SURREY
COUNTY COUNCIL

Agenda and Reports

for the meeting of

THE COUNTY COUNCIL

to be held on

9 FEBRUARY 2016

County Hall
Kingston upon Thames
Surrey

29 January 2016

TO THE MEMBERS OF SURREY COUNTY COUNCIL

SUMMONS TO MEETING

You are hereby summoned to attend the meeting of the County Council to be held in the Council Chamber, County Hall, Kingston upon Thames, Surrey KT1 2DN, on Tuesday, 9 February 2016, beginning at 10.00 am, for the purpose of transacting the business specified in the Agenda set out overleaf.

DAVID McNULTY
Chief Executive

Note 1: *For those Members wishing to participate, Prayers will be said at 9.50am. Rev. Dr Kuhan Satkunanayagam from St Mary's Church, Long Ditton has kindly consented to officiate. If any Members wish to take time for reflection, meditation, alternative worship or other such practice prior to the start of the meeting, alternative space can be arranged on request by contacting Democratic Services.*

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

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

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

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

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

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

1 APOLOGIES FOR ABSENCE

The Chairman to report apologies for absence.

2 MINUTES (Pages 1 - 12)

To confirm the minutes of the meeting of the Council held on 8 December 2015.

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

3 CHAIRMAN'S ANNOUNCEMENTS (Pages 13 - 14)

The Chairman to report.

A list of Her Majesty the Queen's New Year Honour's List 2016 is included within the agenda papers. The Chairman has written letters of congratulations to all those who have received awards for services to Surrey communities.

4 DECLARATIONS OF INTEREST

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

NOTES:

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

5 REVENUE AND CAPITAL BUDGET 2016/17 TO 2020/21 AND TREASURY MANAGEMENT STRATEGY (Pages 15 - 118)

This report is for County Council to approve:

1. the draft revenue and capital budgets for the five year period 2016-21, which is collectively known as the council's Medium Term Financial Plan (MTFP); and

2. the level of the council tax precept for 2016/17; and

3. the revised treasury management strategy, including the borrowing

and operation limits (prudential indicators) for 2016/21; the policy for the provision of the repayment of debt (minimum revenue provision (MRP)) and the treasury management policy.

The information in the report is based on the Provisional Local Government Finance Settlement (Provisional Settlement) with final figures not expected till early February 2016. There has been considerable 'shock' in the Provisional Settlement figures over those that were reasonably expected. This is due to late Government changes, which means that while the Council is able to present a balanced budget for 2016/17, this does assume full delivery of significant savings, use of a significant level of reserves, use of capital receipts and provision of transitional relief from Government to compensate for the degree of 'shock' in the Provisional Settlement. The same applies for 2017/18. Without the assumed transitional relief, the Council is not able to present a sustainable budget and even with this, requires an unprecedented programme of transformation to balance future years.

Additionally, the best available information on service price rises and demographic demand have been reflected in the service cash limits, but there is inherent uncertainty in these, given the changes in national and local circumstances.

6 MEMBERS' QUESTION TIME

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

(Note: Notice of questions in respect of the above item on the agenda must be given in writing, preferably by e-mail, to Anne Gowing in Democratic Services by 12 noon on <u>Wednesday 3 February 2016</u>).

7 STATEMENTS BY MEMBERS

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

(Note: Notice of statements must be given in writing, preferably by e-mail, to Anne Gowing in Democratic Services by 12 noon on Monday 8 February 2016).

8 REPORT OF THE CABINET

(Pages 119 - 130)

To receive the report of the meeting of the Cabinet held on 15 December 2015 and 2 February 2016 and to agree two recommendations in respect of:

(i) Confident in Surrey's Future: Corporate Strategy 2016 - 2021

(ii) Admission Arrangements for Surrey's for Surrey's Community & Voluntary Controlled Schools and Co-ordinated Schemes for all schools for September 2017.

9	**REPORT BACK FROM THE ECONOMIC PROSPERITY, ENVIRONMENT AND HIGHWAYS SCRUTINY BOARD ON THE REFERRED MOTION**	(Pages 131 - 138)
	At its meeting on 26 January 2016, the Economic Prosperity, Environment and Highways Scrutiny Board considered a motion in the name of Mrs Hazel Watson, referred to it by Council on 8 December 2015.	
10	**MINUTES OF THE MEETINGS OF THE CABINET**	(Pages 139 - 154)
	Any matters within the minutes of the Cabinet's meetings, and not otherwise brought to the Council's attention in the Cabinet's report, may be the subject of questions and statements by Members upon notice being given to Anne Gowing in Democratic Services by 12 noon on Monday 8 February 2016.	

MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE

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

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

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

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

Thank you for your co-operation

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COUNTY COUNCIL

COUNCIL MEETING - 8 DECEMBER 2015

MINUTES of the meeting of the Council held at the Council Chamber, County Hall, Kingston upon Thames, Surrey KT1 2DN on 8 December 2015 commencing at 10.00 am, the Council being constituted as follows:

Sally Marks (Chairman)
Nick Skellett CBE (Vice-Chairman)

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

*absent

73/15 APOLOGIES FOR ABSENCE [Item 1]

Apologies for absence were received from Mrs Angell, Mrs Bowes, Mrs Bramhall, Mrs Coleman, Mrs Frost, Mr Fuller, Dr Grant-Duff, Mr Hickman, Mr Orrick and Mr Wilson.

74/15 MINUTES [Item 2]

The minutes of the meeting of the County Council held on 13 October 2015 were submitted, confirmed and signed.

75/15 ELECTION OF A COUNTY COUNCILLOR [Item 3]

The Chief Executive formally reported that Mr Karan Persand was duly elected as the new County Councillor for the Epsom West division following the by-election held on 19 November 2015.

76/15 CHAIRMAN'S ANNOUNCEMENTS [Item 4]

The Chairman made the following announcements:

- The sad news of the passing of Richard Rothwell, former County Councillor for Epsom & Ewell North East from 1993-2001. Members stood in silent tribute.

- That Surrey Public Health Lead, Maya Twardzicki recently received a national award from the Royal Society of Public Health for outstanding and innovative contributions to Arts and Health practice and research. The award was presented by General the Lord Dannatt on 18 November at the Royal Society of Public Health in London, to all the Home Front project partners.

- That Denise Le Gal had been recognised as Elected Member of the Year at the Local Government Chronicle Investment (LGC) Awards. In addition, the Surrey County Council Pension Fund won ‘fund of the year’ for funds above £2billion.

- That Lynne Owens, who had been Chief Constable of Surrey Police since February 2012, had just been appointed Director General of the National Crime Agency. She informed Members that she would be writing to her to offer her congratulations.

- HRH Prince Edward, the Earl of Wessex’s had recently unveiled the new peace garden at the Woking Muslim Burial Ground and said this was part funded by the Community Improvements Fund.

- That she had attended the Surrey Sports Awards ceremony at the H G Wells Centre last week to present a Disability Sport Award, on behalf of the County Council, to Paul Phillips of Frensham Pond Sailability in Farnham.

- SEND 2020 programme – she advised Members that officers working to improve the experiences of families, children and young people with special educational needs and disabilities were keen to hear from Members and there would be a team of officers outside the Ashcombe Suite at lunchtime.

- That she would be replacing David Munro as the Chairman of the Surrey Civilian Military Partnership Board, and thanked him for his work in this area.

- That Surrey had recently successfully hosted the County Council Network (CCN) Conference in Guildford.

77/15 DECLARATIONS OF INTEREST [Item 5]

There were none.

78/15 LEADER'S STATEMENT [Item 6]

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

Members raised the following topics:

- The 2% rise on council tax to help fund Adult Social Care in 2016 and that the system will operate differently in two tier authorities and therefore, it was requested this matter be brought to the Government Minister's attention.
- That acquisition of investment properties by the Council should be confined to purchasing properties within Surrey.
- Following the motion at the last County Council meeting in relation to the migration crisis, an update on the position relating to the number of Syrian refugees accepted by the County was requested.

79/15 MEMBERS' QUESTION TIME [Item 7]

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

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

(Q3) Mrs Watson asked the Leader of the Council if the route for the Prudential Ride London event could be varied each year and was informed that the route would be agreed with the London Marathon company but that the County Council would take into account the best route for the event. He also reminded Members that the event had generated £1.2m for local sporting and recreational charities.

(Q7) Mr Harrison suggested that the threat of possible closures of some Community Recycling Centres (CRCs), as part of the proposals to make savings, was a sham and asked the Cabinet Member for Environment and Planning if he agreed. The Cabinet Member said that possible closures had formed part of the consultation process. Details of all proposals for savings had been analysed and there would be a further report to the Economic Prosperity, Environment and Highways Scrutiny Board in January.

(Q8) Mr Barker asked the Cabinet Member for Environment and Planning why no data relating to Guildford Borough was included in the table. He was advised that this information had been requested but not yet received. It was also noted that

there was a problem with the tabulation of the table and the Cabinet Member agreed to re-issue it to all Members.
Mr Beardsmore drew the Cabinet Member's attention to the high pollution in the Sunbury Cross / Staines area of Spelthorne, where he said there was the highest concentration of schools in Surrey and said this was of concern to him.

(Q9) Mr Essex asked the Cabinet Member for Wellbeing and Health if she intended to lobby Government for fairer funding for public health in Surrey. She confirmed that this would happen, as she had stated at the last Cabinet meeting.

(Q10) Mr Robert Evans said that whilst a facsimile copy of the 1297 Magna Carta would be welcome, he was interested in pursuing and obtaining the original copy from the Australian Government and asked the Cabinet Member for Wellbeing and Health for her views. She considered that the original would cost a great deal of time, effort and money and that the County's priorities were to concentrate on providing services for Surrey residents. However, she hoped that a facsimile copy would be possible and this could be displayed at County Hall in the future.

(Q12) Mr Sydney asked if this response could be shared with his local residents. This was confirmed in the verbal response from the Cabinet Member for Localities and Community Wellbeing. Mr Sydney also considered that the Internal Audit team's report on the Community Partner Libraries (CPL) had contained a number of inaccuracies which he would be taking up outside the meeting. He also questioned the success of CPLs, saying that they were running at a lower footfall than before. The Cabinet Member considered that he had provided a factual response and assured Mr Sydney that he would continue to update him on the future arrangements for Lingfield library.

(Q14) Mr Essex asked the Cabinet Member for Environment and Planning what investment would be required to deliver the proposed £8m savings for Surrey Waste Partnership (SWP) and was advised that SWP did not normally invest in capital so the Council would be re-looking at how the budget was allocated to enable Surrey to achieve its recycling targets.

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

Members made the following comments:

- Good wishes and thanks to Dave Sargeant, Strategic Director for Adult Social Care, who had worked in the service in Surrey for 32 years and would be retiring at the end of December 2015. Members wished him a long and happy retirement. They also welcomed the appointment of Helen Atkinson as Head of the combined Adults and Public Health Services.
- Rail – three priority options identified in the 2013 Surrey Rail document were set out in the Cabinet Member for Environment and Planning's briefing. He was asked if there was a similar document for South West trains and its on-going consultation. The Cabinet Member agreed to make this available to Members.
- Community Recycling Centres – the Cabinet Member for Environment and Planning was asked about negotiations taking place to transfer these centres to Boroughs and Districts. The Cabinet Member informed Members that the matter was still being considered by the Strategic Director and that he had no updates to report at present.

- On behalf of the Spelthorne area, thanks were expressed to the local Highways team, who had responded to 8,000 calls since January, most of which had been satisfactorily resolved.

80/15 STATEMENTS BY MEMBERS [Item 8]

There were no statements from Members.

81/15 ORIGINAL MOTIONS [Item 9]

ITEM 9(i)

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

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

'This Council notes:

(i) the findings of the most recent Footways Network Survey, showing that a third of all the county's footways are either "functionally or structurally impaired".

(ii) that models produced by the Council's highways team show that the current low levels of capital investment in the county's footways will lead to a continued deterioration in their condition, with 40% of the county's footways expected to be "functionally or structurally impaired" by 2028.

In light of these worsening conditions, this Council requests the Cabinet to give much higher priority to the funding of footway resurfacing, re-paving and repair to improve the condition of Surrey's footway network for the benefit of pedestrians.'

Mr Cooksey made the following points in support of his motion:

- That most footways were in a deplorable state and little maintenance was undertaken to improve them.
- The County's footways were a hazard for residents to contend with on a daily basis.
- The Footways Network Survey provided data which demonstrated that one-third of the County's footways were in an unacceptable condition.
- There was insufficient funding in the highways budget for footway improvements and there would be a continued deterioration of their condition.
- Project Horizon focussed on highway and not footway improvements.

The motion was formally seconded by Mr Goodwin, who said that footways were an integral part of the highways and should be a higher priority for maintenance and repairs. He said that although some Members, including himself, had used their local allocations for repairing footways in their divisions, there was insufficient funding for local committees to undertake this work in many instances.

Mr Furey moved an amendment, which was tabled at the meeting. The amendment was formally seconded by Mr Harmer.

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

'This Council notes:

(i) the findings of the most recent Footways Network Survey, showing that a third of all the county's footways are either "functionally or structurally impaired".

(ii) that models produced by the Council's highways team show that the current low levels of capital investment in the county's footways will lead to a continued deterioration in their condition, with 40% of the county's footways expected to be "functionally or structurally impaired" by 2028.

In light of these worsening conditions, this Council requests the Cabinet to give **as great a priority as it can** ~~much higher priority~~ to the funding of footway resurfacing, re-paving and repair to improve the condition of Surrey's footway network for the benefit of pedestrians **within the context of the Council's challenging funding circumstances.'**

Mr Furey spoke to his amendment, making the following points:

- The highways network was used by most Surrey residents and businesses every day.
- There was a statutory requirement to maintain the highways network and the County Council had made a significant investment to both maintain and improve it.
- The amendment was the right approach for the County Council to take.
- The technical jargon used in the report to describe footway conditions was as required for formal returns to Government.
- That the Council's footway network was no worse than many other highway authorities.
- That a strategic approach was important to any investment and that the service was in the process of finalising a new 15 year Asset Strategy for the highway network, which included footways. This approach would complement the good work undertaken by local committees.

Nine Members spoke on the amendment and made the following comments:

- That there had been a major investment in improving the pavement in West Street, Dorking.
- As there were limited funds for footway improvements, it was requested that officers engage with local Members and also local residents to maximize the best use of resources.
- The modeling exercise, which had been demonstrated at a recent Member seminar was useful, this illustrated the 'cause and effect' of moving funding within the Highways Budget.
- That poorly maintained footways created difficulties for wheelchair users.
- Footways should be given a higher priority in the budget because poorly maintained pavements were a trip hazard which then impacted on the NHS.
- A balancing act was needed to decide the best way forward for funding footway re-surfacing, re-paving and repair – this would be discussed at the relevant Scrutiny Board and local committees.

The amendment was put to the vote with 56 Members voting for and 8 Members voting against it. There were two abstentions.

Therefore, the amendment was carried and became the substantive motion.

Two Members spoke on the substantive motion before, under Standing Order 23.1, Mr Kington moved:

‘That the question be now put’.

The Chairman considered that there had been adequate debate, agreed to the request, with the support of the Chamber, and the debate was wound up.

The substantive motion was put to the vote with 60 Members voting for and 7 Members voting against it. There were no abstentions.

Therefore, it was:

RESOLVED:

This Council notes:

(i) the findings of the most recent Footways Network Survey, showing that a third of all the county's footways are either "functionally or structurally impaired".

(ii) that models produced by the Council's highways team show that the current low levels of capital investment in the county's footways will lead to a continued deterioration in their condition, with 40% of the county's footways expected to be "functionally or structurally impaired" by 2028.

In light of these worsening conditions, this Council requests the Cabinet to give as great a priority as it can to the funding of footway resurfacing, re-paving and repair to improve the condition of Surrey's footway network for the benefit of pedestrians within the context of the Council’s challenging funding circumstances.’

ITEM 9(ii)

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

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

‘This Council warmly welcomes a new Conservative Government which is listening to the voice of Local Government and is now setting out an agenda of reforming business rates, devolving power and responding to the funding needs of adult social care.’

Mr Hall made the following points in support of his motion:

- There had been a shift in emphasis in the working relationship between Central Government and County Councils, due partly to the Government’s engagement with local Council Leaders and also the changing world that we live in.

- Devolution of power would be good for the area because issues in the South East would be different from those in the north of England and resources could be targeted to specific areas of need.
- This County Council was making excellent progress in developing partnership working and new ways of working.

This motion was formally seconded by Mr Brett-Warburton who made the following points:

- A request that all Members supported this motion
- Surrey County Council's Leadership had played an active part in lobbying Government for reform of business rates, devolution and responding to the funding needs of Adult Social Care and Members should be proud that the Government had listened to the Council.
- There were many examples of collaborative work.
- The importance of standing together as Surrey County Councillors, regardless of political parties.

Under Standing Order 23.1, Mr Robert Evans moved:

'That the question be now put'.

Twenty Members stood in support of this request. The Chairman considered that there had not been adequate debate and refused the request. She said that she would allow the four Members who had indicated that they wished to speak to do so before taking the vote on the motion.

These Members made the following points:

- The importance of politicians listening to the needs of residents.
- The work undertaken to date and on-going by the Senior Management Team to drive forward the efficiency and value for money agenda.
- A need to wait for the detailed budget allocation for the Council because the 'devil could be in the detail'.
- That the Care Act reforms were now postponed until 2020.
- That there would be an additional 2% on all council tax bills next year to help fund Adult Social Care.
- The Leader should be commended for his successful lobbying of Government and should continue to lobby for fairer funding for Surrey for 2016.

The motion was then put to the vote with 49 Members voting for and 16 Members voting against it. There were 2 abstentions.

Therefore, it was:

RESOLVED:

That this Council warmly welcomes a new Conservative Government which is listening to the voice of Local Government and is now setting out an agenda of reforming business rates, devolving power and responding to the funding needs of adult social care.

ITEM 9(iii)

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

Under Standing Order 12.1, Mr Essex moved the motion which was relating to:

Supporting LGA Climate Local Initiative

'Surrey County Council takes note of the International Climate Talks currently taking place in Paris and takes this opportunity to reaffirm the importance of its leadership role in this area by committing to sign up to the Local Government Association's Climate Local initiative, and call on other Councils to do the same.'

Mr Essex made the following points in support of his motion:

- The importance of focussing on what needs to be done today to combat climate change – he also referred to the terrible flooding in Cumbria.
- That violent conflicts had nearly doubled in the last ten years.
- Referred to the International Climate talks taking place in Paris and that investment and action was required to address the issues.
- Acting to address climate change was a shared responsibility, and also a shared vision.
- He considered that Surrey's flood defences were a higher priority than airport expansion because 20% of Surrey homes were at risk of flooding.
- Surrey should be prepared to take the voluntary lead in the Local Government Association's Climate Local Initiative and work together with the County's partners.

The motion was formally seconded by Mr Forster, who reserved his right to speak.

Four Members, including Mr Forster made the following points:

- Concern that if global climate change continued, one in six species would face extinction.
- Political will was needed to make the changes required to combat climate change and it was hoped that all Members would support this motion.
- The County Council investment to support schools in reducing their energy bills.
- That the County Council worked in partnership with Boroughs and Districts to reduce carbon emissions.
- Encouraging residents to insulate the least efficient homes.
- The Council's sustainable travel programme and also the commitment to reducing food waste.
- An invitation from the Cabinet Member for Environment and Planning for Mr Essex to partake in a working group, starting in January to look at various options.
- Climate change was a challenge that needed to be tackled now.
- A request that the Cabinet Member included regular updates on the County Council's progress in this area as part of his Cabinet Member briefings.

