offending • Inconsistent engagement with probation	• 3 convictions or fewer in the past 12 months/some intelligence of offending • Currently engaged with probation/support services	• No convictions or intelligence of offending in the past 6 months • Engagement in support services maintained for 8 weeks or more • Restorative Justice intervention successfully completed	• Offending rate of all family members reduced by 33% over 6 months • Reduction in seriousness of offending over 6 months • Sustained engagement with services such as probation for over 8 weeks • No breach of sanctions or orders in 6 months
Parents and children with a range of health problems	For families to be able to manage their health problems avoiding frequent unplanned GP/A&E visits and the use of residential care/hospital	• New parent with mental health or substance misuse problem • Family with a young carer • Frequent unplanned health interventions • Family behind on take up of immunisations • A child, or an adult with parenting responsibilities, with: ❖ a mental health problem ❖ drug or alcohol problem ❖ poor health impacting on whole family e.g. obesity		• Family not engaging with appropriate health and social care support i.e. missed appointments • Family unable to manage health problems • No registration with GP	• Family engages with appropriate health and social care support	• Registered with GP • Family sustains engagement with appropriate health and social care support, e.g. completes treatment. • Health milestones for each child/YP are up to date	• Registered with GP • Stabilized with appropriate support and management • No repeat missed appointments or non-engagement with health services where a chronic health condition is present	• Move down one or more levels
Families affected by domestic violence and abuse	To reduce the occurrence and repeat occurrence of domestic violence and abuse	• Family where there is a known perpetrator of domestic violence including child on parent/sibling violence • Family subject to a Police call out for one or more domestic incidents in the last 12 months • Family where there is a known serial perpetrator or serial victim • Adult subject to a DVPN/O • Referral to MARAC		• Regular police call outs • Convicted or known perpetrator • Family unsafe	• Engagement with DA support services and/or programmes • Reduced police call outs • Victim in refuge or similar • Family unsafe	• Sustained engagement with DA services and support • Reduced police callouts	• No police call outs • Family safety secured	• Sustained reduction in callouts for 6 months • Family safety sustained for 6 months or more • No repeat referrals to MARAC • DA has ceased or there is at least a 70% reduction in risks to safety based on completed Risk Assessment

SURREY COUNTY COUNCIL

CABINET

DATE: **3 FEBRUARY 2015**

REPORT OF: **MRS MARY ANGELL, CABINET MEMBER FOR CHILDREN AND FAMILIES**

LEAD OFFICER: **MR NICK WILSON, STRATEGIC DIRECTOR OF CHILDREN, SCHOOLS AND FAMILIES**

SUBJECT: **PROVISION OF TARGETED CHILDREN & ADOLESCENT MENTAL HEALTH SERVICES AND THE HOPE SERVICE:**

SECTION 75 AGREEMENT WITH SURREY CLINICAL COMMISSIONING GROUPS & CONTRACT EXTENSION WITH SURREY AND BORDERS NHS FOUNDATION TRUST

SUMMARY OF ISSUE:

Surrey County Council (SCC) and Surrey Clinical Commissioning Groups (CCGs) have a statutory responsibility to provide children and young people in Surrey with safe, needs-based Children and Adolescent Mental Health Services (CAMHS). SCC and the CCGs have agreed to a partnership approach to meet this responsibility under Section 75 of the NHS Act 2006. The purpose of this agreement is to provide a robust framework within which the Council and the CCGs can jointly commission and procure services by pooling budgets and leveraging resources.

The partnership approach is vital in addressing the increased demand and budgetary pressures in providing a service that puts the needs of children and young people first. To successfully integrate health and social care provision and realise the benefits of the partnership which aims to eliminate the gaps/overlaps in service delivery, increase efficiency, improve value for money and design a service that delivers the best possible outcomes for children and young people, this cabinet report seeks approval from Members to:

a) Enter into a new Section 75 Agreement between the Council and the CCGs. The existing agreement approved by the Cabinet in September 2013 requires variations to committed resources in order to facilitate the joint commissioning and procurement of targeted and specialist CAMHS services scheduled for 2015 which will be lead by Guildford and Waverly CCG on behalf of the Council and the 6 CCGs in Surrey.

b) Extend the existing contract with the incumbent provider Surrey and Borders NHS Foundation Trust (SaBP) which expires on 31 March 2015 in order to ensure the continued safe provision of targeted CAMHS and the specialist HOPE service (Integrated service including Education, Social Care & Health, working with children and young people with complex mental health needs).

RECOMMENDATIONS:

It is recommended that Cabinet agrees:

1. The Council enters into a new Section 75 agreement with Surrey CCGs. This pooled budget agreement is currently valued at £3,842,000 per annum.

2. To delegate authority to make amendments to the Section 75 agreement, to the Director of Legal and Democratic Services in consultation with the Strategic Director and Cabinet Member for Children, Schools and Families in accordance with public sector legislation and advice from the Section 151 Officer.

3. The Council extends the existing contract with Surrey and Borders Partnership NHS Foundation Trust (SaBP) which expires on 31 March 2015 for a minimum period of one year, from 1 April 2015 to 31 March 2016 and a maximum period of up to two years. The extension has a forecasted value of £2,619,543 per annum.