The motion was then put to the vote with 64 Members voting for it. No Member voted against it but there were three abstentions.

Therefore, it was:

RESOLVED:

That Surrey County Council takes note of the International Climate Talks currently taking place in Paris and takes this opportunity to reaffirm the importance of its leadership role in this area by committing to sign up to the Local Government Association's Climate Local initiative, and call on other Councils to do the same.

ITEM 9(iv)

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

Mrs Watson made a short statement giving reasons why the motion should not be referred. She considered that it was an important motion because the surface dressing of roads caused them to become noisier, which then affected the quality of life for many residents across the county.

The Leader made a short statement stating that it would be inappropriate to debate this matter today because evidence needed to be gathered before the Council could have a debate on this issue and, therefore, he proposed referring this motion to the Economic Prosperity, Environment and Highways Board for detailed work and scrutiny.

The majority of Members voted against debating the motion today.

Therefore, it was:

RESOLVED:

That this motion be referred to the Economic Prosperity, Environment and Highways Scrutiny Board for determination. Under Standing Order 12.6, the Scrutiny Board must report back to County Council at the earliest appropriate meeting.

82/15 REPORT OF THE CABINET [Item 10]

The Leader presented the Report of the Cabinet meetings held on 27 October and 24 November 2015. Members had an opportunity to comment on the report.

Recommendations on Policy Framework Documents

A School Organisation Plan

RESOLVED:

That the School Organisation Plan 2015/16 – 2024/25 be approved.

B Revision of Procurement Standing Orders

RESOLVED:

That the proposed changes to Procurement Standing Orders, as set out in Appendix 3 of the Cabinet report, be approved.

Reports for Information / Discussion

The following report was received and noted:

- Orbis Three Year Business Plan

RESOLVED:

That the report of the meetings of the Cabinet held on 27 October and 24 November 2015 be adopted.

83/15 APPOINTMENT OF CHAIRMAN FOR COUNCIL OVERVIEW BOARD [Item 11]

The Chief Executive announced that he had received one nomination, Steve Cosser, for Chairman of the Council Overview Board.

It was:

RESOLVED:

That Mr Cosser be appointed as Chairman of the Council Overview Board for the remainder of the council year 2015/16.

84/15 AMENDMENT TO SURREY PAY POLICY STATEMENT 2015 - 16 [Item 12]

To comply with Section 40 of the Localism Act 2011 all local authorities are required to agree and publish an annual Pay Policy Statement. The Council's current pay policy statement was approved by Council on 17 March 2015 and is published on the Council's website. Pay policy statements may be amended during the course of the financial year to reflect changes or developments in an authority's pay policy.

Mr Hodge, as Chairman of the People, Performance and Development Committee informed Members that, following the meeting of the committee on 27 November 2015, the committee had requested that the following two additions be included in the final Pay Policy Statement 2015-16 for Surrey. These were:

- a statement that makes clear that the Surrey Pay arrangements apply to support staff working in schools
- a recognition that there is an entitlement for payment for the County's Returning Officer during elections.

RESOLVED:

That, following the update from the Chairman of PPDC, the revisions to the Surrey Pay Policy Statement 2015–16, as set out in Annex 1 to the submitted report and including the two recommendations as set out above, be approved.

85/15 CONSTITUTION UPDATE REPORT - FINANCIAL GOVERNANCE AMENDMENTS [Item 13]

This report noted changes to the Scheme of Delegation (Cabinet and Officers) relating to fees and charges, academy balance transfers on conversion and the management of Trust Funds.

As a result of these changes to the scheme of delegation and after a short discussion in which the changes proposed to Fees and Charges were clarified and the management of Trust Funds, where the Council was a corporate trustee, were discussed, Members approved the amendments to the Financial Regulations.

RESOLVED:

1. That the changes to its Constitution regarding fees and charges, academy balances and trust funds be noted.

2. That the changes to the Financial Regulations, regarding fees and charges, be approved.

86/15 MINUTES OF THE MEETINGS OF THE CABINET [Item 14]

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

[Meeting ended at: 12.35pm]

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Chairman

Her Majesty the Queen's New Year Honours 2016

Knighthood
Robert Alexander Talma Stheeman CB

CBE
Mrs Rhona Julia Barnfield
Guy Gibson Beringer
Mrs Sharon Tracey Blackburn
Professor Nigel Paul Gibbens
Ms Jacqueline Gold
Dr Barry Keith Humphreys
Ms Julia Killick
Mrs Lyndy Payne
John Surtees OBE
Ms Beryl Frances Vertue OBE

OBE
Murdo Allan
Robin Rowland
Annabel Margaret, Lady Stilgoe JP
Dr Alan Turnbull FRS FREng
Michael John Whitehouse

MBE
Mrs Trudi (Gertrude) Elizabeth Harris
Ms Janet Ashley Kelly
Mrs Sandra Ann Morgan
Ms Jacqueline Anne Oatley
Mrs Sally Anne Varah DL

BEM
Mrs Sarah Elizabeth Bain
Mrs Ailsa Elizabeth Button
Alan Clive Hargreaves
Brian Keith Reader
Mrs Valerie Rowland
Mrs Erica Joyce Tye
Mrs Sheila Helen Whitty

Please also note that Alison Wrigley, from Cultural Services was awarded BEM in the New Year Honours.

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SURREY COUNTY COUNCIL

COUNTY COUNCIL

DATE: **9 FEBRUARY 2016**

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

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

SUBJECT: **REVENUE AND CAPITAL BUDGET 2016/17 TO 2020/21, AND TREASURY MANAGEMENT STRATEGY**

SUMMARY OF ISSUE

This report is for County Council to approve:

1. the draft revenue and capital budgets for the five year period 2016-21, which is collectively known as the council's Medium Term Financial Plan (MTFP); and
2. the level of the council tax precept for 2016/17; and
3. the revised treasury management strategy, including the borrowing and operation limits (prudential indicators) for 2016/21; the policy for the provision of the repayment of debt (minimum revenue provision (MRP)) and the treasury management policy.

The information in the report is based on the Provisional Local Government Finance Settlement (Provisional Settlement) with final figures not expected till early February 2016. There has been considerable 'shock' in the Provisional Settlement figures over those that were reasonably expected. This is due to late Government changes, which means that while the Council is able to present a balanced budget for 2016/17, this does assume full delivery of significant savings, use of a significant level of reserves, use of capital receipts and provision of transitional relief from Government to compensate for the degree of 'shock' in the Provisional Settlement. The same applies for 2017/18. Without the assumed transitional relief, the Council is not able to present a sustainable budget and even with this, requires an unprecedented programme of transformation to balance future years.

Additionally, the best available information on service price rises and demographic demand have been reflected in the service cash limits, but there is inherent uncertainty in these, given the changes in national and local circumstances.

RECOMMENDATIONS

Cabinet's recommendations to the Full County Council on 9 February 2016:

Cabinet recommends Full County Council notes the following important features of the revenue and capital budget:

1. The Director of Finance's statutory report says the budget for 2016/17 is only sustainable and robust if the council uses substantial reserves and capital receipts from the sale of assets, and crucially, receives significant transitional relief while an unprecedented scale of service transformation is developed and delivered going forwards. (Annex 1).
2. The Council will require transitional funding from Government of £20m to balance the 2016/17 budget in respect of the late announcement of a change to the distribution of the Revenue Support Grant, and a further £37m in 2017/18.
3. If the Council receives no transitional relief in the Final Settlement, the Leader will arrange an emergency Cabinet meeting to determine how to balance the 2016/17 budget. This is not expected to affect the council tax precept for 2016/17.
4. It is expected that the Final Settlement will set out requirements for reporting use of the adult social care precept.
5. At a date yet to be determined by Government, there will be an opportunity for the Council to accept the Government's offer of a four year funding settlement as set out in paragraphs 15 to 19 of this report.
6. The overall budget envelope laid out in Appendix 4.
7. That the Leader in conjunction with the Director of Finance will finalise budget proposals based on the Final Settlement and up-date members of the County Council if the information is available ahead of the meeting or retrospectively if not available by that date.

Cabinet recommends that Full County Council approve:

8. The council tax requirement for 2016/17 is set at £618m (Annex 3).
9. Increase the level of the general council tax by 1.99%.
10. Increase council tax by a further 2% for the adult social care precept.
11. To set the County Council precept for band D council tax at £1,268.28, which represents a 3.99% up-lift.
12. The council tax for each category of dwelling to be as in Annex 3.
13. That the payment for each billing authority, including any balances on the collection fund, will be set out in Annex3.
14. That the council tax rate set above will be maintained after the Final Settlement.
15. That the 2016/17 budget is supported by using £17.2m from reserves as set out in paragraph 72.
16. The requirement for the Chief Executive and the Director of Finance to continue

their work to track and monitor existing MTFP efficiencies and to lead and oversee a Public Value Transformation programme of all service delivery to ensure the county council's revenue budget becomes sustainable and to develop robust plans for further savings and income generation opportunities for the remaining years of this MTFP.

17. The set up of a Public Value Transformation (PVT) Fund of £30m to meet the revenue costs of a transformation programme, to be funded by capital receipts from asset sales.

18. The County Council's £1,681m gross revenue expenditure budget for 2016/17.

19. Agree the capital programme specifically to:

    - fund essential schemes over the five year period (schools and non-schools) to the value of £635m including ring-fenced grants;
    - make adequate provision in the revenue budget to fund the revenue costs of the capital programme, including a borrowing requirement of £187m over the five years.

20. Require a robust business case to be prepared (and taken to the Investment Panel for review) before committing expenditure for the use of:

    - the Public Value Transformation Fund,
    - all revenue 'invest to save' proposals, and
    - capital schemes.

Cabinet recommends to Full County Council that on treasury management and borrowing, they:

21. Approve, with immediate effect, the Treasury Management Strategy for 2016-21, which includes:

    - the investment strategy for short term cash balances;
    - introducing three new investment categories: corporate bonds, covered bonds and pool investment property funds which will generate additional returns within controlled credit risk (paragraph 109);
    - increasing the maximum term for high quality longer dated investments to two years for supranational institutions, local authorities, UK Government, corporate bonds and five years for covered bonds, earning additional interest income without compromising liquidity risk (paragraph 109);
    - setting the maximum amount in respect of any one counterparty to £20m with the exception of money market funds which should remain at £25m (paragraph 109);
    - the treasury management policy (Appendix 8);
    - the prudential indicators (Appendix 9);
    - the schedule of delegation (Appendix 11);
    - the minimum revenue provision policy (Appendix 14).

REASON FOR RECOMMENDATIONS

This meeting of the Full County Council is to agree the summary budget and set the council tax precept for 2016/17, taking account of Cabinet's advice on how to balance the budget for 2016/17, subject to the receipt of transitional relief from Government and use of reserves and capital receipts, as well as establishing an unprecedented Public Value Transformation programme required to protect the Council's long term financial position.

DETAILS

Revenue and capital budget

Introduction

1. This report proposes the draft MTFP (2016-21), which Cabinet members have developed through a series of budget workshops. In view of the late and unexpected announcement in the Provisional Settlement, there has not been sufficient time to develop full efficiency proposals for this report. Rather, service cash limits are proposed and savings and efficiency plans will be completed following proper consultation.

2. The proposed MTFP period (2016-21) rolls forward by one year the current MTFP (2015-20) approved by Full County Council on 10 February 2015. It covers five years and is directly linked to the Corporate Strategy.

3. The Council can only balance its five year MTFP through a combination of all of the following:

   - significant transitional relief funding from Government in 2016/17 and 2017/18 to manage the immediate impact of a significant, unexpected funding loss which has arisen from the late changes to external funding announced by Government in the Provisional Settlement;
   - the significant use of capital receipts from asset sales to fund major transformation of service delivery through a programme of transformation;
   - significant use of reserves in 2016/17 and 2017/18;
   - earlier and deeper implementation of service efficiencies and reductions.

4. Following approval of the high level budget by Full County Council on 9 February 2016, service budgets will be prepared for Cabinet approval on 22 March 2016. The service budgets will link to services' strategic plans that Cabinet will also consider in March.

Autumn Statement, Spending Review 2015 and Provisional Finance Settlement

5. On 25 November 2015, the Chancellor of the Exchequer announced the Autumn Statement and the Spending Review 2015 indicating reductions in central government spending for the next four years from 2016/17 to 2019/20. This included the planned reductions in the current Departmental Expenditure Limits (DEL) for Local Government of £11.5bn, of which a significant component is the Revenue Support Grant (RSG)

funding to local government nationally (£9.5bn in 2015/16). Table 1 shows that by 2019/20, DCLG's overall funding will have reduced by more than half (£6.1bn) from the funding level in 2015/16 and RSG will reduce substantially. The pattern in previous years had been for DCLG to implement the RSG reductions equally across the next four years. The Government had given no indication that they might distribute the grant differently between authorities. The Council, therefore, had planned for this reduction over the next four years.

Table 1: National Departmental Expenditure Limit reductions

Year	LG DEL	Annual DEL reduction	Cumulative DEL reduction
2015/16	£11.5bn		
2016/17	£9.6bn	16.5%	16.5%
2017/18	£7.4bn	22.9%	35.6%
2018/19	£6.1bn	17.6%	47.0%
2019/20	£5.4bn	11.5%	53.0%

6. The DCLG announced the Provisional Settlement on 17 December 2015. This notified councils of their proposed core grants and funding framework, known as Settlement Funding Assessment (SFA) for 2016/17 and the following three years. SFA comprises Revenue Support Grant (RSG) (plus grants the Government proposes to include or 'roll in' to RSG) and baseline funding which comes from the business rates retention system. For Surrey County Council baseline funding comprises:

- the county's 10% share of business rates collected locally
- a business rate top-up grant paid.

7. Table 2 shows the main components of the Council's SFA and the proposed funding reduction in RSG of £48.7m (42%) between 2015/16 and 2016/17:

Table 2: Changes in Surrey's Settlement Funding Assessment 2015/16 to 2016/17

	2015/16 adjusted £m	2016/17 provisional settlement £m	Change 2015/16 to 2016/17 £m	%
Revenue Support Grant	109.8	* 67.1		
Grants rolled in (Care Act £5.8m and Flood Prevention £0.2m)	6.0			
Adjusted Revenue Support Grant	**115.8**	**67.1**	**-48.7**	**-42.1%**
Top Up Grant	58.9	59.4	0.5	
Business Rates Baseline	45.6	45.9	0.3	
Baseline Funding Assessment	**104.5**	**105.3**	**0.8**	**0.8%**
Settlement Funding Assessment	**220.3**	**172.4**	**-47.9**	**-21.7%**

***** Includes £6.0m grants rolled in, i.e. including £5.8m Care Act funding

Revenue grants rolled into Revenue Support Grant

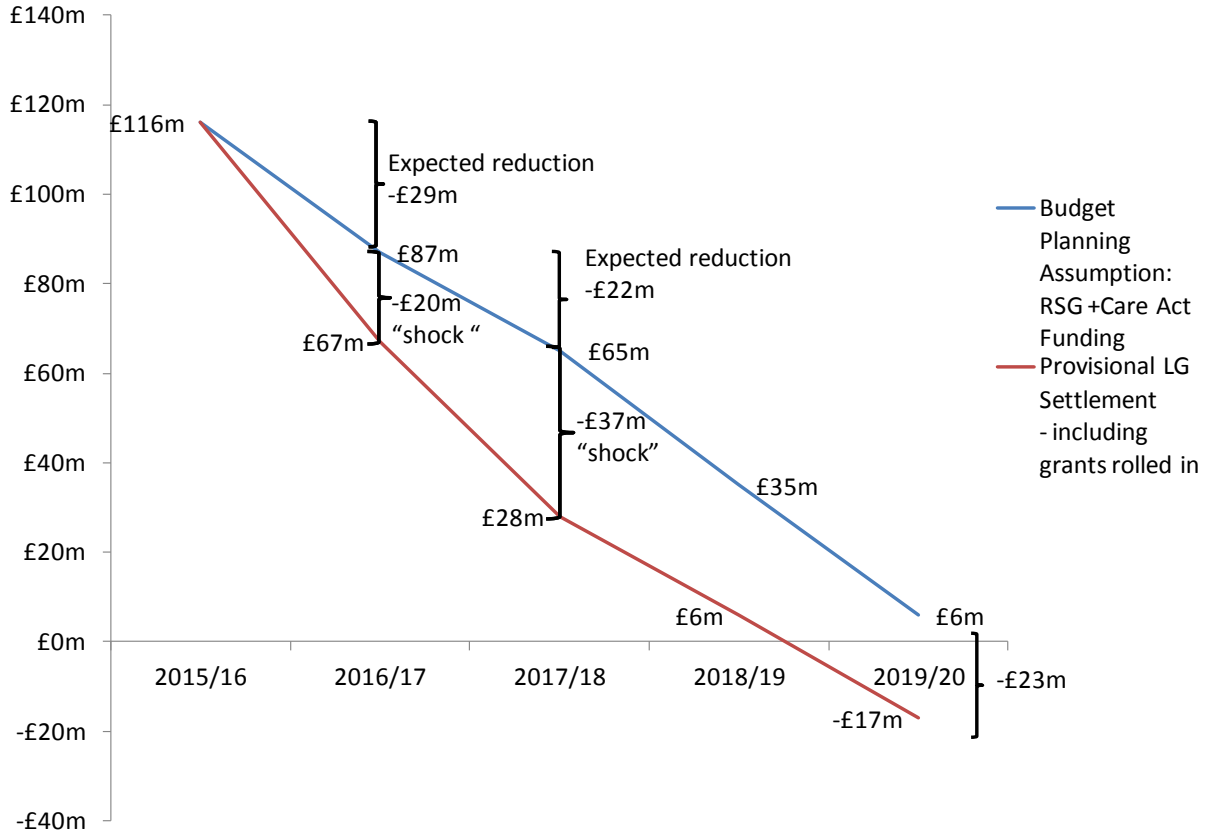
8. DCLG proposes to transfer some Government grants the Council receives in 2015/16 into the Settlement Funding Assessment for 2016/17 through RSG: Care Act Grant £5.8m and Flood Prevention Grant £0.2m. Given that RSG is then substantially reduced (42% in 2016/17) and disappears completely after 2018/19, this effectively

means the council is not funded for these two areas in the near future, although the duties to deliver services remain with the council.

'Shock' rate of reduction in RSG

9. One of the most significant impacts on the Council of the Provisional Settlement was the unexpected rate at which RSG is now planned to be reduced. The Council's existing MTFP assumptions prudently and reasonably anticipated the loss of this grant over the next four years, based on previous Government indications. Without any prior consultation, the Government's announcement means RSG effectively reduces to nil (after adjusting for the £5.8m Care Act roll-in) after two years. Figure 1 shows the extent of this 'shock' element:

Figure 1: RSG 2013/14 to 2019/20, showing shock rate of reduction in 2016/17 and 2017/18



10. The late notification of this increased rate of loss of RSG leaves the Council insufficient time to effectively plan and then consult, as required to comply with Equality legislation, for this scale of further reductions with effect from April 2016. The Council is therefore taking significant steps to produce a balanced budget in 2016/17 and to be assured that efficiency and transformation plans are robust. More details follow later in this report.

Change in funding distribution methodology & core spending power

11. The reason for the 'shock' reduction in RSG for Surrey County Council is that the DCLG introduced, without prior indication or consultation, a new method for calculating councils' funding distribution to achieve the overall reduction in Local Government DEL

required by the Spending Review. Previously DCLG had achieved the overall reduction in Local Government DEL by applying straight line reductions evenly to all councils' Settlement Funding Assessments (comprising RSG and funding from the business rates retention system).

12. The new distribution alters this straight line reduction by specifically also taking account of an authority's ability to raise funding locally. This means councils that have to rely on a higher proportion of council tax to fund their services suffer a quicker loss of RSG than could have reasonably been foreseen in view of Government's previous indications.

13. There have been a significant number of winners and losers as illustrated in Table 3. The biggest losers are county councils. Among counties, Surrey County Council is particularly adversely affected losing more Settlement Funding Assessment than could reasonably have been anticipated, to the extent of £20.4m in 2016/17 and £36.9m in 2017/18. In the past when Government have changed local government funding methodologies, they have given prior indications and usually consulted ahead of funding proposals. Also Government have previously applied a system of damping through limiting gains for the winners and losses for the losers to give councils time to adjust to new levels of funding. They have not done this now. Without some form of damping or transitional relief, Surrey County Council will not be able to set a sustainable budget for 2016/17 and 2017/18. The County Council's response to the Government's Provisional Settlement consultation made this point strongly.

Table 3: Impact of the change in funding methodology by local authority type

	2016/17			2017/18		
Type of authority	Flat rate allocation £m	Provisional Settlement £m	Redistribution effect £m	Flat rate allocation £m	Provisional Settlement £m	Redistribution effect £m
Shire counties	4,302.6	4,085.3	-217.2	3,844.6	3,469.0	-375.6
Shire districts	832.5	789.8	-42.8	743.9	668.2	-75.8
Unitary councils	3,824.6	3,784.2	-40.4	3,417.6	3,351.5	-66.1
Metropolitan districts	4,670.3	4,751.6	81.3	4,173.2	4,321.2	148.0
London (inc GLA & City)	4,374.1	4,555.1	181.0	3,908.6	4,233.2	324.7
Combined fire	367.6	387.7	20.2	328.4	348.6	20.2
Metropolitan fire	229.7	247.7	18.0	205.3	229.9	24.6
England	18,601.5	18,601.5	0.0	16,621.6	16,621.6	0.0
Surrey County Council	192.8	172.4	-20.4	172.3	135.4	-36.9

Core Spending Power

14. The Government introduced the concept of Core Spending Power (CSP) in the Provisional Settlement and have distributed RSG to ensure that the impact, over four years, on an outline CSP is broadly 'flat'. However, given the main element of CSP includes council tax and SFA, with assumptions around council tax increase made by Government, for Surrey County Council, the broadly 'flat' position is only achieved through substantially higher core funding (i.e. RSG) loss than planned ahead of Provisional Settlement. Table 4 shows the Government's assessment of how the reduction in Settlement Funding Allocation will affect the Council's Core Funding and Core Spending Power in the period to 2019/20. It shows that over the four years, the

Council's SFA falls significantly while the amount it has to raise from Council Tax to mitigate this rises significantly. Core Spending Power also includes Core Funding plus: improved Better Care Fund, New Homes Bonus and the Adult Social Care precept, which the Government assumes will rise by 2% in each year. The Government forecasts by 2019/20, the Council's Core Spending Power will be £4.3m higher than in 2015/16, principally due to the Adult Social Care precept covering the deficit on Core Funding. When announcing the Provisional Settlement this is what the Secretary of State referred to as a 'flat cash settlement'.

Table 4: Core spending power reductions for Surrey 2015/16 to 2019/20

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Settlement Funding Assessment	220.3	172.4	135.4	115.3	96.9
Council Tax Requirement	586.9	601.9	620.4	640	660.9
Core Funding	**807.2**	**774.3**	**755.8**	**755.3**	**757.8**
Additional Better Care Fund	0	0	0	0	1.5
New Homes Bonus	5.2	6.2	6.3	3.9	3.8
2% Adult Social Care precept	0	11.9	24.6	38.5	53.5
Core Spending Power	**812.4**	**792.4**	**786.7**	**797.7**	**816.6**

Four year settlement offer

15. The Provisional Settlement included indicative figures about funding for the next four years, offering for councils to accept the four year funding figures in their Core Spending Power. If the Council takes up this offer, DCLG have indicated they will provide future funding on this basis, with some caveats as set out below.

16. It is not yet clear when the Council will have the opportunity to accept the offer, nor the implications. Although acceptance would provide some certainty about funding included in the Settlement Funding Assessment figures, these would nonetheless remain subject to changes to allow for future events:

- transfers of functions to local government,
- transfers of responsibility between local authorities,
- mergers,
- any other unforeseen event,
- the impact of the Retail Price Index on business rates,
- the National Living Wage implications, plus
- current relief to businesses provided by Government.

17. It should be noted that the Council separately receives funding from a number of Government departments other than DCLG, which fall outside of the four year offer in the Provisional Settlement. For 2016/17 these amount to an estimated £731m, or 85% of the Council's grant funding. As at the date of the report, the Government is yet to announce a significant number of these grants and it is not known whether these will be for multiple years or just 2016/17. Although the Council follows the principle that services' spend matches the level of these grants, the late notifications make this impossible to adjust for by 1 April 2016, if settlement figures vary from the planning

assumptions. This adds uncertainty and risk to budget planning and means the council may have to make interim adjustments through reserves.

18. The Government's figures in Table 5 give indicative allocations for the three years beyond the Provisional Settlement for 2016/17.

19. In 2019/20, the Council will effectively receive negative RSG after the Government proposes to achieve this by deducting the negative RSG amount (-£17.2m) from the Council's Business Rate top-up grant. The Council is the most severely affected of all local authorities and by more than £6m more than the next most badly affected authority.

Table 5: Changes in value and composition of Surrey's SFA 2015/16 to 2019/20

	2015/61 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	**115.8**	**67.1**	**28.0**	**4.7**	**0.0**
Top up Grant	58.9	59.4	60.5	62.4	47.1
Business Rates Baseline	45.6	45.9	46.9	48.2	49.8
Baseline Funding Assessment	**104.5**	**105.3**	**107.4**	**110.6**	**96.9**
Settlement Funding Assessment	**220.3**	**172.4**	**135.4**	**115.3**	**96.9**

Council tax funding

20. Council tax, through the precept, is the Council's main source of funding for the council's budget, excluding schools. The current council tax strategy is to increase general council tax by 2% and assumed a 0.6% increase in the number of properties subject to the tax. The latter is often referred to as the council tax taxbase.

21. The Provisional Settlement indicated a number of factors relating to council tax:

- general council tax referendum limit at 2% (as expected);
- the ending of the grant to compensate councils choosing to freeze council tax, known at the council tax freeze grant (minimal impact on Surrey County Council since the council has not accepted most of the previous freeze grants);
- introduced an ability to raise council tax by a further 2%, each year, specifically for adult social care (ASC) services, and set out guidance on requirements for councils to evidence their use of the money raised on adult social care services (the Council had actively sought this flexibility from Government).

22. The annual returns from districts and boroughs showed an overall increase in the council tax taxbase in Surrey of 1.24%. Based on the Provisional Settlement and the districts' and boroughs' returns, it is proposed to adjust the council tax strategy to the following:

- Continue with the general council tax increase of 1.99%;
- assume annual 1% council tax base increase;
- assume 2% ASC council tax increase.

23. The MTFP (2016-21) therefore, includes proposals to increase council tax by 3.99% in 2016/17 and each year up to 2020/21. This provides a Band D equivalent precept rate of £1,268.28 for 2016/17. On the 2016/17 base, this would raise £618m funding.

24. As stated above, the Council's council tax base has risen by 1.24%. In addition, the Council's share of the districts' and boroughs' council tax collection funds is a surplus of £9.3m, which will be paid to the Council over the 2016/17 financial year. These changes led to a reappraisal of the Council's estimates of future council tax base increase to 1% annually and annual collection fund surpluses of £6m.

Business rates

25. The Provisional Settlement confirmed the continuation of the business rates cap funding for 2015/16 and prior years. This is funding paid to compensate councils for funding lost when the Government limits the increase in the business rates multiplier affecting amounts payable by businesses. The Government will reimburse individual local authorities for this through a supplementary grant. There is no funding required in 2016/17 because the inflationary increase in the business rates multiplier is below the 2% capping level.

26. The Provisional Settlement also set the increase in business rates retention scheme top ups and tariffs at 0.8%, consistent with the MTFP planning assumptions.

Business rates pooling

27. DCLG permits geographically linked authorities to apply to pool their business rates. By combining tariffs and top ups among pooled authorities this can reduce the composite levy rate paid by the pool. This further incentivises business rates growth through collaborative effort and smoothes the impact of volatility in business rates income across a wider economic area.

28. Surrey as an area has operated a business rates pool in 2015/16 in partnership with: Elmbridge Borough Council, Mole Valley District Council, Spelthorne Borough Council and Woking Borough Council. Following review, the optimum pool to maximise projected business rates income in the Surrey area for 2016/17 involves joining Surrey County Council with the London Borough of Croydon, Guildford Borough Council, Runnymede Borough Council, Spelthorne Borough Council, Waverley Borough Council and Woking Borough Council. These six authorities submitted a bid to form a business rates pool for the financial year 2016/17 and succeeded in receiving the relevant designation by DCLG. The pool's financial modelling projects retaining up to £4m 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 a third of this additional income.

Business rate retention

29. The Government has confirmed that they will be moving forward 100% local retention of business rates by local government by 2020. Although there are some indications about the likely change to powers that will go with this delegation, the Government are planning a period of detailed design and consultation during (it is anticipated) 2016.

The council will monitor closely the development of the proposals and seek to influence where appropriate.

30. What is clear now is that the Government intends for any changes to be fiscally neutral and that additional responsibilities or services will be devolved to local government to achieve this objective.

New Homes Bonus

31. The Provisional Settlement included a consultation, running until 10 March 2016, on reforms to the New Homes Bonus, including focusing the incentive on those councils that deliver additional homes and reducing the period for which councils receive the New Homes Bonus.

32. Ahead of the outcome of this consultation, Government has identified indicative amounts the Council will receive for New Homes Bonus (NHB) as shown in Table 4 (following paragraph 14). These amounts, which reduce from 2017/18 onwards, are linked to the changes DCLG is consulting upon specifically:

- reduce the sum set aside for the payment of NHB to provide additional funding for social care; and
- to introduce changes which exclude councils from receiving NHB where they do not have a current approved Local Plan and to reduce NHB where properties are built on appeal.

Better Care Fund

33. The Better Care Fund (BCF) that was introduced in 2015/16 has two primary purposes:

- to transform the health and social care system to achieve a shift from acute to community services;
- to ‘protect’ (the Government’s word) adult social care, recognising the financial pressures on it.

34. The BCF allocation for the Surrey area for 2015/16 was £65.5m revenue and £5.9m capital funding. The Council works with Surrey's seven Clinical Commissioning Groups (CCGs) to determine use of these shared resources and current MTFP (2015-20) includes £25m allocated to protecting existing ASC services. Although the Government have yet to announce the grant for 2016/17, they have indicated it will continue and the budget planning assumes this, to ensure ASC services remain protected in 2016/17.

35. From 2017/18, the Government will provide additional improved Better Care Funding for local authorities to spend on adult social care. The amount rises from zero to £1,500m nationally over the three years to 2019/20. The Provisional Settlement introduced a different basis for allocation of the improved BCF that takes account of relative social care needs and resources in the form of how much each social care authority could raise from the 2% Adult Social Care precept. So, the new distribution allocates each social care authority a share of the total BCF money plus the ASC precept money. Then it deducts from each authority’s share their social care precept to determine the amount of BCF money distributed. Where an authority’s share is less

than their ASC precept, it receives no BCF money. There are no negative distributions so Surrey County Council receives nil allocations in 2017/18 and 2018/19. In 2019/20, the total money for distribution is £3,304m (£1,500m BCF plus £1,804m ASC precept). Table 6 shows the Council's relative needs share of the £3,304m in 2019/20 is £55m, but its ASC precept amounts to £53.5m, meaning the Council will receive only £1.5m BCF allocation in 2019/20. Had the Government used their usual method of allocating ASC funding for distributing the BCF money, the Council could have expected additional BCF funding of approximately £28m in 2019/20 (with £2m in 2017/18 and £14m in 2018/19).

36. Only seven out of 152 social care authorities have a higher ranked social care need than Surrey County Council. However, because the Council has to rely on raising such a high proportion of council tax to fund its services, the resources it could raise from the 2% Adult Social Care precept are also high and mean only 12 social care authorities have a lower allocation of BCF. Again, this new funding distribution model adopted by the Government means councils that have to rely on a higher proportion of council tax to fund their services suffer the lowest funding and being an outlier in this regard, Surrey County Council suffers heavily. Table 6 shows the social care authorities with highest ranked relative needs. At just 3%, Surrey County Council receives by far the lowest proportion of BCF through the new funding distribution model and significantly below the average for English social care authorities of 45%.

Table 6: Allocation of Better Care Fund funding to those authorities with highest ranked social care need

	Relative need			ASC precept		BCF allocation	
Social care authority	**share**	**rank**	**funding**	**£m**	**%**	**£m**	**%**
Kent	0.0257	1	£84.8m	£51.1m	60%	£33.7m	40%
Essex	0.0246	2	£81.4m	£50.7m	62%	£30.7m	38%
Birmingham	0.0233	3	£77.0m	£24.6m	32%	£52.4m	68%
Lancashire	0.0230	4	£75.9m	£35.9m	47%	£40.0m	53%
Hampshire	0.0198	5	£65.4m	£46.5m	71%	£18.9m	29%
Norfolk	0.0174	6	£57.5m	£29.1m	51%	£28.4m	49%
Hertfordshire	0.0172	7	£56.9m	£44.0m	77%	£12.9m	23%
Surrey	**0.0166**	**8**	**£55.0m**	**£53.5m**	**97%**	**£1.5m**	**3%**
Derbyshire	0.0151	9	£49.9m	£23.9m	48%	£25.9m	52%
Devon	0.0149	10	£49.2m	£29.5m	60%	£19.7m	40%
Manchester	0.0111	11	£36.6m	£12.3m	33%	£24.4m	67%
West Sussex	0.0138	15	£45.4m	£33.4m	73%	£12.1m	27%
East Sussex	0.0108	23	£35.6m	£20.7m	58%	£14.9m	42%
Inner London	0.0650		£214.8m	£81.4m	38%	£133.4m	62%
England			**£3,304.0m**	**£1,804.0m**	**55%**	**£1,500.0m**	**45%**

Total Schools Budget - as defined in legislation

37. 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 allocated to individual academies.

38. The Total Schools Budget is a significant element of the proposed total budget for Children, Schools & Families services. Table 7 outlines the proposed Total Schools Budget for 2016/17 of £551.5m. This comprises:

- £536.0m Dedicated Schools Grant (DSG);
- £13.9m Education Funding Agency (EFA) sixth form grants; and
- £1.6m additional funding for high cost SEN pupils, which the Council is funding.

Table 7: Analysis of Total Schools Budget for 2016/17

	Schools' delegated budgets £m	Centrally managed services £m	Total £m
DSG 2016/17	411.9	121.2	533.1
DSG brought forward from previous years	1.5	1.4	2.9
Total DSG	**413.4**	**122.6**	**536.0**
EFA sixth form grant	13.9		13.9
County Council contribution to the cost of placements and services for high cost SEN pupils		1.6	1.6
Total Schools Budget	**427.3**	**124.2**	**551.5**

Note:
Total Schools Budget does not include the pupil premium grant, provisionally £17m, the primary PE and sports grant, provisionally £2.3m, or universal free meals grant, provisionally £11.5m. These grants, although not part of the legal definition, are also delegated to schools and are included in the total schools funding of £454.8 as in Appendix 4.

39. Total Schools Budget comprises schools' delegated budgets and centrally managed services. 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.

40. The County Council contribution is to fund part of the increased cost of placements and services for pupils with high cost special educational needs, due to increases in the number and cost of placements over and above the additional funding provided by the Department for Education for this purpose, particularly for post 16 learners where demand has increased due to legislative changes.

41. 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 the 2016/17 funding formula in October 2015. In 2016/17 the formula limits any school level losses to a 1.5% maximum per pupil (the Government's Minimum Funding Guarantee). To pay for the guarantee, the formula limits the per pupil increase to a maximum of under 1%.

42. 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;
- children adopted from care;
- pupils from service families (or who qualified as service children at some time within the last six years, or are in receipt of a war pension).

43. Funding for some support services for schools is provided through Education Services Grant. This grant is divided between the Council and individual Surrey academies in proportion to pupil numbers in each. This grant is not part of the statutory Schools Budget.

Revenue Grants

44. At the time of writing, the Council has only received notification from Government departments of Dedicated Schools Grant and Education Services Grant. Details of these are set out in the report at paragraphs 37 to 43. However, the current MTFP (2016-21) assumes a total of £844m will be allocated as outlined in Appendix 3. This amounts to a reduction of £42m (5%) over the amount allocated in 2015/16. While it is to be expected that minor details remain outstanding at this stage every year, the high level of uncertainty remaining in the Council's funding for 2016/17 is unprecedented and adds to the risk in setting the budget for 2016/17.

Capital receipts flexibility

45. As part of the Provisional Settlement, the Government is introducing flexibility in the use of capital receipts. This will enable councils to use asset sales to help pay for upfront investment in service transformation.

46. The Provisional Settlement sets out the requirements a council must comply with to use this flexibility. Specifically local authorities will need to prepare an efficiency strategy which has to be approved by Full Council, of which at the time of writing, the government has yet to provide the details. The Provisional Settlement indicates councils can use Capital Receipts which are received after the 1 April 2016 to be invested in transformation projects, which would normally be regarded as revenue costs, to deliver future revenue savings. This flexibility is offered for 2016/17 to 2018/19 inclusive.

47. To manage the considerable 'shock' impact in the Provisional Settlement the Council proposes to use the flexibility offered by using £30m of capital receipts from asset sales to support a significant transformation programme that will generate future revenue savings. A mechanism to manage this programme is being developed and will be led by the Chief Executive and the Director of Finance in consultation with the Leader.

Strategies influencing the revenue and capital budgets

Corporate strategy

48. Presented separately at this Full Council meeting is a refreshed version of the Council's Corporate Strategy. The *Confident in Surrey's Future: Corporate Strategy 2016-21* reconfirms the Council's strategic purpose and vision of 'one place, one budget, one team for Surrey'. It includes three strategic goals, each with a set of key actions to support their achievement:

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

    2. **Economic prosperity:**
       Surrey's economy remains strong and sustainable.

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

49. A robust MTFP is critical to delivering these ambitions and goals and ensuring value for money for residents.

Financial strategy

50. The Council's refreshed Financial Strategy 2016-21 (Appendix 1) clearly sets out the council's approach to financial management, in alignment with the Corporate Strategy. It provides the basis for sound financial governance and long term sustainability, and supports the delivery of the Corporate Strategy.

51. The key fundamentals of the financial strategy 2016-21 are:

    - acting in the public interest at all times through continuously driving the transformation agenda;
    - long term planning that continues to seek opportunities and ensure services are fit for the future; and
    - a balanced approach that proactively manages key risks and supports service strategies.

52. The Financial Strategy will remain largely stable to 2021. 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.

Risk management strategy

53. 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 ensures an integrated and coordinated approach to risk across the organisation. Risks are continually considered alongside financial and performance management to support the achievement of the Corporate Strategy and the Financial Strategy.

Scenario planning 2016/17 to 2020/21

54. 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.

55. In his Autumn Statement and Spending Review in November 2015, the Chancellor of the Exchequer confirmed his vision to eliminate the UK's public spending deficit in the lifetime of this Parliament – that is by 2020. Following on from the Autumn Statement and Spending Review, DCLG published its Provisional Settlement on 17 December 2015. This is open to consultation and the Final Settlement is expected to be announced in early February 2016. The timing of both the Provisional and Final Settlements is late. Neither of these helps local authorities in budget planning.