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REASON FOR RECOMMENDATIONS:

a) The existing contract with SaBP will end on 31 March 2015. The Council is the host partner for the pooled budget used to commission targeted CAMHS and the HOPE Service. The Council is responsible for ensuring services are commissioned and procured in line with best practice, compliant and secures the best value for Surrey residents.

b) Improved alignment and collaboration between the Council and the CCGs has necessitated variations to the Section 75 agreement signed by the CCGs in 2014. Upon review of the extent of the variations, a joint decision has been made to draft a new Section 75 agreement which would be more appropriate for the joint commissioning and procurement project scheduled to begin in 2015.

Extending the existing contract with SaBP and entering into a new Section 75 agreement with the CCGs will:

- Ensure the Council adheres to statutory requirements regarding the safeguarding of children and young people by securing the provision of targeted CAMHS and the HOPE service by a contractually bound provider.

- Enable the Council and the lead CCG to undertake integrated commissioning and procurement of a co-designed, outcomes focused, CAMHS model, whilst maintaining continuity of service and minimising risk to service delivery.

DETAILS:

1. In 2008 the Council and Surrey CCGs (then Surrey Primary Care Trust), under a Section 75 agreement, commissioned both targeted and specialist mental health services in parallel, to ensure that children and young people had a seamless pathway. SaBP are the incumbent provider of both targeted and specialist mental health services for children and young people in Surrey.

2. In September 2013 Cabinet approved the negotiation of a Section 75 agreement between the Council and Surrey CCGs. Review of need,

increased service demand and changes in funding contributions has necessitated multiple variations to the agreement drafted based on the initial approval by Cabinet. To address the required changes a new Section 75 has been drafted by the Council's Legal team in order to ensure risk is shared and effectively managed by both partners.

3. To align with the commissioning and procurement timeline the new Section 75 Agreement will be four years long, effective from 1 April 2014 and expiring on 31 March 2018, with an option to extend for one year. The extension of the contract with SaBP for CAMHS and the HOPE Service will form part of this Section 75 agreement.

4. In February 2014 Cabinet Members approved the award of 1 year contracts from 1 April 2014 – 31 March 2015 to the incumbent providers of targeted CAMHS and HOPE in order to align the targeted SCC contracts with the specialist CCG contracts. The Cabinet should be aware that arrangements will also be made to extend the three complimentary lower value contracts with Virgin Care, First Community Health and CSH Surrey. 11

5. The Council and the Surrey CCG Collaborative which jointly represents the 6 CCGs in Surrey agreed that NHS Guildford and Waverley CCG will lead the procurement for a new targeted and specialist CAMHS and HOPE service. This is planned to commence in 2015 with new services expected to be in place by April 2016.

6. NHS Guildford and Waverley CCG will lead a joint single tender process in order to secure a lead provider for both targeted and specialist metal health services. The contract tendered will be for the duration of three years with an option to extend for up to two years.

7. The new service delivery model will improve performance monitoring and the safeguarding of children by joining up care pathways. The lead provider selected through a competitive tender process will be required to accept full accountability for the quality of service provision allowing children and young people to access mental health services based on individual need.

8. The Council and NHS Guildford and Waverley CCG undertook an extensive CAMHS engagement process from July 2014 - Oct 2014. Each of the 6 CCG Governing Bodies will be considering the benefits of increasing investment within the specialist CAMHS during January 2015 which will finalise the budget available for tendering and potentially require additional variations to the Section 75 agreement

9. A consortium agreement is in place outlining governance arrangements and stipulating roles and responsibilities for SCC and CCG staff involved in the tender. The consortium agreement will be signed by all six CCG Chief Officers and the Council.

10. The targeted services contract with SaBP which is commissioned by the Council delivers services that promotes good mental health and wellbeing and addresses the mild to moderate mental health needs of vulnerable children and young people. Extending the current contract which expires in March 2015 to align it with the Specialist CAMHS contract commissioned by the Surrey CCG Collaborative is critical for ensuring care and treatment pathways are safe and maintained.

CONSULTATION:

11. SCC and CCG Commissioners and colleagues from Procurement, Finance and Legal have been involved in the joint commissioning and procurement project.

12. Extensive engagement with young people, parents, carers and professionals within the mental health and related services has been undertaken to determine current and future needs.

RISK MANAGEMENT AND IMPLICATIONS:

13. The new Section 75 will include amended payment terms to ensure any potential service overspend is managed by both partners.

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14. The contract extension will include a termination provision which protects the Council in the case of an unsatisfactory performance of service and/or any significant changes in legislation or Council Policy which will impact on the existing services. These provisions allow the Council to amend the contract with three months notice or if termination is required, six months notice will be given to the provider.

15. The following key risks associated with the contract extension and Section 75 have been identified, along with mitigation activities:

Category	Risk Description	Mitigation Activity
Financial	a) An increase in demand for services could result in an increased cost for the Council to deliver these services. b) Section 75 agreement fails to get sign off and therefore funding from CCGs is not as expected.	• Targeted CAMHS - Integrated monthly operational and quarterly contract review meetings will continue be held with SCC and CCG commissioners present to monitor the pooled budget reporting. • HOPE Service – HOPE Management Board will continue to provide financial oversight of budget. • Dedicated officer working with CCGs to ensure sign off is obtained and communication lines remain strong.
Service	a) Potential risk that the current levels of service quality may decline and the service does not deliver during the tender period.	• Effective contract management and review meetings will mitigate the risk of a decline in service quality. • Engagement with the voluntary, community and faith sector and service users and their families will inform the continuous improvement of this service.