56. The late notification of the shock to the Council's funding set out in the Provisional Settlement has meant work has focused on developing a robust budget for 2016/17. As the Government has provided indicative funding allocations through to 2019/20, work will commence on developing detailed budgets and savings for the remaining years of the MTFP (2017 to 2021) Therefore the budget proposals within the MTFP should be considered in two parts:

- year 1 (2016/17) for which the Council needs to set a council tax precept; and
- years 2 to 5 (2017/18 to 2020/21 - for which provisional funding levels are available and the Council will need to make a long term plan to address the challenges ahead) which will be addressed through a longer term and detailed review.

57. For the Director of Finance to continue to be able to state her statutory opinion that the budget is balanced and sustainable, a Public Value Transformation programme covering all service budgets will commence from 1 April 2016 to cover the period up to 2020/21 and the Council assumes transitional relief will be provided by the Government for 2016/17 and 2017/18.

58. The basic assumptions reflected in the MTFP (2016-21) remain valid in moving the MTFP forward from 2015-20, except where the emerging changes to the new funding arrangements and assumptions about growth in service pressures have changed. Cabinet members and senior officers have rigorously reviewed, probed, assessed and validated the assumptions to determine the predicted scenario for MTFP purposes.

59. In developing the MTFP (2016-21) the Council has again shared the stages of its medium term financial planning process widely. Cabinet members, senior officers and Scrutiny Boards participated in workshops and several financial planning update briefings have been provided for all members and other interested stakeholders.

Revenue budget

Forecast revenue budget outturn 2015/16

60. The Council's overall revenue forecast outturn for 2015/16 at the end of December 2015 projects an underspend of -£5.0m. The Finance and Budget

Monitoring Report presented to Cabinet in February relating to the December 2015 position presents this in more detail.

61. Services' hard work in managing spending within budgets in 2015/16 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 2016/17 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.

62. Within the Council's financial outturn, as part of longer term financial planning, services may request to carry forward underspends to smooth funding across financial years. Further consideration on use of reserves and balances will be necessary as the level of government grants receivable becomes clearer when the government publishes the Final Settlement.

Savings, pressures and funding 2011/12 to 2016/17

63. Since 2011 the spending demands and budget pressures the Council has faced have increased at a faster rate: taking 2011/12 as the baseline, the Council's spending pressures increased by £404m over the five years to 2015/16. This is forecast to continue in 2016/17 with a further £102m rise. While there remains a risk that demand pressures could intensify, the increase next year reflects the need to:

- care for an estimated extra 1,100 vulnerable adults in 2016/17 as Surrey's population ages (these vulnerable adults are split roughly equally between older people and those aged 18 – 64; strategies to manage demand are expected to reduce this gross pressure by a little under half);
- provide 11,500 school places during the 2016-21 MTFP period (5,400 in primary schools and 6,100 in secondary schools) 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.

64. 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. Since 2010 the Council has reduced the annual value of expenditure by £396m: an average savings of over £65m every year. For 2016/17 further savings have been identified that total £84m.

Budget planning assumptions

65. The Council began building its annual budget in June 2015. This involved reviewing the Council's financial position and outlook at the end of the first quarter of 2015/16, revisiting the assumptions, pressures and savings included in the MTFP (2015-20) and projecting forward a further year to 2020/21. Table 8 shows the key cost, pressure and savings assumptions used to prepare the illustrative budgets.

Table 8: Budgetary assumptions 2016-21

Descriptor	2016/17	2017/18	2018/19	2019/20	2020/21
Pay inflation – Surrey pay	up to 1.6%	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	1.8%	2.0%	2.0%	2.0%	2.0%

Note: - differing percentages apply to contractual inflation

Service expenditure 2016-21

66. Services have estimated pressures for the five years up to 2020/21 that total £405m and identified savings to deliver of £384m. Table 9 summarises the Council's gross revenue expenditure budget for the five years 2016-21 and compares it to 2015/16 budget by main services.

Table 9: Gross revenue expenditure budget 2016-21

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Adult Social Care	428.6	429.5	422.3	426.6	427.2	429.6
Central Income & Expenditure	60.6	59.4	68.7	75.8	80.8	83.4
Children, Schools & Families	342.9	363.9	359.3	357.5	355.3	352.7
Communications	2.0	2.0	2.0	1.9	1.9	1.9
Community Partnership & Safety	3.0	3.0	3.0	3.0	3.0	3.0
Coroner	1.3	1.8	1.8	1.8	1.9	1.9
Cultural Services	22.9	22.3	22.1	22.1	22.2	22.3
C&C Directorate Support	1.1	1.1	1.1	1.1	1.1	1.1
Delegated Schools	469.0	454.8	457.5	457.5	457.5	457.5
Emergency Management	0.6	0.5	0.6	0.6	0.6	0.6
Environment & Planning	88.2	86.4	87.7	90.6	95.1	97.2
Fire & Rescue Service	47.9	46.8	45.5	47.6	46.0	46.0
Highways & Transport	51.9	51.9	53.4	54.2	55.0	55.8
Legal and Democratic Services	8.9	9.0	10.3	9.0	9.0	9.1
ORBIS / Business Services	98.2	101.4	102.9	101.3	102.1	104.4
Public Health	33.6	38.8	37.8	36.8	35.8	35.8
Strategic Leadership	0.4	1.0	1.0	1.0	1.1	1.1
Strategy & Performance	4.6	3.6	3.6	3.6	3.6	3.6
Trading Standards	3.7	3.7	3.7	3.7	3.7	3.7
Gross expenditure	**1,669.4**	**1,680.9**	**1,684.2**	**1,695.7**	**1,702.8**	**1,710.6**

67. Due to the late notice of the Provisional Settlement, the significant change in the distribution of funding and the impact that this has on the council's finances, services are still developing plans for further savings. Appendix 4 contains a summarised income and expenditure statement by service.

68. Cabinet will receive final service budget proposals for approval on 22 March 2016, after the appropriate Scrutiny Boards have reviewed progress in developing service budgets.

Balancing the 2016/17 revenue budget and MTFP (2016-20)

69. The unexpected and large reduction in funding means that the Council has not been able to identify the details of savings it requires to balance the 2016/17 budget and MTFP 2016-21 in the short time since it was notified. Table 10 summarises the gross

funding and expenditure for each year of the MTFP 2016-21, and the additional savings or funding required for a sustainable budget. This includes the assumed funding for transitional relief in respect of the late notification of changes to the RSG distribution.

Table 10: Summary of gross funding and expenditure (assuming transitional relief)

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Funding:						
Business Rates	-44.1	-45.5	-48.3	-49.4	-50.5	-50.5
Council tax	-598.0	-615.3	-630.5	-649.5	-669.2	-673.5
Council tax - ASC support	0.0	-11.8	-24.5	-38.1	-52.6	-67.2
Revenue Support Grant	-109.8	-67.1	-28.0	-4.7	0.0	0.0
Revenue Support Grant - Transitional relief	0.0	-20.0	-37.0	0.0	0.0	0.0
Business Rates Retention scheme - top up grant	-58.9	-59.4	-60.6	-62.4	-47.1	-47.7
UK Government grants	-713.8	-697.3	-699.8	-696.2	-692.8	-691.9
Other income	-141.1	-147.3	-149.4	-150.6	-152.6	-155.2
Total funding	-1,665.7	-1,663.7	-1,678.0	-1,650.9	-1,664.8	-1,686.0
Expenditure:						
Expenditure	1,669.4	1,680.9	1,684.2	1,695.7	1,702.8	1,710.6
Funding shortfall	3.7	17.2	6.2	44.8	37.9	24.7

70. The Council plans to balance its five year MTFP through the Public Value Transformation programme. This will robustly consider alternative methods of service delivery. The Transformation programme will be funded from capital receipts from asset sales in accordance with the Government's increased flexibilities set out in the Provisional Settlement (paragraphs 45 to 47). The Council recognises that service transformation on this scale will take time and will not be delivered in full for the 2016/17 financial year. The Public Value Transformation programme will follow the principle of the Council's Public Value Review (PVR) programme introduced in 2009. PVR was the start of a long term process over the last six years for ensuring efficiencies and the gains the programme made are already built in for the next five years. The new funding settlement will require the Council to find even greater efficiencies while ensuring availability of front line services to residents.

71. Other than increasing the level of savings required, making use of capital receipts from asset sales as set out above, and significant transitional relief provided by Central Government (£20m in 2016/17 and £37m in 2017/18) the Council plans to balance its budget in 2016/17 and in 2017/18 through the use of reserves. However, these reserves have been set aside for specific purposes - either future expenditure or to meet possible liabilities - meaning that their use to balance the revenue budget can only be short term and will lead to the council needing to identify other ways of meeting the expenditure for which they were intended.

72. The Council plans to use £17.2m reserves in 2016/17 and £6.2m in 2017/18.

Risks and uncertainties

73. In balancing the 2016/17 revenue budget and looking ahead for the remaining four years of the MTFP (2017-21), the Council has taken account of the key risks and uncertainties facing the Council and proposes to refresh the budget later in 2016 when it is anticipated the level of uncertainty may have reduced. The main areas of risk include:

- the receipt of transitional funding of £20m in 2016/17 and £37m in 2017/18
- the on-going effectiveness of the efficiencies and savings programme;
- the effectiveness of the Public Value Transformation programme;
- the on-going growth in demographic demands on services; and
- confirmation of outstanding grant allocations.

Capital programme 2016-21

Capital budget planning

74. The Council set a five year capital programme totalling £696m in the MTFP (2015-20), which it refreshed in July 2015 to accommodate underspends carried forward, bringing the total for five years to £744m. A significant element of this relates to the supply of new school places (£285m) and the recurring programme of transportation and highways maintenance (£153m).

75. For the MTFP (2016-21) the capital programme is rolled forward one year to include 2020/21. The focus remains on the continuing forecast growth in school pupil numbers and the importance residents place on good roads.

Capital position 2015/16

76. The forecast in-year variance on the 2015/16 capital programme as at 31 December 2015 is an underspend of £16m against the approved revised service budget of £176m. The main reasons for the underspend include: £2.3m across a range of environment projects; £1.6m on superfast broadband scheme; £4.8m on schools capital maintenance and £2.3m on other school schemes.

77. 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 2016 and if approved, the amounts will be added to the capital programme for 2016-21.

Capital expenditure

78. For 2016/17 the capital investment in school places continues with an increase from £58m to £76m. Overall, for the period 2016-21, the Council will invest an additional £208m to create a further 11,500 school places. Of these 5,400 will be primary school places and 6,100 will be secondary school places.

79. Given the pressures on the Council's finances, and the impact of the Council borrowing to fund the schools places programme and incur additional capital financing

costs, the Council is seeking further support from Central Government to meet the increased demand for school places.

80. 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%.

81. The best approach to managing road maintenance is through longer term planned repairs, as opposed to short term pothole 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 roads over five years to 2017 (known as Project Horizon).

82. 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. Investment in roads and transport will be £31m in 2016/17 and totalling £147m by 2020/21.

83. The Council plans to invest £20m in Information Technology over the five years to 2020/21. This includes £12.5m for new equipment and infrastructure, a £7.4m replacement and renewal programme. By making this investment, the Council is enabling and supporting further service efficiencies.

84. Table 11 summarises the Council's £635m capital programme for the five years of MTFP (2016-21). The grant funding for capital from Central Government remains unclear, pending Government departments announcing the level of grant.

Table 11: Summary capital expenditure programme

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Schools Basic Need	76	70	43	14	5	208
Highways recurring programme	31	31	29	28	28	147
Property & IT recurring programme	27	26	25	26	26	130
Other capital projects	41	41	29	25	14	150
Total	**175**	**168**	**126**	**93**	**73**	**635**

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

Capital funding

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

Government grants

87. Government departments have announced some, but not all, capital grants for 2016/17 and even fewer for 2017/18 in the Provisional Settlement. Government

departments commonly announce additional grants during the financial year, so the Council includes a forecast for these. £34m of the £114m capital grants funding the 2016/17 programme remain to be announced, as shown in table 12 below

88. 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.

89. Table 12 shows those grants for 2016/17 announced in the Provisional Settlement and those the Council still expects.

Table 12: Government capital grants 2016/17

	Provisional Settlement 2016/17 £m
Capital grants announced	
School places	58
Integrated transport block	5
Highways maintenance	17
Total capital grants announced	**80**
Total capital grants yet to be announced	**34**
Total grants	**114**

90. Capital grants for years beyond 2016/17 are largely unknown and MTFP (2016-21) includes an estimate for each year. The Council reviews this estimate each year and makes equivalent adjustments to the capital programme.

Third party contributions

91. 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. The MTFP (2016-21) capital programme relies on £6m third party funding in 2016/17.

Revenue reserves

92. The Council uses reserves to fund some items of capital expenditure. It replenishes these reserves from service revenue budgets. The main two service revenue reserves are the Fire Vehicle & Equipment Reserve and the IT Equipment Reserve. The MTFP (2016-21) capital programme relies on £8m funding from service revenue reserves in 2016/17.

Borrowing

93. The Council borrows to fund the part of the programme remaining after applying the above three funding sources. Over the five years of MTFP (2016-21), the Council expects to borrow £187m to balance the capital programme.

94. Table 13 summarises the Council's estimated capital funding for the period 2016-21.

Table 13: Capital funding 2016/17 to 2020/21

Summary capital funding	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Grants	114	85	70	68	50	387
Reserves	8	11	2	3	3	27
Third party contributions	6	7	7	7	7	34
Borrowing	47	65	47	15	13	187
Total	**175**	**168**	**126**	**93**	**73**	**635**

Capital receipts

95. The Council can apply capital receipts more flexibly to fund its investments, and the Council can use these resources to fund its additional portfolio of investments. The Council currently has £46m in unapplied capital receipts.

96. As part of the Provisional Settlement, the Government proposes to allow councils the flexibility to use capital receipts to meet the revenue costs of transformation programmes, within conditions that are yet to be published. The current proposal is for councils only to use such capital receipts that are received in year. However, in its consultation response, the Council has argued that this discriminates against those local authorities that have already rationalised their assets, such as Surrey County Council. If this flexibility is extended, a report will be prepared for Cabinet or Full Council (as required by Government) to decide about using capital receipts for these purposes.

Additional portfolio of investments

97. 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

98. The Council's minimum level of available general balances is 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 is forecasting general balances brought forward of £21.3m at 1 April 2016.

99. Going into 2016/17 the Director of Finance recommends the level of general balances remains in the same range. This approach is considered prudent to mitigate against the risk of non-delivery of service reductions and efficiencies in 2016/17 and to take account of the late notification of many revenue and capital grants.

100. Earmarked reserves are funds set aside for specific purposes and agreed by the Cabinet. The forecast total balance for all earmarked reserves carried forward at 31 March 2016 is £92m, down from £110m brought forward on 1 April 2015. The main reasons for this are: the carry forward of £8m of the previous year's expenditure; the use of £4m of reserves to support the 2015/16 revenue budget; and a further £3m to support the capital programme.

101. As stated in paragraph 72 the Council is planning to use £17m of reserves to support the 2016/17 budget.

102. 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

103. 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 current market conditions, changes in 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. Annex 2 sets out updated versions of the Council's treasury management policy statement and treasury management strategy.

104. Since 2009/10 the treasury management strategy has followed a cautious approach as a direct result of the Council's Icelandic bank experience. With the Icelandic bank deposits now fully resolved, officers have consulted with their advisors in order to present to Full County Council a slightly less risk averse strategy with the intention of generating additional return within a managed risk environment.

105. In order to capitalise on sustained low interest rates and the ability to fund capital expenditure through the use of internal reserves to limit the need for external borrowing, the council has set itself a minimum working cash investment balance of £47m. The council's approach to borrowing will continue to rely on internal funding for capital expenditure whilst it remains viable.

106. In the period September 2014 to March 2015, the Council borrowed an additional £160m during a period of unprecedented low interest rates. 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 rates on offer and the timing of any potential borrowing appropriate within the overall strategy. Future borrowing decisions will continue to be managed in this way.

107. 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;
- the setting of maximum deposit limits according to counterparty risk and security.

108. For 2016/17 it is recommended that the Council continues with the internal funding policy while the current low interest rate environment continues, and that the current counterparty criteria are varied as set out in the strategy, as advised by the Council's treasury advisors.

109. It is recommended that the Council:

- introduces three new investment categories: corporate bonds, covered bonds and pooled investment property funds which will generate additional returns within a controlled credit risk environment;
- increases the maximum term for high quality longer dated investments to two years for supranational institutions, local authorities, UK government, corporate bonds and five years for covered bonds, earning additional interest income without compromising liquidity risk;
- sets the maximum amount in respect of any one counterparty to £20m with the exception of money market funds (£25m).

CONSULTATION:

110. During July 2015 and January 2016, 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.

RISK MANAGEMENT IMPLICATIONS:

111. The Strategic Risk Forum, chaired by the Director of Finance, provides a clear direction for managing risk and strengthening resilience to support the Council in achieving its priorities and delivering services. The group consists of strategic risk leads and the Head of Emergency Management and the Chief Internal Auditor. The Council 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 workshops

112. The Leadership Risk Register is owned by the Chief Executive and shows the council's strategic risks. It is regularly reviewed by the Strategic Risk Forum and the Statutory Responsibilities Network on a monthly basis. Each strategic risk is cross referenced to risks on other strategic and operational risk registers and shows clear lines of accountability for each risk. Audit and Governance Committee reviews the Leadership Risk Register at each meeting and refers any issues to the appropriate Scrutiny Board

or Cabinet Member. The Leadership risk register is also presented to Cabinet on a quarterly basis.

113. Senior management and members regularly monitor and manage risk through boards, groups, networks and partnerships to ensure that opportunities are exploited and the resulting risks are controlled to a tolerable level.

114. The Director of Finance's statutory report (Annex 1) considers the level of risks in the proposed budget more fully and states her opinion as to the robustness of the proposals.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

SECTION 151 OFFICER COMMENTARY

116. As required by legislation, the Director of Finance has written a report, attached at Annex 1. In summary, the Director of Finance indicates that the risks remain significant and the position is very serious. However, taking all of the above into account, it is the view of the Director of Finance that the budget proposals recommended by the Cabinet to Full County Council will produce a balanced budget for 2016/17 that is deliverable, and develop a longer term budget that is sustainable so long as:

- Government provides transitional relief in the Final Settlement;
- all existing savings plans are delivered in full; and
- the Public Value Transformation programme is adopted, managed and monitored rigorously by the Chief Executive and Director of Finance to ensure it identifies considerable base budget reductions in costs and income generation opportunities as soon as is manageable.

LEGAL IMPLICATIONS – MONITORING OFFICER

117. This report sets out information upon which recommendations will be made to Council for the adoption of a lawful budget and the basis for the level of the council tax for 2016/17. Council is under duty to deliver a balanced budget and this report highlights the difficulties of this task for Members, faced with a Provisional Settlement reduction which could not have been reasonably foreseen, which only became apparent in late December and which has still to be finalised by Government at the time of this report.

118. In view of this, should the Final Settlement result in any late changes, Full County Council will be asked to delegate powers to the Leader and the Director of Finance to finalise the details of the budget to deliver a balanced budget, which maintains the council tax rate Full County Council sets. If these 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

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

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

120. To inform decision making, an analysis of the potential impact of the proposals set out in the MTFP (2016-21) 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 22 March 2016. This analysis will also set out the actions that the Council is taking, or will undertake, to mitigate any negative impacts that could arise.