		• The contract terms and conditions enable early termination if the provider fails to deliver a satisfactory service or if the tender exercise is completed earlier than expected.
Procurement	a) Delay in joint procurement process, new service does not commence in April 2016	• The existing contract terms and conditions allow for extensions of up to two years. This will provide sufficient time for the procurement of both targeted and specialist services. Indicative timelines provided by Guildford and Waverly CCG indicate that a period of 12 months is required to complete the procurement process.

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Financial and Value for Money Implications

16. The value of the Section 75 agreement is £3,842,000 per annum based on current committed funding by the Council and the CCG Collaborative. This is currently under review and may vary in line with service needs and SCC and CCG budgetary requirements. The Section 75 will fund the CAMHS and HOPE element of the contract extension with SaBP and other services not included in this report. Please refer to table below for a breakdown of current contributions within the Section 75 agreement.

S75 Agreement

	SCC Funding £	CCG Funding £	Total £
CAMHS Pooled Budget	1,220,000	1,061,000	2,281,000
Hope Pooled Budget	733,000	828,000	1,561,000
Total	1,953,000	1,889,000	3,842,000

17. The value of the SaBP contract extension will be £2,619,543 per annum. The table below provides a breakdown of the financial expenditure based on historical spend that is associated with the current contract per annum.

Contract Extension

	S&B Contract Extension £
CAMHS Pooled Budget	1,733,371
HOPE Pooled Budget	612,000
Other Complimentary Services	274,172
Total	2,619,543

18. Other complimentary services in the table above include the HOPE rental payments, Primary Mental Health Workers for Youth Support Service, Care Leavers Dedicated Mental Health Worker and the Out of Hours Family Therapist all of which are funded by the Council in addition to the contributions made within the Section 75 agreement.

Section 151 Officer Commentary

19. The Section 151 Officer acknowledges that these contracts are requiring an extension of up to two years to ensure continuity of service provision. The figures quoted in section 16 and 17 are an accurate reflection of the current Section 75 and SaBP contract costs. S151 approval is conditional on the signing of the Section 75 agreement, the signed Section 75 will provide assurance that the agreed funding will be available from the CCGs.

Legal Implications – Monitoring Officer

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20. Under Section 17 of the Children Act 1989, every local authority (in addition to other duties imposed on them) is under a duty to safeguard and promote the welfare of children within their area who are in need, by providing a range and level of services appropriate to those children's needs. Additionally, section 11 of the Children Act 2004 places a duty on every local authority to make arrangements for ensuring that their functions are discharged having regard to need to safeguard and promote the welfare of children. The duties include the provision of the services mentioned above. Extending the contracts will enable the Council to continue to meet its statutory duties.

21. The Council by re-negotiation and agreeing to enter into a new Section 75 agreement with the CCGs will continue to work in the spirit of partnership to meet the responsibilities for the provision of the services and will also enable it comply with its obligations under the Health and Social Care Act 2012 to-operate with its partners to promote the well being of children.

Equalities and Diversity

22. The use of the pooled budget to commission services will comply with the general duty imposed upon public authorities by the Equality Act 2010.

23. There is no change in policy or service so no Equality Impact Assessment has been completed.

Other Implications:

24. Procurement and the Children's Social Care Commissioning Team have ensured that the chosen strategy is aligned internally with:

- The Children's and Young People's Strategy 2012 – 2017
- SCC Procurement Strategy 2012 – 2017
- SCC Business Services Directorate Strategy 2013 - 2018
- SCC Chief Executives Office Directorates Strategy 2013 – 2018
- SCC Corporate Strategy 2013 – 2018

Corporate Parenting/Looked After Children implications

25. There are currently children and young people who are Looked After who use targeted CAMHS and the HOPE service. Extending the contract with SaBP ensures children looked after will continue to be supported.

Safeguarding responsibilities for vulnerable children and adults implications

26. The terms and conditions of the contract stipulate that SaBP will comply with all Children and Young People Safeguarding Multi - Agency procedures, legislative requirements, guidelines and good practices as recommended by the Council/ Surrey Safeguarding Children Board. This will continue to be monitored through integrated contract management meetings.

WHAT HAPPENS NEXT:

27. The timetable for implementation is as follows:

Action	Date
Cabinet decision to award (including 'call-in' period)	03/02/2015
Standstill Period	2 weeks
Contract Extension Letter	18/02/2015
Contract Extension Commencement Date	01/04/2015

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Contact Officer:
Cindy Nadesan - Category Specialist, Procurement
Tel: 020 8213 2741
Jude Milan - Commissioner, Children's Social Care and Wellbeing Commissioning
Tel: 020 8213 2678

Consulted:
Ian Banner– Head of Children's Services Commissioning
Angela Sargeant - CAMHS Service Development Manager
Laura Langstaff - Head of Procurement
Emma Law – Category Manager, Children and Young People
Paula Chowdhury - Strategic Finance Manager for Children, Schools and Families
Louise Simpson - Senior Principal Accountant (Projects)
Ayo Owusuh – Contracts and Procurement Lawyer
Diane McCormack - Head of Children with Complex and Specialist health needs inc: CAMHS NHS Guildford and Waverley CCG
Sarah Parker – Deputy Director for Children's Commissioning NHS Guildford and Waverley CCG