121. The equality impact analysis undertaken for the proposed MTFP (2016-21) will build on the analysis of savings in the MTFP (2015-20). It will include full assessments of new savings proposals and further analysis of proposals where there is a significant change from those presented previously.

122. 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.

123. 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.

124. 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

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

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

WHAT HAPPENS NEXT

126. Scrutiny Boards will examine the proposed individual service budgets.

127. Service budgets will be presented to the Cabinet on 22 March 2016.

Contact Officer

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

Consulted

129. Cabinet, Scrutiny Boards, all County Council Members, Chief Executive, Strategic Directors, Surrey's business community, voluntary sector, residents and trade unions.

Annexes

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

Appendices:

Appendix 1 Surrey County Council: Financial Strategy 2016-21
Appendix 2 National economic outlook and public spending
Appendix 3 Provisional government grants for 2016/17 to 2020/21
Appendix 4 Revenue budget proposals
Appendix 5 Capital programme proposals 2016/17 to 2020/21
Appendix 6 Reserves & balances policy statement
Appendix 7 Projected earmarked reserves and general balances 2015/16 and 2016/17

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 Section 151 Officer 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. For Surrey County Council the Section 151 Officer is the Director of Finance, Sheila Little.

1.3. The Council is required to set a balanced budget and in considering the budget, the Council must have due regard to the advice the Director of Finance includes in this report. The following paragraphs therefore provide a commentary on the robustness of the budget and the reserves in place to support the Council.

1.4. 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.

1.5. Strategically the financial and economic context facing the Council remains similar to recent years, which is a continuation of austerity and significant, and very unexpected, reduction in central Government funding. The Government made their Provisional Settlement on 17 December 2015 and the Council learnt that it faces a 42% reduction of core central Government funding when compared to the current year. The Council had, in accordance with what could be reasonably assumed from previous Government indications, been planning for a reduction of 28% into 2016/17. The difference in the figures compared to those that could reasonably be expected, reflect that the Government made changes to the basis of distribution of their core funding (Revenue Support Grant) for which that had been no previous indications and or consultation.

1.6. At the same time, the Council faces significant pressures from the care market as well as increasing year on year demographic demand for services, in particular, but not exclusively, for social care. Public expectation about, for example, the Highways service is also increasing. The Government has announced a four year settlement for core funding, which provides some certainty over Government funding in future years. However, at the time of writing this report, the council has not received notification of the level of government grants for £128m (15%) of its services. This increases the level of uncertainty and the council may need to draw on reserves if the allocated amounts vary from those planned for.

1.7. As well as confirming the general Council Tax precept limit, without referendum at 2%, as expected, the Government has recognised the increasing social care pressures, and are allowing authorities with adult social care responsibilities the ability to increase Council Tax by an additional 2% without a referendum requirement. Authorities must provide assurance that this funding will be used for adult social care services. This additional precept would raise £11.8m for the Council, although this is less than the demographic demand for adult services which increases by over £20m each year. In addition to these demographic demands, there are further significant inflation and price pressures facing the service from the care market, not least of all due to the recently introduced National Living Wage. These total £11m for 2016/17 alone.

1.8. To help the Council manage these demand pressures, the Cabinet is proposing that the Council continue with its existing Council tax strategy of raising Council Tax by a general 1.99%, as currently planned in the MTFP (2015-20) and the additional 2% for adult social care. This means an increase in Council Tax of 3.99% for 2016/17 (raising £31m) and for each of the following four years of the new MTFP period (2016-21).

1.9. Even with the planned increases in Council Tax and the existing efficiencies and savings plan, the Council cannot continue services as they currently are and produce a long term sustainable budget. Although the additional adult social care precept is a late and largely unexpected help (£11.8m), other significant unexpected and late funding reductions announced in the Provisional Settlement more than off-set the gain from the adult social care precept. To explain, amended distribution methodology for allocation of RSG will mean £47m less funding from 1 April 2016, £20m of which the Council could not reasonably have forecast. Also, total service pressures of £71m and inflation pressure of £26m add further to the challenge.

1.10. The position for future years worsens as continual efficiencies become harder to sustain and realise and yet demographic pressures continue to escalate and government funding reduces further and faster than could reasonably have been expected. Unlike previous changes to local government funding, the government has not proposed any damping mechanism.

1.11. Together this means the Council must continue to explore different ways of delivering services and proposes to establish a significant transformation programme early in 2016 to identify service changes that reduce costs and provide income generation opportunities.

1.12. However, the late notification means the Council is only able to balance the budget for 2016/17 and 2017/18 by a combination of the following:

- limiting spending in the current financial year, 2015/16, to ‘essential’ spend only;
- requiring deeper and earlier efficiencies from services (£18m making a total for 2016/17 of £84m);

- amending its council tax strategy to a general council tax increase of 1.99% and to implement the additional precept introduced to help fund adult social care services of 2%; making a total Council tax increase of 3.99% in 2016/17 and each of the subsequent four years of the MTFP period;
- utilising a significant proportion of its reserves (£17.2m, 19% in 2016/17);
- making use of up to £30m of capital receipts from asset sales to fund a significant transformation programme, and;
- assuming that the Government will allocate transitional relief to compensate the Council for the 'shock' element of the redistribution mechanism through damping in the Final Settlement.

1.13. It is important to recognise that the Council has successfully delivered significant efficiency savings & service reductions in each of the last five financial years (£331m), and is forecast to deliver further savings for 2015/16 of £67m. A further £384m savings are planned for the next five year MTFP period although it is recognized that this is increasingly challenging to deliver year on year.

1.14. To recognise the risk of non-delivery of efficiencies going forwards and the risks inherent in the budget assumptions set out above, a number of mechanisms are in place to help manage these risks, including:

- monthly reporting to Cabinet on budget monitoring forecasts within 3 weeks of the period end and including remedial management action where required;
- the operation of a robust risk management approach;
- the presence of the council's key internal control framework, including the financial regulations and Scheme of Delegation for Financial Management which provides the framework for delegated budget management;
- the sustaining of good working relations with the external auditor (Grant Thornton);
- the operation of the internal audit function and its role in assessing controls and processes to highlight any major weaknesses and advise on best practice, and;
- the continuation of the of supportive budget challenge sessions led by the Chief Executive and the Director of Finance with the key Heads of Service and Strategic Directors

1.15. However, the situation is very serious. The above measures will not eliminate the risks entirely and will not on their own ensure the Council can deliver a balanced budget in future. Therefore, it is proposed to introduce a significant Public Value Transformation programme led by the Chief Executive and the Director of Finance to ensure that significant service delivery changes are planned and delivered to ensure that the budget the Council sets is sustainable. The inevitable time needed to plan these changes thoroughly and to consult properly makes the provision of transitional relief by Government essential for the Council to set a sustainable budget.

Level of reserves and balances

1.16. The final accounts for 2014/15 show available general balances at 31 March 2015 of £21.3m. The latest budget monitoring position for 2015/16, as at 31 December 2015, forecasts that this level will be maintained at £21.3m by 31 March 2016. 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 recent significant unexpected variations in the level of Government funding as well as the on-going uncertainty in the level of specific grants (revenue and capital); and, the absence of a specific reserve to manage severe weather liabilities.

1.17. Details of earmarked reserves are set out in Appendix A7. The extra reduction in RSG funding announced in the Provisional Settlement will require the use of significant reserves to support the budget over the next two years. The Council will need to consider the extent to which these reserves need replacing in the medium term, whilst not seeking to holding excessive balances when services are facing increasing demands.

Financial standing

1.18. 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, to which the council must adhere. In accordance with the planned capital programme, and the provision made in the current MTFP (2015-20), during the previous financial year (2014/15), the Council forward borrowed £90m in respect of the 2015/16 year in three £30m tranches (16 February 2015, 27 February 2015 and 19 March 2015), at record low interest rates, thereby minimising the long term costs of repayment by the Council. Looking ahead into 2016/17, it may be that further borrowing will be undertaken ahead of forecast rises in interest rates later in the year, paying due regard to ensuring that the revenue costs of proposed borrowing are affordable and sustainable in the long term.

Risk assessment

1.19. In response to the significant challenges that the Council is facing and the associated emerging risks, an integrated risk framework is well established across the Council and will be maintained. The risk governance arrangements are well embedded and the close link between risk registers and business impact analyses and continuity plans has been sustained throughout 2015/16 and will continue into 2016/17. 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 and Audit and Governance Committee quarterly in 2016/17.

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

- constraints in the ability to raise local funding and/or distribution of funding;
- increased reliance on integrated working and implementing new models of delivery to manage service delivery and optimise efficient service delivery;
- the on-going uncontrollable growth in demographic demands on services.

Conclusion

1.21. Although the level of risk remains significant and the position is very serious, taking all of the above into account, it is the view of the Director of Finance that the budget proposals recommended by the Cabinet will produce a balanced budget for 2016/17 that is deliverable, and develop a longer term budget that is sustainable so long as:

- Government provides transitional relief in the Final Settlement,
- All existing savings plans are delivered in full, and;
- that the Public Value Transformation programme is adopted, managed and monitored rigorously by the Chief Executive and Director of Finance to ensure it identifies considerable base budget reductions in costs and income generation opportunities as soon as is manageable.

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Treasury Management Strategy Statement and Prudential Indicators 2016/21

Key issues and decisions

To set the Council's prudential indicators for 2016/17 to 2020/21, approve the minimum revenue provision (MRP) policy for 2016/17 and agree the treasury management strategy for 2016/17.

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 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 and the period of continuing low interest rates for investments. With the Icelandic deposits now fully resolved, moving forward into 2016/17, a degree of change is proposed to the treasury management strategy with regard to the Council's managed increase in risk appetite. Officers have consulted with their advisors in order to present to full council a slightly less risk averse strategy with the intention of generating additional return within a managed risk environment.

2.3. 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.
- 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.
- Set the maximum amount in respect of any one counterparty to £20m with the exception of money market funds (£25m).
- Introduce three new investment categories: corporate bonds, covered bonds and pool investment property funds which could generate additional returns if utilised, while maintaining controlled credit risk.
- Increase the maximum term for high quality longer dated investments to two years for supranational institutions, local authorities, UK government, corporate bonds and five years for covered bonds, earning additional interest income without compromising liquidity risk.

Background

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

2.5. 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.

2.6. 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

2.7. 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 to set aside resources over time to repay the borrowing incurred to finance capital expenditure;
  - 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.

2.8. The treasury management policy, strategy statement and prudential indicators report is required to be adequately scrutinised before being recommended to the County Council. This role is undertaken by the Chairman of the Audit and Governance Committee.

Treasury management strategy for 2016/17

2.9. The strategy for 2016/17 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.

2.10. 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

2.11. The Council has recently appointed Arlingclose as its external treasury management advisor. 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.

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

Training

2.13. 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. Arlingclose provides daily, weekly and quarterly newsletters and regular update calls/meetings will be held with Arlingclose.

2.14. 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 2016/17 to 2020/21

2.15. 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.

2.16. 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.

2.17. The prudential indicators are set out in Appendix 9.

Borrowing

2.18. The capital expenditure plans set out in Appendix 5 of the budget report 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.

2.19. Capital expenditure can be financed from one or more of the following sources:

i. Cash from existing and/or new capital resources, e.g., capital grants, capital receipts from asset sales, revenue contributions or earmarked reserves;

ii. Cash raised by borrowing externally;

2.20. Cash being held for other purposes, e.g., earmarked reserves or working capital but used in the short term for capital investment. This is known as 'internal borrowing' as there will be a future need to borrow externally once the cash is required for the other purposes.

2.21. Under the CIPFA Prudential Code, an authority is responsible for deciding its own level of affordable borrowing within set prudential indicator limits. Borrowing does not have to take place immediately to finance its related capital expenditure and may be deferred or borrowed in advance of need within policy. The Council's primary objective when borrowing is to manage the balance between securing low interest rates, achieving cost certainty over the period for which funds are required, while ensuring that any 'cost of carry' does not place unnecessary pressure on the revenue budget. Cost of carry occurs when cash is borrowed in advance of need and then held in short term investments earning less interest than is being paid to borrow it initially.

2.22. The amount that notionally should have been borrowed is known as the capital financing requirement (CFR). The CFR and actual borrowing may be different at a point in time and the difference is either an under or over borrowing amount. Table 2.1 summarises the Council's position at 31 March 2015, with forward projections:

Table 2.1: Current portfolio position

External debt	2014/15 Actual £m	2015/16 Projected £m	2016/17 ← - - - - - - - - - - £m	2017/18 Estimated £m	2018/19 - - - - - - - - - - → £m	2019/20 £m	2020/21 £m
Capital Finance Requirement at 31 March	**781.6**	**870.9**	**916.4**	**950.3**	**943.9**	**903.2**	**857.8**
Less Other Long Term Liabilities	-102.8	-148.0	-174.5	-172.9	-153.6	-134.3	-114.9
Borrowing Requirement	678.8	722.9	741.9	777.4	790.3	768.9	742.9
Actual External Debt at 31 March	428.7	429.3	448.5	484.2	497.0	511.2	523.2
Under/(over) borrowing	**250.1**	**293.6**	**293.4**	**293.2**	**293.3**	**257.7**	**219.7**

2.23. The table shows the actual external debt (PWLB, LOBO and temporary loans) against the underlying capital borrowing need, the majority of which is held with the Public Works Loans Board (PWLB), with a single Lender Option Borrower Option (LOBO) loan. The authority has adopted a treasury management strategy that favours fixed rate borrowing to provide certainty over borrowing costs and rates of interest.

2.24. The Council is currently maintaining a significantly under-borrowed position. This means that the capital financing requirement has not been fully funded with loan

debt, as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. At 31 March 2016, the projected level of under-borrowing amounts to £293.6. 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.

2.25. It is likely that the Local Capital Finance Company Limited (also known as the Municipal Bond Agency) will be offering direct loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the PWLB. It is recommended that the Council utilise this new source of borrowing when appropriate.

2.26. The Local Capital Finance Company Limited was set up during 2015 with the aim of reducing borrowing rates by up to a prudent 0.20% to 0.25% compared with the certainty rate provided by the PWLB. The Company will offer direct competition to the PWLB but, as a result, the PWLB could react by reducing its own margins, thereby making the Local Capital Finance Company Limited rate not compelling for local authority borrowers. Whilst it is difficult to predict the reaction to the establishment of the Local Capital Finance Company Limited, either way, it has the potential for local authorities to access lower borrowing rates.

2.27. 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 2016/17 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.

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

Prospects for interest rates

2.29. The Council has appointed Arlingclose 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 Arlingclose'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. The Council complies with this requirement. Appendix 10 sets out a summarised report on global economic outlook and the UK economy.

Table 2.2: Prospects for interest rates

		PWLB borrowing rates (including certainty rate adjustment)		
	Bank rate %	**5 year %**	**20 year %**	**50 year %**
December 2015	0.50	2.30	3.25	3.25
March 2016	0.50	2.35	3.30	3.30
June 2016	0.50	2.40	3.35	3.35
September 2016	0.75	2.50	3.35	3.40
December 2016	0.75	2.60	3.40	3.45
March 2017	1.00	2.70	3.45	3.50
June 2017	1.00	2.80	3.50	3.55
September 2017	1.25	2.90	3.55	3.60
December 2017	1.25	3.00	3.60	3.65
March 2018	1.50	3.05	3.65	3.70
June 2018	1.50	3.10	3.70	3.75
September 2018	1.75	3.15	3.75	3.80
December 2018	1.75	3.15	3.75	3.80

2.30. Investment returns are still likely to remain relatively low during 2016/17 and beyond. Borrowing rates have been volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism in financial markets as a result of geo-political events and the slowing Chinese economy. The closing weeks of 2015 and early into 2016 have seen gilt yields dip to historically low levels after inflation plunged, and a flight to quality from equities (especially in the oil sector), from the debt and equities of oil producing emerging market countries.

2.31. The policy of internal borrowing by utilising 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.

2.32. Officers continue to review the need to borrow, taking into consideration the potential increases in borrrowing costs, the need to finance new capital expenditure, refinancing maturing debt, and the cost of carry that might incur a revenue loss between borrowing costs and investment returns. Against this background and the risks within the economic forecast, caution will be adopted with the 2016/17 treasury operations. Markets will continue to be monitored carefully and the Council will adopt a pragmatic approach to changing circumstances in relation to its debt strategy.

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

UK Treasury Management Delegation

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

Borrowing strategy

2.35. 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 is not intended to hold permanently. The Council will give consideration to reversing this policy and fund its position from external sources prior to long term gilt yields and interest rates eventually rising, thus impacting on the cost of borrowing.

2.36. How the current internal borrowing gap will eventually be bridged will depend on market projections over 2016/17 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 until late 2016/early 2017, the Council still 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 when suitable opportunities arise.

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

2.38. There are two possible risks in 2016/17:

- 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 further 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.

2.39. 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 significantly (and into deflation territory) 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 importance of the longer term fixed interest rate economic forecasts.

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

Treasury management limits on activity

2.41. 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.

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

Table 2.3: Treasury indicators and limits

	2016/17 to 2020/21		**2015/16 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	2%
10 years and above	25%	100%	387	98%
Total external borrowing			**397**	**100%**

Policy on borrowing in advance of need

2.43. 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

2.44. 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).

2.45. 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).

2.46. 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.

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

Annual investment strategy

Investment policy

2.48. The three major credit rating agencies made substantial revisions to their bank credit rating methodologies in 2015, reflecting the banking reform agenda in the UK and other advanced economies. Until last year, the rating agencies assessed the standalone credit strength of banks, and then added up to three “notches” to account for the likelihood that the relevant national government would bail-out a failed bank in order to protect investors.

2.49. Following the passing of UK domestic legislation in 2013 and an EU-wide directive in 2014 banning government bail-outs until there have been investor bail-ins, in 2015 the rating agencies removed most or all of these notches for government support. Moody’s retains one notch for the very largest banks reflecting a small chance that governments may ignore or rewrite the law if or when such an eventuality occurred; Fitch and Standard & Poor’s do not believe the chance of this is large enough to make any meaningful difference to banks’ credit strengths.

2.50. On its own, this would have seen many banks’ credit ratings fall. However, this effect was fully or partly offset by the introduction of notches for loss absorbency. This reflects the chance that, although a bank has failed and been bailed-in, there may be sufficient loss absorbing instruments ranking below the Council’s investment to protect the latter from any loss. Under the pre-reform framework, banks were likely to default on all their debts at the point of failure, even if the higher ranking ones were eventually repaid in full. Post-reform, bail-in is designed to enable failed banks to continue running without defaulting on all their debts. In many cases, the resulting credit ratings are therefore broadly unchanged.

2.51. As a result of these rating agency changes, the credit element of the future Arlingclose assessment methodology will focus solely on the Short and Long Term

ratings of an institution. Furthermore, Arlingclose will utilise credit default swap (CDS) prices as an overlay to credit ratings.

2.52. 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.

2.53. 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 Arlingclose ratings service, potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

2.54. 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.

2.55. 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.

2.56. 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 change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

2.57. Current investment counterparties identified for use in the financial year using currently approved rating criteria are listed in Appendix 12. Counterparty monetary limits are also set out in this appendix. Recommended changes to criteria and monetary limits have already been set out in paragraph 2.3.

2.58. The Director of Finance, under delegated powers, will undertake the most appropriate form of investments depending on the prevailing risks and associated interest rates at the time. All investments will be made in accordance with the Council's treasury management policy and strategy, and prevailing legislation and

regulations. If the list of counterparties and their time or value limits need to be revised, amendments will be recommended to the Audit & Governance Committee.

Creditworthiness policy

2.59. 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).

2.60. 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.