Annexes:
None

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SURREY COUNTY COUNCIL

CABINET

DATE: **3 FEBRUARY 2015**

REPORT OF: **MRS LINDA KEMENY, CABINET MEMBER FOR SCHOOLS AND LEARNING**

MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES

LEAD OFFICER: **PETER-JOHN WILKINSON, ASSISTANT DIRECTOR FOR SCHOOLS AND LEARNING**

JOHN STEBBINGS, CHIEF PROPERTY OFFICER

SUBJECT: **SAYES COURT PRIMARY SCHOOL, ADDLESTONE**

SUMMARY OF ISSUE:

To approve the Business Case for the expansion of Sayes Court Primary School from a 1 Form of Entry Primary (210 places) to a 2 Form of Entry Primary (420 places) creating 210 additional places in Addlestone to help meet the basic need requirements in the Addlestone area from September 2015.

RECOMMENDATIONS:

It is recommended that, subject to the agreement of the detailed financial information for the expansion as set out in agenda item 17 in Part 2 of this agenda, the business case for the provision of an additional 1 form of entry (210 places) primary places in Addlestone be approved.

REASON FOR RECOMMENDATIONS:

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

DETAILS:

Background

1. Surrey County Council, in partnership with the Sayes Court Academy (converted to an Academy with the Bourne Education Trust (BET) a Multi Academy Trust (MAT) in June 2014), is proposing that the school expands from a 1 Form of Entry (FE) primary school with a Published Admission Number (PAN) of 30 (total capacity of 210 pupils), to a 2 Form of Entry primary school with a Published Admission Number (PAN) of 60 (total capacity of 420 pupils). This proposal will become effective from September 2015. Additional accommodation will be provided at the school to cater for the additional pupils joining the school.

2. Demand for school places has increased significantly in Runnymede in recent years. Increases in demand are not uniform across the Borough with some areas experiencing more pressure than others. Addlestone is an area where

the pressure has increased over the last three to four years. There are eight primary schools in Addlestone with a collective PAN of 270 (the number of places those schools admit at Reception). A further 30 places at Reception in the area will help meet the additional demand and provide a small number of spare places to enable some degree of parental choice.

3. Surrey County Council believes that local schools should serve their local communities. Sayes Court is in good proximity to the main pupil population in Addlestone. In 2013, there were 96 reception age pupils living within half a mile of the school against an available 30 places, with a similar number in 2014.

4. Sayes Court was formerly a 2FE junior school so there is some spare capacity in existing buildings which will be important when planning the project. The site is more than large enough for a 2FE primary school with no significant planning policy constraints identified at this stage. Surrey County Council will be able to phase the project avoiding the need for temporary accommodation. Given the nature of the sites that other primary schools occupy, there are few alternatives to expanding Sayes Court that are deemed acceptable from a cost and planning point of view. The proposals comprise a single storey teaching block providing 6 classrooms, group room and associated storage and toilets. There is some internal remodelling of the existing building to provide a larger staff room. Two additional car parking spaces are also to be provided.

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5. While it is the local Authority's aim as far as possible, in line with Government policy, to expand schools judged by Ofsted to be 'Good', Sayes Court has made good progress within the BET since its 'Inadequate' judgement in June 2013. Its latest Ofsted monitoring visit last year reported that the school has exceptionally strong leadership in the Head teacher, well supported by the BET and the Local Authority. With limited alterative solutions, it is therefore felt appropriate to propose the expansion of Sayes Court at this time.

CONSULTATION:

6. Public consultation was undertaken on this proposal in January 2014. A consultation document was published to all statutory stakeholders including parents and local residents. The document was published on 14 January 2014 with consultation responses required by 14 February 2014. Taking into account the responses to the consultation, the Cabinet Member approved to publish notices on the proposal on 12 March 2014.

7. Following this decision and the completion of a feasibility study, public notices were published at the school on 15 May 2014 indicating the Local Authority's intention to implement the proposal and inviting any further representations from the local community before a final decision is made. There were no representations made during this period.

RISK MANAGEMENT AND IMPLICATIONS:

8. The current strategy is to create additional classroom accommodation to the rear of the site which is well screened from existing residential properties. There are no significant planning risks at this stage. The delivery team will work closely with the schools management and contractor to manage construction risks and ensure the site is safe for pupil, staff and visitors.

9. The planning application will be considered by the Planning and Regulatory Committee at its meeting on 25 February 2015.

10. There are risks associated with the project and a project risk register has been compiled and is regularly updated. A contingency allowance appropriate to the scheme has been included within the project budget to mitigate for potential unidentified risks.

Financial and Value for Money Implications

11. The project will be subject to robust cost challenge and scrutiny to drive optimum value as it progresses. Further financial details are set out in the report circulated in Part 2 of the agenda. These details have been circulated separately to ensure commercial sensitivity in the interests of securing best value.

Section 151 Officer Commentary

12. The Section 151 Officer confirms that this scheme is included in the 2014/19 Medium Term Financial Plan.

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Legal Implications – Monitoring Officer

13. Section 13 of the Education Act 1996 places a duty on a Local Authority (with responsibility for education) to ensure sufficient primary and secondary education provision is available to meet the needs of the population in its area.