2.61. 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 Arlingclose on all active counterparties that comply with the criteria below.

2.62. 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-

- Banks (2): The Council's own banker (HSBC) 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 rating agencies. The upper limit of MMFs stands at £175m with a maximum £25m per fund.
- UK Government, including gilts and the Debt Management Account Deposit Facility (DMADF)
- Local authorities, parish councils etc
- Supranational institutions
- Enhanced Cash/Corporate bonds pooled funds: AAAs1 (or equivalent)
- Corporate bonds A- (or equivalent)
- Covered bonds (fully collaterised)
- Pooled investment property funds

Country and Sector Considerations

2.63. 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

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

Time and monetary limits applying to investments

2.65. It is recommended that the specific terms applicable to investment types will be limited as follows:

Overnight:	AAA rated money market funds, Call accounts, Enhanced cash/corporate bonds pooled funds
100 days	Unsecured Banks Building Societies A-
6 months	Unsecured Banks Building Societies A
13 months	Unsecured Banks Building Societies AA-
2 years	Corporate Bonds, Debt Management Office, Supranational Institutions, Local Authority
5 years	Bank/Building Society (Secured) Covered Bonds

2.66. Further internal restrictions may be applied on recommendations from Arlingclose.

2.67. The proposed criteria for specified and non-specified investments are shown in Appendix 12 for approval.

Country limits

2.68. 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

2.69. 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 two years).

Instant access funds

2.70. The council will utilise Money Market Funds (up to the value of £175m).

Local authorities

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

Investment returns expectations

2.72. The Bank Rate is forecast by Arlingclose to remain unchanged at 0.5% before starting to rise from quarter 4 of 2016. Arlingclose forecasts the financial year ends (March) as:

2015/16	2016/17	2017/18	2018/19
0.50%	1.00%	1.50%	1.75%

2.73. 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.

2.74. 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	0.50%
2016/17	0.65%
2017/18	1.25%
2018/19	1.60%

2.75. 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 2016.

Investment treasury indicator and limit

2.76. 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.

2.77. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security.

2.78. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills, for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments

2.79. The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

2.80. The Authority defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AAA. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of AAA.

Non-specified Investments

2.81. Any investment not meeting the definition of a specified investment is classed as non-specified. For treasury purposes, the Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

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

Table 2.4: Non Specified Investment Limits

	Cash limit
Total long-term investments	£40m
Total investments without credit ratings or rated below A-	£0m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AAA	£0m
Total non-specified investments	£40m

2.83. This keeps the strategy within the Council’s desired level of prudent risk.

2.84. 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.

Investment risk benchmarking

2.85. 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

2.86. 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

2.87. 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. In order to provide a safety margin, a minimum core of £47m is currently in place. 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 four months.

Yield

2.88. 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.

Policy on Use of Financial Derivatives

2.89. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

2.90. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) after taking expert advice, and where they can be clearly demonstrated to reduce the overall level of the financial risks to which the Authority is exposed. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

2.91. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Additional Portfolio of Investments

2.92. 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.

2.93. 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

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

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

2.95. These indicators will be reported to the Audit & Governance Committee in the quarterly and half yearly reports, due after 30 September 2016, and the treasury management outturn report for 2015/16.

End of year investment report

2.96. At the end of the financial year, the Council will report on its investment activity as part of its treasury management outturn report.

External fund managers

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

Minimum revenue provision

2.98. The Council is required to repay an element of the capital financing requirement each year through a revenue charge. This is known as the minimum revenue provision (MRP). The Council's policy on (MRP) is shown in Appendix 14.

Lead/contact officer:

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

Appendices:

Appendix 8	Treasury Management Policy
Appendix 9	Prudential indicators – summary
Appendix 10	Global economic outlook and the UK economy
Appendix 11	Treasury management scheme of delegation
Appendix 12	Institutions
Appendix 13	Approved countries for investments
Appendix 14	Annual minimum revenue provision (MRP) policy statement

Sources and background papers:

CIPFA Prudential Code for Capital Finance

CIPFA Treasury Management in the Public Services: Code of Practice

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

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

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Council tax requirement

3.1. Cabinet has considered the information in the officer reports and the feedback and representations from: the public, the business community, voluntary sector and employees. Following consideration, Cabinet proposes and recommends the Full County Council sets a balanced and sustainable revenue and capital budget for the next five years on 9 February 2016. This is set out in the Revenue and Capital Budget 2016/17 to 2020/21, and Treasury Management Strategy report to Full County Council and its annexes.

3.2. Districts and boroughs provided the County Council with estimated council tax base and council tax collection fund balance figures well before the legislative deadline of 31 January. The collection fund balance is the difference between the estimated council tax collectable for the current year (2015/16) and that actually collected. The districts and boroughs confirmed the council tax collection fund balance at £9,288,445.64.

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

3.4. The council tax requirement for 2016/17 is based on:

	£	£
Gross expenditure		1,680,880,906.08
Other income		-147,348,024.38
Budgeted revenue expenditure		**1,533,532,881.70**
Council tax collection fund balance	-9,288,445.64	
Applied from reserves and balances	-17,169,493.03	
Reserves and balances including council tax collection fund		**-26,457,938.67**
Budgeted net expenditure		**1,507,074,943.02**
Business rates income		-45,467,414.00
Business rates retention system *		-146,484,253.00
Other Government grant		-697,259,747.40
COUNCIL TAX REQUIREMENT		**617,863,528.62**

* The Business rates retention system includes Revenue Support Grant, Business Rates Top-Up Grant and the assumed Transitional Relief of £20m

3.5. The tax base is the number of Band D equivalent properties for precepting purposes. For 2016/17 it is as follows:

Billing authority	Number of Band D equivalent properties
Elmbridge	62,582.00
Epsom & Ewell	32,013.50
Guildford	55,531.10
Mole Valley	39,884.00
Reigate & Banstead	58,301.00
Runnymede	33,178.50
Spelthorne	38,308.40
Surrey Heath	36,890.20
Tandridge	36,969.90
Waverley	53,645.90
Woking	39,862.00
Total	**487,166.50**

3.6. Therefore the basic amount of council tax is

£617,863,528.62 ÷ 487,166.50 = £1,268.28

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

Valuation band	£
A	845.52
B	986.44
C	1,127.36
D	1,268.28
E	1,550.12
F	1,831.96
G	2,113.80
H	2,536.56

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

Billing authority	**£**
Elmbridge	80,724,045.96
Epsom & Ewell	41,112,831.78
Guildford	71,258,479.51
Mole Valley	50,831,679.52
Reigate & Banstead	74,632,185.92
Runnymede	43,517,611.98
Spelthorne	49,575,577.55
Surrey Heath	47,235,562.86
Tandridge	47,432,684.77
Waverley	69,052,969.05
Woking	51,778,345.36
TOTAL*	**627,151,974.26**

*This total includes the Council Tax Collection Fund balance.

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

20 April 2016	14 October 2016
24 May 2016	25 November 2016
24 June 2016	6 January 2017
29 July 2016	10 February 2017
9 September 2016	17 March 2017

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Confident in Surrey's future: Financial Strategy 2016-21

SURREY

PURPOSE

Making the most of every £ to deliver improved outcomes for residents

VISION

ONE place
ONE budget
ONE team for Surrey

VALUES

- **Listen**
- **Responsibility**
- **Trust**
- **Respect**

Context

The Conservative government, elected for the five years up to 2020, has indicated it plans to continue the programme of deficit reduction for the lifetime of this Parliament. The themes that underpinned the Spending Review in November 2015 were: reform, devolution and efficiency. There is an increasing expectation for public bodies to work together in partnerships to improve the service to the public and provide better value for taxpayers and residents. The devolution agenda is increasing, passing greater powers and responsibilities to local authority areas. Meanwhile, the demand for council services, in particular in relation to support for vulnerable adults and children, continues to grow.

SECURING STEWARDSHIP:

Acting in the public interest at all times through responsible, accountable and transparent decision making.

ENSURING SUSTAINABILITY:

Long term planning that enables future needs and outcomes to be met.

ENABLING TRANSFORMATION:

A balanced approach that is future orientated, proactive and outcome focused.

Our strategic approach

1. Principles

We will achieve transformational change through continual improvement by:

- Working with partners and the wider system to improve outcomes
- Continuing to control costs
- Continuing to seek opportunities to generate income and reduce the reliance on council tax increases and government grant
- Managing demand for services

2. Method

Our financial planning will support corporate strategic goals by:

- Developing outcome based budgeting that supports service strategies
- Continuing to plan for the long term to ensure services are fit for the future
- Proactively managing key risks facing the council
- Providing strong financial governance

3. Actions

Our financial management arrangements will provide:

- Strong financial leadership that ensures clear communication and engagement
- Transparent reporting, including the publication of a five-year Medium Term Financial Plan
- A council tax that meets demand pressures
- Flexibility to respond to pressures and challenges

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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 2019/20. The Office for Budget Responsibly (OBR) assessed this target in its November 2015 report and forecast that the cyclically adjusted current budget (CACB) will move from a deficit of 1.6% of GDP in 2015/16 to a surplus in 2017-18. The surplus will then rise to 2.4% of GDP in 2020/21. 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 -0.5% (net surplus) of Gross Domestic Product (GDP) by 2019/20 compared with 5.2% in 2014/15. Furthermore, OBR expects the Government's cumulative borrowing or total amount of debt owed, Public Sector Net Debt (PSND), to peak at 83% of GDP in 2014/15 before falling in the years thereafter.

Table A2:1: UK borrowing levels as a percentage of GDP between 2014/15 and 2020/21

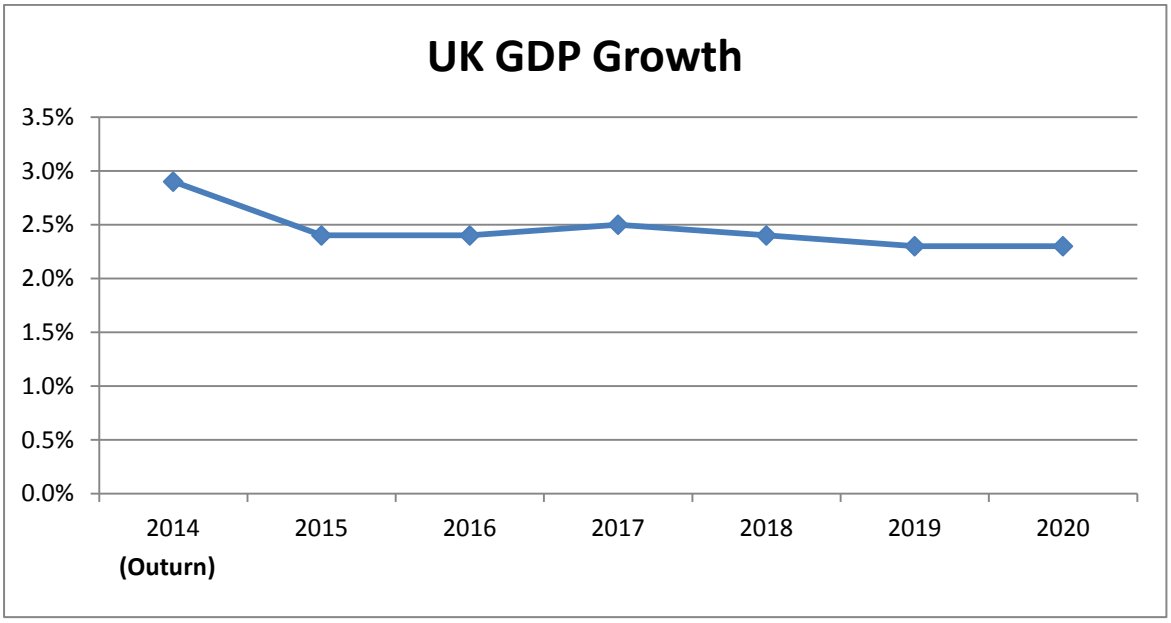
	←---------- Percentage of GDP ----------→						
	Outturn	←---------- Forecast ----------→					
	2014/15	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Cyclically adjusted surplus on current budget	**2.4**	1.6	0.5	-0.5	-1.2	-1.9	-2.4
Public Sector Net Borrowing[1]	**5.2**	3.9	2.5	1.2	0.2	-0.5	-0.6
Public Sector Net Debt	**83.1**	82.5	81.7	79.9	77.3	74.3	71.3

1 Excluding Royal Mail and APF Transfers

Source: Office for Budget Responsibility, Economic and Fiscal Outlook November 2015

A.2.4. Graph A2:1 shows the OBR's growth figures for the next five years. OBR's forecast for growth in 2015 remains at 2.4% and growth has been revised by 0.1 percentage points higher each year in 2016 and 2017. The increased growth in 2016 reflects the Government's decision to ease the pace of fiscal tightening. In 2017, the revisions to underlying potential output growth are more important. The effect of population ageing on employment has caused GDP growth forecast to be revised down in 2020.

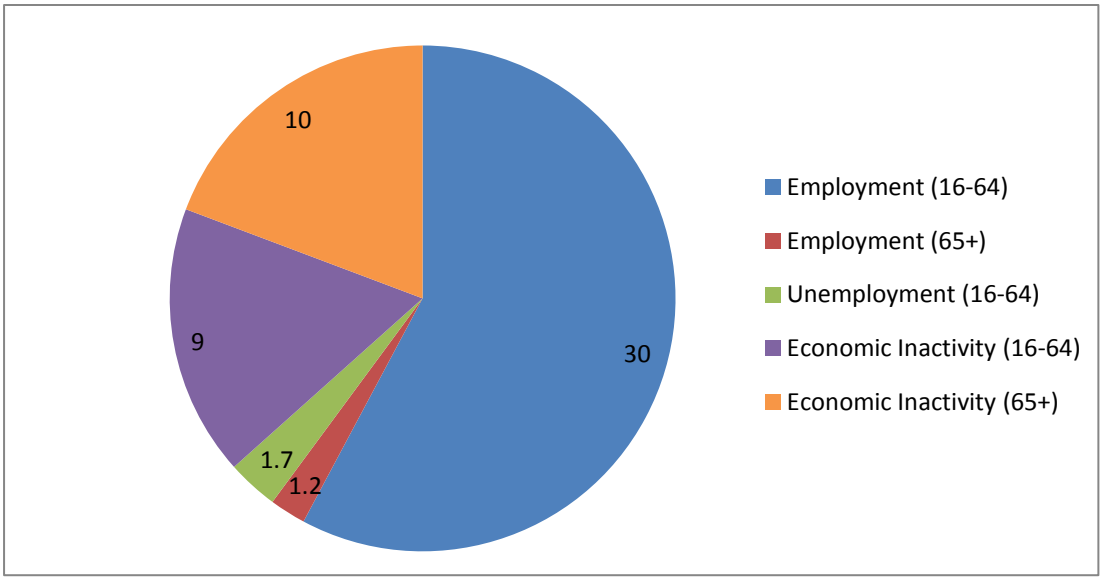
Graph A2:1 UK GDP growth:



Source: Office for Budget Responsibility, Economic and Fiscal Outlook November 2015

A.2.5. National unemployment is continuing to decline. For the period between July and September 2015, compared with the period between April and June 2015, the number of people in employment increased by 177,000 to reach 31 million. Meanwhile, the number of unemployed people fell by 103,000 to reach 1.75 million and the number of people aged from 16 to 64 not in the labour force fell by 22,000 to reach 9 million.

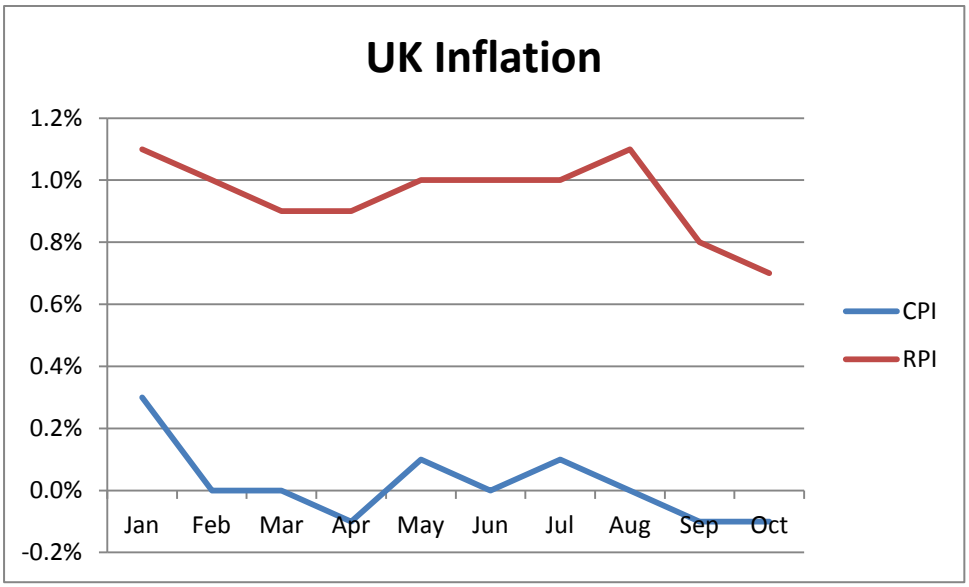
Graph A2:2: UK Labour Market July to September 2015 (millions)



A.2.6. Graph A2:3 shows UK Consumer Price Index (CPI) and Retail Price Index (RPI) inflation between January 2015 and October 2015. In the year to October 2015, CPI fell by 0.1%, the same as reported in the year to September 2015. CPI was -0.1% in October 2015, remaining more than 1% below the Bank of England's target of 2% for the eleventh consecutive month. The consistent CPI rate was largely due to upward price pressures for clothing and footwear and a range of recreational goods being

offset by downward price pressures for university tuition fees, food, alcohol and tobacco.

Graph A2:3: UK annual inflationary measures of CPI and RPI between January 2015 and October 2015.



Source: Office for National Statistics, Consumer Price Inflation October 2015.

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 September 2015 unemployment fell to 5.3%, lower than the 7% level where the BoE said it would begin considering raising interest rates. However, despite the sharp fall in unemployment, the BoE stressed that it will not rush to raise interest rates even when the threshold is reached. OBR forecast the unemployment rate to decline slowly to 5.1% by the end of 2016, as productivity growth picks up, allowing firms to expand output more through their existing workforce rather than through recruitment. UK inflation fell to -0.1% in September and remained at -0.1% in October. Following the latest inflation report from the BoE, economists forecast that interest rates may not move until mid-2016 and may not rise for the whole of next year.

A.2.8. On 25 November 2015, the Chancellor of the Exchequer, George Osborne presented his Autumn Statement and Spending Review 2015. The Spending Review included how spending would be cut by £20bn in the next four years (2016/17 to 2019/20). The UK public finances are now expected to be in surplus by 2019/20 rather than the original target of 2018/19. Underlying public sector net borrowing (which excludes the impact of the Royal Mail pension scheme and the Asset Purchase Facility transfer) is set to fall to 3.9% of GDP this year, down from the 4.0% forecast by OBR in March 2015. OBR then predict it to fall to 2.5% next year and go on declining; reaching 0.2% in 2018/19 and by 2019/20 a small surplus is expected.

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

- *Develop an integrated health and care system*
  An integrated health and social care system is to be created by 2020 with every area to have a plan in place by 2017;
- *Spread economic growth through a devolution revolution*
  New powers to be given to local authorities including the possibility of 100% business rates retention;
- *Address social failures in order to extend opportunity*
  The Government will protect schools' funding in line with inflation. It will invest £23bn in school buildings to create 600,000 extra school places and 500 free schools;
- *Protect national security*
  The MOD will deliver £9.2bn of savings while maintaining the current number of Armed Forces personnel. All of these savings will be directly reinvested into the defence budget to enable investment in new capability to protect the UK's national security.

A.2.10. The Conservative Government set out fiscal plans to deliver a surplus of £10.1bn in 2019/20 and to maintain a surplus there after. Local government's contributions to the deficit reduction will include:

- a reduction to local government grant of £6.1bn by 2019/20 as revenue support grant is phased out;
- support to help local government become more efficient through new flexibility for local authorities to spend receipts from asset sales on reform projects;
- full devolution of business rates to local government and new responsibilities so local areas have the tools to drive local growth; and
- introduction of a social care precept, allowing local authorities to raise the council tax in their area by up to 2% above the existing threshold for use exclusively on adult social care.

A.2.11. The Institute for Fiscal Studies (IFS) states that the Government has set a completely inflexible fiscal target – to have a surplus in 2019/20. The fiscal target of the last Parliament allowed a bigger deficit to be accepted when growth and tax revenues disappointed. The Chancellor's current target is fixed for four years and when forecasts change, it is likely these spending decisions will need to be revised, taxes raised or the target abandoned.

Analysis of Provisional Government Grants 2016/17

Appendix 3

2016/17 Government Grants	2015/16 Budget £000s	2016/17 Provisional Settlement Confirmed Grant £000s	2016/17 Grant included in Budget £000's	2016/17 Anticipated Change from 2015/16 £000s	2016/17 Anticipated Change %
General (Non Targeted) Grants					
Revenue Support Grant	-109,800	-67,078	-67,078	42,722	-39%
Business Rates Top Up Grant	-58,915	-59,406	-59,406	-491	1%
Transitional Relief	0	0	-20,000	-20,000	0%
General (Non Targeted) Grants Total	**-168,715**	**-126,484**	**-146,484**	**22,231**	
Specific Grants					
S31 Grant Business Rates 2% Cap to 2015/16	-1,523	0	-1,523	0	0%
S31 Grant Business Rates Relief	-1,546	0	-1,728	-182	12%
Care Act Grant	-9,387	-2,563	-2,563	6,824	-73%
Care Act-Social Care in Prisons	-421	-421	-421	0	0%
Independent Living Fund Grant	-1,345	0	-1,791	-446	33%
New Homes Bonus	-5,194	-5,981	-5,981	-787	15%
Private Finance Initiative Grant	-11,044	0	-11,044	0	0%
Dedicated Schools Grant	-544,688	-533,097	-533,097	11,591	-2%
ACL, Skills Funding Agency	-2,407	0	-2,287	120	-5%
Area of ONB grant	-103	0	-103	0	0%
Asylum Seekers	-2,300	-3,300	-3,300	-1,000	43%
Better Care Fund (Care Act)	-25,000	-25,000	-25,000	0	0%
Bikeability	-233	0	-221	12	-5%
Bus operators' grant	-1,126	0	-1,069	57	-5%
Counter Fraud Fund	-360	0	0	360	-100%
16-19 Funding, Education Funding Agency	-14,700	0	-13,891	809	-6%
Education Services Grant	-11,110	-9,319	-9,319	1,791	-16%
Extended Rights to free travel	-135	0	-128	7	-5%
Sustainable Travel Grant	-64	0	-61	3	-5%

Analysis of Provisional Government Grants 2016/17

Appendix 3

Fire Pensions	-8,305	-9,396	-9,396	-1,091	13%
Fire Revenue Grant	-403	0	-382	21	-5%
2016/17 Government Grants	**2015/16 Budget £000s**	**2016/17 Confirmed Grant £000s**	**2016/17 Budget £000's**	**2016/17 Anticipated Grant Reduction £000s**	**2016/17 Anticipated Grant Reduction %**
Fire Transformation-Emergency Care Response	-262	0	0	262	-100%
Fire Transformation-Joint Transport	-756	0	0	756	-100%
Flood Water Management	-250	0	0	250	-100%
Local Reform and Community Voices DH	-458	0	-435	23	-5%
Local Sustainable Transport Fund-Sci Tech	-1,684	0	0	1,684	-100%
LSTF - Encouraging town centres/high streets	-230	0	0	230	-100%
Mental Health Deprivation of Liberty	-80	0	-80	0	0%
Music Grant, Surrey Arts	-1,073	0	-1,007	66	-6%
PE and Sport Premium	-2,396	0	-2,334	62	-3%
Police and Crime Panel	-64	0	-61	3	-5%
Public Health Grant inc 0 to 5	-35,505	0	-38,472	-2,967	8%
Pupil Premium	-18,382	0	-17,572	810	-4%
Registration service	-18	0	-17	1	-6%
Remand	-32	0	-32	0	0%
SEND implementation	-638	0	0	638	-100%
Transformation Challenge-Mental Health	-1,017	0	-500	517	-51%
Staying Put	-276	0	-276	0	0%
Woodland Officer	-5	0	-5	0	0%
Sustainable Development Fund	-30	0	-30	0	0%
SE Protected Landscape Grants	-36	0	-36	0	0%
Troubled Families	-350	0	-972	-622	178%
Universal infant free meals grant	-11,560	0	-11,470	90	-1%
Youth Justice Board	-797	0	-656	141	-18%
Specific Grants (Total)	**-717,293**	**-589,077**	**-697,260**	**20,033**	**-3%**
Grants Total	**-886,008**	**-715,561**	**-843,744**	**42,264**	**-5%**

Overall

Chief Executive: David McNulty

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
Business Rates	(44,100)	(45,468)	(48,300)	(49,389)	(50,503)	(50,503)
Council tax	(598,000)	(615,323)	(630,485)	(649,490)	(669,220)	(673,520)
Council tax - ASC support	0	(11,829)	(24,512)	(38,097)	(52,634)	(67,171)
Revenue Support Grant	(109,800)	(67,078)	(28,000)	(4,730)	0	0
Revenue Support Grant - Transitional relief	0	(20,000)	(37,000)	0	0	0
Business Rates Retention scheme - top up grant	(58,915)	(59,406)	(60,567)	(62,362)	(47,093)	(47,687)
UK Government grants	(713,826)	(697,260)	(699,756)	(696,199)	(692,776)	(691,863)
Other income [1]	(141,091)	(147,348)	(149,373)	(150,625)	(152,597)	(155,219)
Total funding	**(1,665,732)**	**(1,663,712)**	**(1,677,993)**	**(1,650,892)**	**(1,664,823)**	**(1,685,963)**
Expenditure:						
Expenditure	1,669,432	1,680,881	1,684,138	1,695,657	1,702,758	1,710,616
Total expenditure	**1,669,432**	**1,680,881**	**1,684,138**	**1,695,657**	**1,702,758**	**1,710,616**
Net budget [2]	**3,700**	**17,169**	**6,145**	**44,765**	**37,935**	**24,653**

1 Other income includes grants & contracts with other organisations, fees & charges, income from property & investments, contracts and reimbursement and recovery of costs

2 Net budget supported by Council Tax, general government grants and reserves

Adult Social Care

Strategic Director: Helen Atkinson

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	(1,097)	(580)	(80)	(80)	(80)	(80)
Other income [1]	(55,695)	(60,351)	(61,403)	(61,574)	(62,465)	(63,998)
Total funding	**(56,792)**	**(60,931)**	**(61,483)**	**(61,654)**	**(62,545)**	**(64,079)**
Expenditure:						
Expenditure	428,592	429,541	422,262	426,616	427,210	429,613
Total expenditure	**428,592**	**429,541**	**422,262**	**426,616**	**427,210**	**429,613**
Net budget[2]	**371,800**	**368,609**	**360,779**	**364,962**	**364,665**	**365,534**

Central Income & Expenditure

Director of Finance: Sheila Little

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
Business Rates	(44,100)	(45,468)	(48,300)	(49,389)	(50,503)	(50,503)
Council tax	(598,000)	(615,323)	(630,485)	(649,490)	(669,220)	(673,520)
Council tax - ASC support	0	(11,829)	(24,512)	(38,097)	(52,634)	(67,171)
Revenue Support Grant	(109,800)	(67,078)	(28,000)	(4,730)	0	0
Revenue Support Grant - Transitional relief	0	(20,000)	(37,000)	0	0	0
Business Rates Retention scheme	(58,915)	(59,406)	(60,567)	(62,362)	(47,093)	(47,687)
UK Government grants	(68,533)	(62,981)	(65,685)	(59,910)	(58,529)	(58,529)
Other income [1]						
Total funding	**(879,348)**	**(882,085)**	**(894,549)**	**(863,978)**	**(877,979)**	**(897,410)**
Expenditure:						
Expenditure	60,595	59,422	68,678	75,788	80,796	83,362
Total expenditure	**60,595**	**59,422**	**68,678**	**75,788**	**80,796**	**83,362**
Net budget[2]	**(818,753)**	**(822,663)**	**(825,871)**	**(788,190)**	**(797,183)**	**(814,048)**

1 Other income includes grants & contracts with other organisations, fees & charges, income from property & investments, contracts and reimbursement and recovery of costs

2 Net budget supported by Council Tax, general government grants and reserves

Children, Schools and Families

Deputy Chief Executive: Julie Fisher

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
Dedicated Schools Grant	(117,812)	(119,101)	(119,101)	(119,101)	(119,101)	(119,101)
UK Government grants	(6,175)	(6,253)	(6,222)	(6,191)	(6,165)	(5,167)
Other income [1]	(40,464)	(40,922)	(41,135)	(41,366)	(41,598)	(41,829)
Total funding	**(164,451)**	**(166,276)**	**(166,458)**	**(166,658)**	**(166,864)**	**(166,097)**
Expenditure:						
Expenditure	342,862	363,934	359,292	357,522	355,308	352,721
Total expenditure	**342,862**	**363,934**	**359,292**	**357,522**	**355,308**	**352,721**
Net budget [2]	**178,411**	**197,658**	**192,834**	**190,864**	**188,444**	**186,624**

Communications

Head of Service : Louise Footner

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	0	0	0	0	0	0
Other income [1]	(15)	(25)	(26)	(26)	(27)	(28)
Total funding	**(15)**	**(25)**	**(26)**	**(26)**	**(27)**	**(28)**
Expenditure:						
Expenditure	2,021	2,022	1,968	1,918	1,925	1,931
Total expenditure	**2,021**	**2,022**	**1,968**	**1,918**	**1,925**	**1,931**
Net budget [2]	**2,006**	**1,997**	**1,942**	**1,892**	**1,898**	**1,903**

1 Other income includes grants & contracts with other organisations, fees & charges, income from property & investments, contracts and reimbursement and recovery of costs

2 Net budget supported by Council Tax, general government grants and reserves

Community Partnership & Safety

Head of Service : Jane Last

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	0	0	0	0	0	0
Other income [1]	(160)	(162)	(163)	(165)	(166)	(168)
Total funding	**(160)**	**(162)**	**(163)**	**(165)**	**(166)**	**(168)**
Expenditure:						
Expenditure	2,968	2,995	2,999	3,006	3,011	3,016
Total expenditure	**2,968**	**2,995**	**2,999**	**3,006**	**3,011**	**3,016**
Net budget [2]	**2,808**	**2,833**	**2,836**	**2,841**	**2,845**	**2,848**

Coroner

Head of Service: Richard Travers

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
Other income [1]	0	0	0	0	0	0
Total funding	**0**	**0**	**0**	**0**	**0**	**0**
Expenditure:						
Expenditure	1,258	1,775	1,804	1,836	1,868	1,902
Total expenditure	**1,258**	**1,775**	**1,804**	**1,836**	**1,868**	**1,902**
Net budget [2]	**1,258**	**1,775**	**1,804**	**1,836**	**1,868**	**1,902**

1 Other income includes grants & contracts with other organisations, fees & charges, income from property & investments, contracts and reimbursement and recovery of costs

2 Net budget supported by Council Tax, general government grants and reserves

Cultural Services

Head of Service :Peter Milton

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	(3,498)	(3,311)	(3,185)	(3,157)	(3,049)	(3,049)
Other income [1]	(9,410)	(9,441)	(9,589)	(9,739)	(9,893)	(10,043)
Total funding	**(12,908)**	**(12,752)**	**(12,774)**	**(12,896)**	**(12,942)**	**(13,092)**
Expenditure:						
Expenditure	22,905	22,308	22,105	22,083	22,159	22,341
Total expenditure	**22,905**	**22,308**	**22,105**	**22,083**	**22,159**	**22,341**
Net budget [2]	**9,997**	**9,556**	**9,331**	**9,187**	**9,217**	**9,249**

C&C Directorate Support

Head of Service: Mark Irons

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	0	0	0	0	0	0
Other income [1]	(133)	(134)	(135)	(137)	(138)	(139)
Total funding	**(133)**	**(134)**	**(135)**	**(137)**	**(138)**	**(139)**
Expenditure:						
Expenditure	1,120	1,053	1,054	1,057	1,057	1,059
Total expenditure	**1,120**	**1,053**	**1,054**	**1,057**	**1,057**	**1,059**
Net budget [2]	**987**	**919**	**919**	**920**	**919**	**920**

1 Other income includes grants & contracts with other organisations, fees & charges, income from property & investments, contracts and reimbursement and recovery of costs

2 Net budget supported by Council Tax, general government grants and reserves

Delegated Schools

Deputy Chief Executive: Julie Fisher

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
Dedicated Schools grant	(423,359)	(410,479)	(413,379)	(413,379)	(413,379)	(413,379)
UK Government grants	(45,679)	(44,283)	(44,102)	(44,102)	(44,102)	(44,102)
Other income [1]	0	0	0	0	0	0
Total funding	**(469,038)**	**(454,762)**	**(457,481)**	**(457,481)**	**(457,481)**	**(457,481)**
Expenditure:						
School expenditure	469,038	454,762	457,481	457,481	457,481	457,481
Total expenditure	**469,038**	**454,762**	**457,481**	**457,481**	**457,481**	**457,481**
Net budget [2]	**0**	**0**	**0**	**0**	**0**	**0**

Emergency Management

Head of Service :Ian Good

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	0	0	0	0	0	0
Other income [1]	(22)	(42)	(63)	(84)	(106)	(128)
Total funding	**(22)**	**(42)**	**(63)**	**(84)**	**(106)**	**(128)**
Expenditure:						
Expenditure	575	544	553	562	571	581
Total expenditure	**575**	**544**	**553**	**562**	**571**	**581**
Net budget [2]	**553**	**502**	**490**	**478**	**465**	**453**

1 Other income includes grants & contracts with other organisations, fees & charges, income from property & investments, contracts and reimbursement and recovery of costs

2 Net budget supported by Council Tax, general government grants and reserves

Environment & Planning

Asst Director: Ian Boast

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	(3,510)	(1,525)	(1,515)	(1,514)	(1,506)	(1,498)
Other income [1]	(5,002)	(5,117)	(5,236)	(5,358)	(5,483)	(5,612)
Total funding	**(8,512)**	**(6,642)**	**(6,751)**	**(6,872)**	**(6,989)**	**(7,110)**
Expenditure:						
Expenditure	88,176	86,363	87,708	90,614	95,136	97,197
Total expenditure	**88,176**	**86,363**	**87,708**	**90,614**	**95,136**	**97,197**
Net budget [2]	**79,664**	**79,721**	**80,957**	**83,742**	**88,147**	**90,087**

Fire & Rescue Service

Chief Fire Officer: Russell Pearson

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	(9,726)	(9,778)	(8,520)	(11,823)	(10,959)	(11,065)
Fire Pension Employee Contribu	(2,321)	(2,604)	(2,630)	(2,657)	(2,683)	(2,710)
Other income [1]	(1,015)	(1,189)	(1,184)	(1,182)	(1,195)	(1,206)
Total funding	**(13,062)**	**(13,571)**	**(12,334)**	**(15,662)**	**(14,837)**	**(14,981)**
Expenditure:						
Expenditure	47,945	46,782	45,466	47,616	46,011	46,049
Total expenditure	**47,945**	**46,782**	**45,466**	**47,616**	**46,011**	**46,049**
Net budget [2]	**34,883**	**33,211**	**33,132**	**31,954**	**31,174**	**31,068**

1 Other income includes grants & contracts with other organisations, fees & charges, income from property & investments, contracts and reimbursement and recovery of costs

2 Net budget supported by Council Tax, general government grants and reserves

Highways & Transport

Asst Director: Ian Boast

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	(250)	0	0	0	0	0
Other income [1]	(7,241)	(7,495)	(7,679)	(7,866)	(8,017)	(8,171)
Total funding	**(7,491)**	**(7,495)**	**(7,679)**	**(7,866)**	**(8,017)**	**(8,171)**
Expenditure:						
Expenditure	51,874	51,870	53,406	54,151	54,953	55,810
Total expenditure	**51,874**	**51,870**	**53,406**	**54,151**	**54,953**	**55,810**
Net budget [2]	**44,383**	**44,375**	**45,727**	**46,285**	**46,936**	**47,639**

Legal and Democratic Services

Director of Legal & Democratic Services: Ann Charlton

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	(64)	(61)	(59)	(58)	(57)	(56)
Other income [1]	(479)	(488)	(498)	(508)	(518)	(528)
Total funding	**(543)**	**(549)**	**(557)**	**(566)**	**(575)**	**(584)**
Expenditure:						
Expenditure	8,908	8,964	10,325	9,019	9,046	9,073
Total expenditure	**8,908**	**8,964**	**10,325**	**9,019**	**9,046**	**9,073**
Net budget [2]	**8,365**	**8,415**	**9,768**	**8,453**	**8,471**	**8,489**

1 Other income includes grants & contracts with other organisations, fees & charges, income from property & investments, contracts and reimbursement and recovery of costs

2 Net budget supported by Council Tax, general government grants and reserves

ORBIS / Business Services

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	0	0	0	0	0	0
Other income [1]	(17,258)	(17,392)	(17,605)	(17,907)	(18,237)	(18,572)
Total funding	**(17,258)**	**(17,392)**	**(17,605)**	**(17,907)**	**(18,237)**	**(18,572)**
Expenditure:						
Expenditure	98,244	101,423	102,920	101,278	102,123	104,361
Total expenditure	**98,244**	**101,423**	**102,920**	**101,278**	**102,123**	**104,361**
Net budget [2]	**80,986**	**84,031**	**85,315**	**83,371**	**83,886**	**85,789**

Public Health

Asst Director: Ruth Hutchinson

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	(33,305)	(38,472)	(37,489)	(36,466)	(35,443)	(35,443)
Other income [1]	0	0	0	0	0	0
Total funding	**(33,305)**	**(38,472)**	**(37,489)**	**(36,466)**	**(35,443)**	**(35,443)**
Expenditure:						
Expenditure	33,629	38,796	37,813	36,790	35,767	35,767
Total expenditure	**33,629**	**38,796**	**37,813**	**36,790**	**35,767**	**35,767**
Net budget [2]	**324**	**324**	**324**	**324**	**324**	**324**

1 Other income includes grants & contracts with other organisations, fees & charges, income from property & investments, contracts and reimbursement and recovery of costs

2 Net budget supported by Council Tax, general government grants and reserves

Strategic Leadership

Chief Executive: David McNulty

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	0	0	0	0	0	0
Other income [1]	0	0	0	0	0	0
Total funding	**0**	**0**	**0**	**0**	**0**	**0**
Expenditure:						
Expenditure	446	1,009	1,025	1,041	1,058	1,075
Total expenditure	**446**	**1,009**	**1,025**	**1,041**	**1,058**	**1,075**
Net budget [2]	**446**	**1,009**	**1,025**	**1,041**	**1,058**	**1,075**