Equalities and Diversity

14. The expansion of the school will not create any issues, which would require the production of an Equality Impact Assessment.

15. The new school building will comply with Disabilities Discrimination Act (DDA) regulations. The expanded school will provide employment opportunities in the area.

16. The school will be for children in the community served by the school. The Admissions arrangements will give the highest priority to Looked After Children and pupils on the Special Educational Needs (SEN) register and/or those who would benefit from a statement of educational need, thus supporting provision for our most vulnerable children. Children with siblings will receive the next priority, followed by those children living closest to the school. There is no proposal to amend the admissions criteria, which is fully compliant with the Schools Admissions Code.

17. The school will be expected to contribute towards community cohesion and will be expected to provide the normal range of before and after schools clubs as are provided in a typical Surrey County Council school.

Corporate Parenting/Looked After Children implications

18. This proposal would provide increased provision for primary places in the area, which would be of benefit to the community served by the school. This means it would therefore also be of benefit to any Looked After Children who will attend the school.

Climate change/carbon emissions implications

19. The design philosophy is to create buildings that will support low energy consumption, reduce solar gain and promote natural ventilation. The school will be built to the local planning authorities adopted core planning strategy.

WHAT HAPPENS NEXT:

If approved, to proceed to complete tenders and subsequent contract award through delegated decision.

Contact Officer:

Keith Brown, Schools and Programme Manager – tel: 020 8541 8651
Nicholas Smith, School Commissioning Officer – tel: 020 8541 8902

Consulted:
Tony Samuels, Cabinet Associate for Assets and Regeneration Programmes
John Furey, Local Member for Addlestone in Runnymede and Cabinet Member for Highways, Transport and Flooding
Julie Fisher, Strategic Director for Business Services
Paula Chowdhury, Strategic Finance Manager – Business Services

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Annexes:
None - Part 2 report with financial details attached to agenda as item 17.

Sources/background papers:
- The Education Act 1996
- The School Standards Framework Act 1998
- The Education Act 2002
- The Education and Inspections Act 2006
- Report to Cabinet: Schools Capital Budget Allocations Service update based on latest or most appropriate report year and version

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SURREY COUNTY COUNCIL

CABINET

DATE: **3 FEBRUARY 2015**

REPORT OF: **MRS LINDA KEMENY, CABINET MEMBER FOR SCHOOLS AND LEARNING**

MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES

LEAD OFFICER: **PETER-JOHN WILKINSON, ASSISTANT DIRECTOR FOR SCHOOLS AND LEARNING**

JOHN STEBBINGS, CHIEF PROPERTY OFFICER

SUBJECT: **THE HYTHE PRIMARY SCHOOL, EGHAM**

SUMMARY OF ISSUE:

To approve the Business Case for the expansion of The Hythe Primary School from a 1 Form of Entry Primary (210 places) to a 2 Form of Entry Primary (420 places) creating 210 additional places in Egham to help meet the basic need requirements in the Egham and Hythe area in two phases. Phase 1 to be completed by September 2015, and Phase 2 to be completed by August 2016.

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RECOMMENDATIONS:

It is recommended that, subject to the agreement of the detailed financial information for the expansion as set out in agenda item 18 in Part 2 of this agenda, the business case for the provision of an additional 1 Form of Entry (210 places) primary places in Egham be approved.

REASON FOR RECOMMENDATIONS:

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

DETAILS:

Background

1. As with other areas of the County, there is increasing pressure for primary school places in the Egham and Hythe area of Runnymede. In addition to the demand generated by an increasing birth rate, there is a need to provide more school places in the Borough of Runnymede as a result of additional housing and net inward migration. The Local Authority has recently consulted and published statutory notices on the proposed expansion of The Hythe Primary School in partnership with the Governing Body of the school.

2. Surrey County Council, in partnership with the school is proposing that it expands from a one Form of Entry (FE) primary school with a Published Admission Number (PAN) of 30 (total capacity of 210 pupils), to a two Form of

Entry primary school with a Published Admission Number (PAN) of 60 (total capacity of 420 pupils). It is envisaged that Phase 1 of the expansion will be completed by September 2015, to allow for this increase in PAN.

3. Over the last two years the number of applications for a place in a reception class at primary schools in Runnymede has increased by over 140. The project at the Hythe will provide an additional form of entry to help meet this demand.

4. The Local Authority has a duty to secure diversity in the provision of schools and to increase opportunities for parental choice when planning the provision of schools. The Hythe Primary School is a popular school being oversubscribed in both 2012 and 2013, and was judged 'Good' at its last Ofsted inspection. This proposal therefore meets parental preferences.

5. The proposal is to deliver this project in two phases. Phase 1 will provide two classrooms in an extension to the existing main teaching block. This will allow the school to admit additional pupils in September 2015. Phase 2 will provide a separate teaching block with six classrooms, new staffroom and associated accommodation to be completed by August 2016. The entire school site is in Flood Zone 3 (high risk of flooding) and is subject to new flood prevention requirements introduced by the Environment Agency, following the severe flooding in the winter of 2013/14. This new building requires a complex design solution to raise the building above existing site levels. This will allow any future flood water to flow under the building and minimize the impact on the flood zone. The design is in accordance with the requirements of the Environment Agency for development in the flood zone.

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6. The main school entrance from Thorpe Road is very narrow and becomes particularly congested, notwithstanding the substantial road calming measures that are already in place. Accordingly for safety reasons and to alleviate congestion in the Thorpe Road, the project includes the provision of a temporary haul road along the edge of the playing fields from a secondary access to the rear of the site from Wendover Road for construction traffic.

7. To address the increase in pupil numbers and help mitigate additional congestion on Thorpe Road arising from the school expansion it is proposed that at the end of the project, the temporary haul road along the edge of the playing fields be converted to a permanent pedestrian footpath from Wendover Road. This will allow parents and pupils from the north and North West of the school to walk to school and enter the school site from the North West rather than the main entrance at Thorpe Road.

CONSULTATION:

8. Public consultation was undertaken on this proposal at the start of the 2013 -14 academic year. A consultation document was published to all statutory stakeholders including parents and local residents were informed. The document was published on 5 September with consultation responses required by 11 October 2013. In addition to this, two public meetings were held at the school on 12 September 2013. Following this consultation the Cabinet Member for Schools and Learning agreed to the publication of Statutory Notices stating the intent of the Council to pursue the expansion. No representations or responses were received against the Statutory Notice that was determined by the Cabinet Member on 15 January 2014.

RISK MANAGEMENT AND IMPLICATIONS:

9. The Hythe Primary School is on a tight site with difficult access arrangements. The preferred option is to extend the existing building in order to coherently suite classrooms into year groups separated by a central corridor. This is a more complicated delivery method than constructing a new standalone building. The delivery team will work closely with the school's management and contractor to manage construction risks and ensure the site is safe for pupils, staff and visitors.

10. The planning application will be considered by the Local Authority's Planning and Regulatory Committee at its meeting on 25 February 2015.

11. There are risks associated with the project and a project risk register has been compiled and is regularly updated. A contingency allowance appropriate to the scheme has been included within the project budget to mitigate for potential unidentified risks.

Financial and Value for Money Implications

12. The project will be subject to robust cost challenge and scrutiny to drive optimum value as it progresses. Further financial details are set out in the report circulated in Part 2 of the agenda. These details have been circulated separately to ensure commercial sensitivity in the interests of securing best value. 13

13. This scheme is part funded from the Targeted Basic Need Grant and the balance from the local authority's Medium Term Financial Plan.

Section 151 Officer Commentary

14. The Section 151 Officer confirms that this scheme is included in the 2014/19 Medium Term Financial Plan and that the scheme will receive funding through Targeted Basic Need Grant.

Legal Implications – Monitoring Officer

15. Section 13 of the Education Act 1996 places a duty on a Local Authority (with responsibility for education) to ensure sufficient primary and secondary education provision is available to meet the needs of the population in its area.

Equalities and Diversity

16. The expansion of the school will not create any issues, which would require the production of an Equality Impact Assessment.

17. The new school building will comply with Disabilities Discrimination Act (DDA) regulations. The expanded school will provide employment opportunities in the area.

18. The school will be for children in the community served by the school. The admissions arrangements will give the highest priority to Looked After Children and pupils on the Special Educational Needs (SEN) register and/or those who would benefit from a statement of educational need, thus supporting provision for our most vulnerable children. Children with siblings will receive the next

priority, followed by those children living closest to the school. There is no proposal to amend the admissions criteria which is fully compliant with the Schools Admissions Code.

19. The school will be expected to contribute towards community cohesion and will be expected to provide the normal range of before and after schools clubs as are provided in a typical Surrey County Council school.

Corporate Parenting/Looked After Children implications

20. This proposal would provide increased provision for primary places in the area, which would be of benefit to the community served by the school. This means it would therefore also be of benefit to any Looked After Children who will attend the school.

Climate change/carbon emissions implications

21. The design philosophy is to create buildings that will support low energy consumption, reduce solar gain and promote natural ventilation. The school will be built to the local planning authority's adopted core planning strategy.

WHAT HAPPENS NEXT:

13

If approved, to proceed to complete tenders and subsequent contract award through delegated decision.

Contact Officer:

Keith Brown, Schools and Programme Manager – tel: 020 8541 8651
Nicholas Smith, School Commissioning Officer – tel: 020 8541 8902

Consulted:
Tony Samuels, Cabinet Associate for Assets and Regeneration Programmes
Yvonna Lay, SCC Local Member – Egham – Runnymede
Julie Fisher, Strategic Director for Business Services
Paula Chowdhury, Strategic Finance Manager – Business Services

Annexes:
None - Part 2 report with financial details attached to agenda as item 18.

Sources/background papers:
- The Education Act 1996
- The School Standards Framework Act 1998
- The Education Act 2002
- The Education and Inspections Act 2006
- Report to Cabinet: Schools Capital Budget Allocations Service update based on latest or most appropriate report year and version

SURREY COUNTY COUNCIL

CABINET

DATE: **3 FEBRUARY 2015**

REPORT OF: **MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES**

LEAD OFFICER: **JOHN STEBBINGS, CHIEF PROPERTY OFFICER, BUSINESS SERVICES**

SUBJECT: **AWARD OF FRAMEWORK AGREEMENT FOR THE PROVISION OF GROUNDS MAINTENANCE SERVICES – NON SCHOOLS**

SUMMARY OF ISSUE:

This report seeks approval to award a framework agreement for the provision of Grounds Maintenance Services – Non Schools to commence on 1 April 2015 in two geographical lots to the recommended supplier.

The report provides details of the procurement process, including the results of the evaluation process and, in conjunction with the Part 2 report, demonstrates why the recommended framework agreement award delivers best value for money.

Due to the commercial sensitivity involved in the framework agreement award process the financial details of the potential suppliers have been circulated as a Part 2 report (item 19).

RECOMMENDATIONS:

It is recommended that the single supplier framework agreement is awarded to G. Burley and Sons Limited for two years with an option to extend for two further years for both lots, subject to the detailed financial information as set out in item 19, the confidential annex to this report.

REASON FOR RECOMMENDATIONS:

A full tender process, in compliance with the requirements of Public Contracts Regulations 2006 and the Council's Procurement Standing Orders has been completed, and the recommendations provide best value for money for the Council following a thorough evaluation process.

DETAILS:

Background

1. The Council currently has two agreements for grounds maintenance services which both expire on 31 March 2015.

2. The services through the new arrangement will be consolidated into one framework agreement with a single supplier for all Non Schools property to allow cost savings through economies of scale, avoid excessive costs for separate agreement management fees and improve overall service levels.

3. The services associated with the existing agreements cover both cyclical and reactive works but exclude arboriculture services.

Procurement Strategy and Options

4. A full tender process, compliant with the Public Contracts Regulations 2006 and the Council's Procurement Standing Orders, has been carried out using the Council e-Procurement systems following the receipt of authority from Procurement Review Group (PRG) on 20 May 2014. This included advertising the framework agreement opportunity in the Official Journal of the European Union (OJEU) on 21 May 2014.

5. Several procurement options were considered when completing the Strategic Procurement Plan (SPP) prior to commencing the procurement activity. These included:

   a) continuing to provide the service as explained above;

   b) purchasing through an existing external framework to which the Council as a named user has access or;

   c) going out to tender for a new framework agreement.

6. After a full and detailed analysis the option chosen was to run a tender process as described in paragraph 5(c) set out above. This option was selected because, if the option as described in 5(a) was chosen, the Council would not have had the opportunity to review and improve services levels, and costs for management would increase disproportionally to the annual spend and no savings would be gained and if the option as described in 5(b) above was selected, the available frameworks would expire before the end of the agreement term that is proposed for the Council.

7. A joint procurement and project team was set up to include representatives from Property Services, Financial Services, Legal Services and Procurement.

8. The tender document divided the framework agreement into two separate geographical lots being Lot 1 – East Surrey and Lot 2 – West Surrey. All shortlisted suppliers from the pre-qualification stage were invited to tender for both lots.

9. Once awarded the framework agreement will also be available to other local authorities in the south east via an access agreement to call off to meet their own individual requirements.

10. This report recommends that a framework agreement for the provision of Grounds Maintenance Services – Non School to commence on 1 April 2015 is awarded to the supplier G. Burley and Sons Ltd.

Use of e-Tendering and market management activities

11. In order to open the tender process to a wider range of suppliers than have previously been involved, the Council's electronic tendering platform was used.

12. Use of the electronic platform represents a major change from previous paper based processes for this particular contract, and introduced a competitive process that was open and transparent to all involved.

Key Implications

13. By awarding a framework agreement to G. Burley and Sons Limited as recommended for the provision of Grounds Maintenance Services to Non Schools for both geographical lots to commence on 1 April 2015, the Council will be meeting its duties and ensuring best value for money for this service.

14. On award of the framework agreement there will be a five week mobilisation period.

15. Performance will be monitored through a series of Key Performance Indicators which have been proposed by the framework agreement as part of the tender submission and are to be finalised during mobilisation with the Council and reviewed at monthly operations meetings.

16. The management responsibility for the framework agreement lies with the performance officer for Property, Business Services and will be managed in line with the framework agreement Management Strategy and plan as laid out in the framework agreement documentation. This also allows for review of performance and costs, including inflationary increases at the discretion of the Council for any extended contract term in line with industry standard and efficiencies from identified continuous improvements in performance.

Competitive Tendering Process

17. The framework agreement has been let as a competitive tendering exercise. It was decided that the restricted process which includes a pre-qualification stage to ensure the best suppliers are selected to go through to full tender was appropriate.

18. For the pre-qualification stage, suppliers expressing interests in the advertised tender opportunity were evaluated to ensure that they had the required legal, financial and technical capacity (including their health & safety and equal opportunities policies) to undertake the provision of the services to the Council. Six out of the 21 suppliers who expressed an interest were shortlisted.

19. An invitation to tender was sent to these six suppliers, who were given 35 days to complete and submit their tender. Two tender responses were received from suppliers. These tender submissions were then evaluated against the quality and commercial criteria and weightings, the results being that G. Burley and Sons Limited scored highest, with a total score of 85.6% for both Lot 1 and Lot 2.

CONSULTATION:

20. Key stakeholders have been consulted at all stages of the commissioning and procurement process including Procurement, Legal Services, Property and Business Services and Finance.

RISK MANAGEMENT AND IMPLICATIONS:

21. Risks were appropriately identified and have been satisfactorily mitigated. These included operational issues around approach to and management of health and safety, quality assurance, financial stability of the suppliers and viability, environmental impact for disposal of waste and carbon off-setting, approach to business continuity planning and customer satisfaction.

22. The framework agreement includes a termination provision to allow the Council to terminate the agreement with three months notice should priorities change.

23. All short listed suppliers successfully completed satisfactory financial checks as well as checks on competency in delivery of similar framework agreements at the Pre-qualification stage.

24. The successful supplier will be required to provide either a performance bond or parent company guarantee against failure.

Financial and Value for Money Implications

26. Full details of the framework agreement’s value and financial implications are set out in the Part 2 report.

27. The procurement activity has delivered a solution within budget and identified savings to the value of £68,000.

28. The new framework agreement will mean a decrease in costs, as well as an improvement in the service levels being delivered.

Section 151 Officer Commentary

29. The Section 151 Officer confirms that the cost of approving the recommended supplier is provided for in the current MTFP and that the report sets out clearly the reasons for the recommended award of framework agreement.

Legal Implications – Monitoring Officer

30. The Council has undertaken a competitive procurement exercise in accordance with the EU procurement regulations, to engage the supplier for the provision of Grounds Maintenance Services – Non Schools services.

Equalities and Diversity

31. The need for an Equality Impact Assessment (EIA) was considered, however, a conclusion was reached that as there were no implications for any public sector equalities duties due to the nature of the services being procured, an EIA was not required. Despite this, the preferred supplier will be required to comply with the Equalities Act 2010 and any relevant codes issued by the Equality and Humans Commission.

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32. The framework agreement also requires the supplier to comply with the Council's Recruitment and Selection and Safer Recruitment policies when dealing with safeguarding responsibilities for vulnerable children and adults implications.

Other Implications:

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

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No significant implications arising from this report
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report
Public Health	No significant implications arising from this report
Climate change	99% of green waste generated will be recycled. A carbon neutral service is offered by the new supplier through the planting of trees.
Carbon emissions	Low emission machinery, tools and vehicles will be used where possible.

34. The incoming supplier will be required to provide an exit plan for the framework agreement within six months of the commencement date of the agreement.

WHAT HAPPENS NEXT:

35. The timetable for implementation is as follows:

Action	**Date**
Cabinet decision to award	3 February 2015
Cabinet call in period	5 February to 12 February 2015
'Alcatel' Standstill Period	12 February to 23 February 2015
Framework agreement Signature	February 2015
Framework agreement Commencement Date	April 2015

36. The Council has an obligation to allow unsuccessful suppliers the opportunity to challenge the proposed framework agreement award. This period is referred to as the 'Alcatel' standstill period.

Contact Officer:
Sara Walton, Category Specialist – Procurement and Commissioning, Business Services, Tel: 020 8541 7750
Consulted:
Surrey Property and Business Services
Surrey Procurement and Commissioning
Surrey Legal and Finance Department

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SURREY COUNTY COUNCIL

CABINET

DATE: 3 FEBRUARY 2015

REPORT OF: N/A

LEAD OFFICER: ANN CHARLTON, DIRECTOR OF LEGAL AND DEMOCRATIC SERVICES

SUBJECT: LEADER/DEPUTY LEADER/CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING

SUMMARY OF ISSUE:

To note the delegated decisions taken by Cabinet Members since the last meeting of the Cabinet.

RECOMMENDATIONS:

It is recommended that the Cabinet note the decisions taken by Cabinet Members since the last meeting as set out in Annex 1.

REASON FOR RECOMMENDATIONS:

To inform the Cabinet of decisions taken by Cabinet Members under delegated authority.

DETAILS:

1. The Leader has delegated responsibility for certain executive functions to the Deputy Leader and individual Cabinet Members, and reserved some functions to himself. These are set out in Table 2 in the Council's Scheme of Delegation.

2. Delegated decisions are scheduled to be taken on a monthly basis and will be reported to the next available Cabinet meeting for information.

3. **Annex 1** lists the details of decisions taken by Cabinet Members since the last Cabinet meeting.

Contact Officer:
Anne Gowing, Cabinet Committee Manager, 020 8541 9938

Annexes:
Annex 1 – List of Cabinet Member Decisions

Sources/background papers:
- Agenda and decision sheets from the Cabinet Member meetings (available on the Council's website)

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CABINET MEMBER DECISIONS

JANUARY 2015

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(i) Counter Fraud Fund

Details of decision

That the use of the funds received from the Department of Communities and Local Government, as a result of the successful bid for counter fraud fund monies be approved, in accordance with the bid submission.

Reasons for decision

The Council maintains a zero tolerance approach to fraud and has made a commitment to encourage the prevention of, and promote the detection of fraud.

Delivering the planned programme of counter fraud activity is expected to deliver financial savings of £1.68m across the participating Surrey Councils by 2016/17.

(Decision of Leader of the Council – 14 January 2015)

(ii) Determination of Statutory Notices relating to the expansion of Bishop David Brown School

Details of decision

That the responses to the statutory notice indicating the Local Authority's intention to proceed with the proposal to expand the premises of the school were considered and the statutory notice be approved so that the expansion could take place.

Reasons for decision

The proposed expansion of Bishop David Brown School is part of a suite of proposals that increase the number of secondary school places available within the Borough and contribute to the Council meeting its statutory duty of providing sufficient school places.

(Decision of Cabinet Member for Schools and Learning – 15 January 2015)

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