Strategy & Performance

Head of Service :Liz Lawrence

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	(818)	(435)	(419)	(417)	(405)	(393)
Other income [1]	(282)	(317)	(322)	(328)	(333)	(338)
Total funding	**(1,100)**	**(752)**	**(741)**	**(745)**	**(738)**	**(731)**
Expenditure:						
Expenditure	4,618	3,643	3,622	3,617	3,601	3,586
Total expenditure	**4,618**	**3,643**	**3,622**	**3,617**	**3,601**	**3,586**
Net budget [2]	**3,518**	**2,891**	**2,881**	**2,872**	**2,863**	**2,855**

1 Other income includes grants & contracts with other organisations, fees & charges, income from property & investments, contracts and reimbursement and recovery of costs

2 Net budget supported by Council Tax, general government grants and reserves

Trading Standards

Head of Service:Steve Ruddy

Draft Income & Expenditure revenue budget

	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Funding:						
UK Government grants	0	0	0	0	0	0
Other income [1]	(1,594)	(1,669)	(1,705)	(1,728)	(1,739)	(1,749)
Total funding	**(1,594)**	**(1,669)**	**(1,705)**	**(1,728)**	**(1,739)**	**(1,749)**
Expenditure:						
Expenditure	3,657	3,675	3,657	3,661	3,677	3,691
Total expenditure	**3,657**	**3,675**	**3,657**	**3,661**	**3,677**	**3,691**
Net budget [2]	**2,063**	**2,006**	**1,952**	**1,933**	**1,938**	**1,942**

1 Other income includes grants & contracts with other organisations, fees & charges, income from property & investments, contracts and reimbursement and recovery of costs

2 Net budget supported by Council Tax, general government grants and reserves

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Appendix 5

Capital Programme 2016 to 2021

Scheme	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	**Total £'000**
Adult Social care						
Major Adaptations	800	800	800	800	800	**4,000**
In-house capital improvement schemes	250	250	250	250	250	**1,250**
User led organisational hubs	100	0	0	0	0	**100**
Adult Social care	**1,150**	**1,050**	**1,050**	**1,050**	**1,050**	**5,350**
Children, Schools & Families						
Schools devolved formula capital	2,612	2,612	2,612	2,612	2,612	**13,060**
Foster carer grants	300	300	300	300	300	**1,500**
Adaptations for children with disabilities	299	299	299	299	299	**1,495**
Children, Schools & Families	**3,211**	**3,211**	**3,211**	**3,211**	**3,211**	**16,055**
Community Partnership & Safety: Local Committee Allocations	0	385	385	385	385	**1,540**
Surrey Fire & Rescue Service						
Fire-Vehicle & Equipment Replacement	1,836	1,986	2,141	1,526	1,163	**8,652**
Surrey Fire & Rescue Service	**1,836**	**1,986**	**2,141**	**1,526**	**1,163**	**8,652**
Highways & Transport						
Highway maintenance	21,018	21,518	21,018	21,018	21,018	105,590
Bridge strengthening	1,956	1,956	1,956	1,956	1,956	9,780
Flooding & drainage	776	776	776	776	776	3,880
Local transport schemes	3,500	3,000	2,500	2,000	2,000	13,000
Safety barriers	256	256	256	256	256	1,280
Traffic signal replacement	550	550	550	550	550	2,750
Highways Vehicle Replacement	200	200	200	0	0	600
Local Growth Deal (tranches 1-3)	1,693	1,210	383	0	0	3,286
Flood resilience schemes	500	500	500	500	500	2,500
River Thames scheme	500	500	500	500	500	2,500
Economic development - shopping areas	1,000	1,000	1,000	1,000	1,000	5,000
Developer funded schemes	1,700	1,700	1,700	1,700	1,700	8,500
Highways & Transport	**33,649**	**33,166**	**31,339**	**30,256**	**30,256**	**158,666**
Environment & Planning						
Maintenance at closed landfill sites	100	100	100	0	0	300
Rights of way and byways	85	85	85	85	85	425
Road safety schemes	200	200	200	200	200	1,000
Basingstoke Canal Remedial Works	500	0	0	0	0	500
Newlands Corner Visitor Improvements	300	0	0	0	0	300
Cross Directorate CIL schemes	4,576	5,354	5,479	5,479	5,479	26,367
Environment & Planning	**5,761**	**5,739**	**5,864**	**5,764**	**5,764**	**28,892**

Appendix 5

Capital Programme 2016 to 2021

Scheme	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Business Services						
Recurring programmes:						
Schools - Disability Discrimination Act	737	487	497	497	497	2,715
Schools capital maintenance, inc.childrens centres	13,402	13,402	13,402	13,402	13,402	67,010
Carbon reduction - Corporate	1,393	1,300	1,300	1,300	1,289	6,582
Fire risk assessments/minor works/DDA	600	700	687	600	592	3,179
Non schools structural maintenance	6,300	6,300	6,300	6,295	5,911	31,106
Recurring programmes	**22,432**	**22,189**	**22,186**	**22,094**	**21,691**	**110,592**
Projects:						
Portesbury SEN School	150	0	0	0	0	150
Gypsy Sites	1,045	0	0	0	0	1,045
Fire Station reconfiguration	3,460	0	1,989	991	0	6,440
Woking Fire Station	1,000	0	0	0	0	1,000
Fire training tower replacement	200	0	0	0	0	200
Replace aged demountables	850	750	0	0	0	1,600
SEN strategy	4,850	1,700	693	0	0	7,243
SEND and LAC Provision	2,400	13,000	10,300	8,750	0	34,450
Land acquisition for waste	0	3,122	0	0	0	3,122
Projects to enhance income	1,650	0	0	0	0	1,650
Regeneration projects	1,346	0	0	0	0	1,346
Projects to reprovision and deliver capital receipts	1,475	0	0	0	0	1,475
Reigate Priory School	500	0	0	0	0	500
ASC Sluice Rooms	200	0	0	0	0	200
Cranleigh Schools	4,316	4,316	0	0	0	8,632
Lindon Farm Autism Unit - ASC	2,000	2,000	0	0	0	4,000
Short Stay Schools	610	1,141	0	0	0	1,751
Projects	**26,052**	**26,029**	**12,982**	**9,741**	**0**	**74,804**
IT Equipment Replacement Reserve	2,074	1,342	207	1,898	1,898	7,419
IT Project Investment	2,500	2,500	2,500	2,500	2,500	12,500
Other IMT projects	142	90	469	683	0	1,384
Information Management & Technology	**4,716**	**3,932**	**3,176**	**5,081**	**4,398**	**21,303**
Business Services	**53,200**	**52,150**	**38,344**	**36,916**	**26,089**	**206,699**
Schools Basic Need	75,574	70,410	42,968	13,975	4,968	**207,895**
Legal & Democratic services: Community Buildings Grant scheme	150	150	150	150	150	**750**
Chief Executive's Office	**150**	**150**	**150**	**150**	**150**	**750**
Total Capital Programme	**174,532**	**168,247**	**125,452**	**93,233**	**73,036**	**634,500**

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 2015. The council has applied none of this to support the 2015/16 budget. Going into 2016/17 the Director of Finance recommends the level of general balances remains the same. This approach

is considered prudent leaving general balances to provide mitigation against the risk of non-delivery of service reductions and efficiencies from 2016/17.

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 2016/17 recommends holding general balances of £21.3m.

Proposed policy for 2016/17

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. Given the reduction in funding that the Council faces over the next four years retention of the Council's general balances will be essential to order to safeguard service provision and cushion the impact of future savings programmes designed to meet the funding reduction.

A.6.13. 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

	Opening Balance at 01-Apr-15 £m	Actual Balance 31-Dec-15 £m	Forecast balance 31-Mar-16 £m	Proposed use to support 2015/16 budget £m	Forecast 01-Apr-16 £m
Revolving Infrastructure & Investment Fund	20.6	20.6	20.6	-10.0	10.6
Budget Equalisation Reserve	16.6	5.0	7.8	-1.3	6.5
Eco Park Sinking Fund	16.0	16.0	11.8	-5.9	5.9
Insurance Reserve	10.6	10.9	10.9		10.9
Investment Renewals Reserve	10.0	9.5	8.6		8.6
General Capital Reserve	7.9	7.9	4.6		4.6
Street lighting PFI Reserve	5.8	5.1	5.1		5.1
Vehicle Replacement Reserve	5.6	6.5	2.8		2.8
Economic Downturn Reserve	4.2	9.2	9.2		9.2
Public Health Reserve	2.5	3.3	2.1		2.1
Economic Prosperity Reserve	2.5	2.5	2.5		2.5
Equipment Replacement Reserve	1.9	3.1	1.5		1.5
Child Protection Reserve	1.9	1.1	1.1		1.1
Business Rate Appeals Reserve	1.3	1.3	1.3		1.3
Pension Stabilisation Reserve	1.1	1.1	1.1		1.1
Interest Rate Reserve	1.0	1.0	1.0		1.0
Earmarked Reserves	**109.5**	**104.1**	**92.0**	**-17.2**	**74.8**
General Fund Balance	**21.3**	**21.3**	**21.3**	**0.0**	**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.

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

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

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

Projected Earmarked Reserves and Balances

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.

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

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.

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

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.

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.

Public Health Reserve holds the carry forward of the unspent Public Health Grant from 2014/15 being used to fund activities in future years.

Economic Prosperity Reserve provides to fund projects that will increase economic development in the county.

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 2016/17.

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.

Treasury Management Policy

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

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

8.3. The Council's appetite for risk in terms of its treasury management activities is low/medium. 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

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 in order to manage these risks.

Value for money

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

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.

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

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.

8.9. The Council will approve an investment strategy each year as part of the treasury management strategy. The strategy will set criteria to determine suitable organisations with which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.

Prudential indicators

The Council has adopted the Prudential Code.

Capital expenditure

9.1. Table 9.1 sets out actual and estimated capital expenditure and its funding for 2014/15 to 2020/21. 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 9.1: Actual and estimated capital expenditure 2014/15 - 2020/21

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Projected	← - - - - - - - - - -		Estimated	- - - - - - - - - - →	
	£m	£m	£m	£m	£m	£m	£m
Capital expenditure	196.3	176.0	174.2	167.9	125.2	92.9	72.4
Financed by:							
Government grants	86.6	91.0	114.0	85.1	70.1	68.2	50.2
Revenue, reserves and third party contributions	8.4	15.8	14.5	17.8	9.5	10.6	10.2
Net financing need for the year*	**101.3**	**69.2**	**45.7**	**65.0**	**45.6**	**14.1**	**12.0**

*Capital expenditure to be met by borrowing

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

9.2. Table 9.2 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).

9.3. 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 9.2: Capital financing requirement (CFR) 2014/15 to 2020/21

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Projected	← - - - - - - - - - - Estimated - - - - - - - - - - →				
	£m	£m	£m	£m	£m	£m	£m
Opening CFR	681.7	781.6	870.9	916.4	950.3	943.9	903.2
Add new borrowing:							
MRP	-26.7	-24.9	-26.5	-29.4	-32.7	-35.4	-37.9
PFI* and Finance Leases	25.3	45	26.3	-1.7	-19.3	-19.4	-19.5
Net Financing Need	101.3	69.2	45.7	65	45.6	14.1	12.0
Closing CFR	781.6	870.9	916.4	950.3	943.9	903.2	857.8
Total CFR Movement	**99.9**	**89.3**	**45.5**	**33.9**	**-6.4**	**-40.7**	-45.4

*includes the addition to fixed assets on the balance sheet under PFI

The Council's gross borrowing requirement

9.4. Table 9.3 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 9.3: Gross borrowing requirement 2014/15 to 2020/21

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Projected	← - - - - - - - - - - Estimated - - - - - - - - - - →				
	£m	£m	£m	£m	£m	£m	£m
External Debt	428.7	429.3	448.5	484.2	497.0	511.2	523.2
CFR	781.6	870.9	916.4	950.3	943.9	903.2	857.8

The Council's operational boundary

9.5. Table 9.4 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 Director of Finance's estimate of the most likely, prudent but not worst case scenario. The operational boundary represents a key management tool for in-year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

Table 9.4: Operational boundary 2014/15 to 2020/21

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Projected	← - - - - - - - - - - Estimated - - - - - - - - - - →				
	£m	£m	£m	£m	£m	£m	£m
Borrowing	428.7	448.4	490.2	503.3	510.3	521.7	523.2
Other long term liabilities	92.0	160.5	186.7	185.0	165.7	146.3	126.9
Total	**520.7**	**608.9**	**676.9**	**688.3**	**676.0**	**668.0**	**650.1**
External debt	428.7	429.3	448.5	484.2	497.0	511.2	523.2

The Council's authorised limit

9.6. Table 9.5 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 and ensures that the Council has the ability to borrow up to its CFR if the market changes to the extent that this is considered an appropriate action.

Table 9.5: Authorised limit for external debt 2014/15 to 2020/21

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Projected	← - - - - - - - - - - Estimated - - - - - - - - - - →				
	£m	£m	£m	£m	£m	£m	£m
Borrowing	598.1	722.4	741.4	777.0	789.9	768.6	742.7
Other long term liabilities	92.0	160.5	186.7	185.0	165.7	146.3	126.9
Total	**690.1**	**882.9**	**928.1**	**962.0**	**955.6**	**914.9**	**869.6**
External debt	428.7	429.3	448.5	484.2	497.0	511.2	523.2

Ratio of financing costs to net revenue stream

9.7. Table 9.6 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 9.6: Ratio of financing costs to net revenue stream

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Projected	← - - - - - - - - - - Estimated - - - - - - - - - - →				
Ratio of financing costs to net revenue stream	2.52%	2.85%	3.21%	3.49%	3.64%	3.78%

Incremental impact of capital investment decisions on Council Tax 2016/17 to 2020/21

9.8. Table 9.7 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 9.7: Estimated incremental impact of capital investment decisions on council tax 2016/17 to 2020/21

	2016/17	2017/18	2018/19	2019/20	2020/21
Band D Council Tax	£1.64	£9.64	£18.60	£24.84	£28.09

9.9. 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]

9.10. 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

10.1 Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Low oil and commodity prices were a notable feature of 2015, and contributed to annual CPI inflation falling to 0.2% in December 2015. Wages are growing at 3% a year, and the unemployment rate has dropped to 5.4%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was an encouraging 2.3% a year in the third quarter of 2015.

10.2 Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% for the 83rd consecutive month at its meeting in January 2016. Quantitative easing (QE) has been maintained at £375bn since July 2012.

10.3 The outcome of the UK general election, which was largely fought over the parties' approach to dealing with the deficit in the public finances, saw some big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics. Uncertainty over the outcome of the forthcoming referendum could put downward pressure on UK GDP growth and interest rates.

Overseas

10.4 China's growth has slowed dramatically and its economy is performing below expectations, reducing global demand for commodities and contributing to emerging market weakness. US domestic growth has accelerated but the globally sensitive sectors of the US economy have slowed. Strong US labour market data and other economic indicators however suggest recent global turbulence has not knocked the American recovery off course.

10.5 The Federal Reserve did not raise policy rates at its meetings in October and November, but the committed to an interest rate hike in December 2015. In contrast, the European Central Bank finally embarked on QE in 2015 to counter the perils of deflation.

Credit Outlook

10.6 The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK Banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, while those with a more domestic focus continue to show improvement. The sale of most of the government's stake in Lloyds and the first sale of its shares in RBS have generally been seen as credit positive.

10.7 Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully

implemented in the UK, USA and Germany. The rest of the European Union followed suit in January 2016, while Australia, Canada and Switzerland are well advanced with their own plans.

10.8 Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority. Returns from cash deposits remain stubbornly low.

Interest Rate Forecast

10.9 The Authority's treasury advisor Arling Close projects the first 0.25% increase in the UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, and finally settling between 2% and 3% in several years time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.

10.10 A shallow upward path for medium term gilt yields is forecast, as continuing concerns about the Eurozone, emerging markets and other geo-political events weigh on risk appetite, while inflation expectations remain subdued. Arling Close projects the 10-year gilt yield to rise from its current 2.0% level by around 0.3% a year. The uncertainties surrounding the timing of UK and US interest rate rises are likely to prompt short-term volatility in gilt yields.

Treasury management scheme of delegation

Full Council

11.1. Approval of annual strategy.

Audit & Governance Committee

11.2. Receiving and reviewing monitoring report and outturn report.

Director of Finance

11.3. 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
  - Municipal Bond Agency
  - lenders' option borrowers' option (LOBO) loans
  - local bond issues
  - European Investment Bank
  - overdraft
  - banks and building societies
  - local authorities
  - lease finance providers
  - internal borrowing.

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

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

- Investing:
  - setting more restrictive investment criteria in response to changing circumstances;
  - arranging investments using these instruments:
    - fixed term deposits with banks and building societies
    - money market funds
    - local authorities
    - Government's Debt Management Agency deposits
    - pooled funds: gilts and corporate funds;
    - corporate bonds
    - covered bonds
    - pooled property funds

- compiling and updating the lending list, utilising the criteria for counterparties, in consultation with the treasury management consultants;
- managing surplus funds and revenue from investments;
- appointment and performance management of external cash managers (if considered necessary);
- delegate authority to invest to designated treasury management staff.

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

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

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

Institutions

12.1. The Council will use specific credit ratings to determine which institutions can be used for investments.

12.2. Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

12.3. 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. This practice is known as the lowest common denominator approach.

Other institution types

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

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

Foreign Investments

12.5. 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).

Effective counterparty limits

Type	Fitch		Moody's		S&P			
	Short Term	**Long Term**	**Short Term**	**Long Term**	**Short Term**	**Long Term**	**Maximum Value**	**Maximum Term**
Bank/Building Society (Unsecured)	F1	A-	P-1	A3	A1	A-	£20m	100 days
Bank/Building Society (Unsecured)	F1	A	P-1	A	A1	A	£20m	6 months
Bank/Building Society (Unsecured)	F1+	AA-	P-1	Aa3	A1+	AA-	£20m	13 months
Corporate Bonds	A-		A3		A-		£20m	2 years
Bank/Building Society (Secured) Covered Bonds	AAA		Aaa		AAA		£20m	5 years
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	2 years
Supranational Institutions							£20m	2 years
Local Authority							£20m	2 years
Pooled Investment Property Funds							£20m	n/a

Counterparty Criteria

12.6. **Bank/Building Society Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

12.7. **Bank/Building Society Secured (Covered Bonds):** These investments are secured on the bank's assets, which limit the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. The combined secured and unsecured investments in any one bank will not exceed £20m. A minimum rating of AAA (or equivalent) from two of the three rating agencies.

12.8. **Corporates:** Corporate bonds issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. A minimum rating of A- (or equivalent) from two of the three rating agencies.

12.9. **Government:** Loans, bonds and bills issued or guaranteed by UK government, local authorities and supranational banks. These investments are not subject to bail-in, and there is a minimal risk of insolvency.

12.10. **Money Market Funds:** An open ended fund that invests in short term debt securities, offers same-day liquidity and very low volatility. 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).

12.11. **Enhanced Cash/Bond Funds:** 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).

12.12. **Pooled Property Funds:** Shares in diversified property investment vehicles. Property funds offer enhanced returns over the longer term, but are more volatile in the short term. The funds have no defined maturity date, but are available for withdrawal after a notice period.

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Approved countries for investments

AAA

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

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Minimum revenue provision (MRP) policy statement

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

14.2 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 the first year of operation. The Council has assessed the Minimum Revenue Provision 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.

14.3 Where capital expenditure was incurred before 1 April 2008, MRP will continue to be charged as a set percentage of the outstanding Capital Financing Requirement, adjusted for the A-Factor (an amount calculated for each authority to ensure neutrality between old and new MRP systems), in accordance with the guidance. This percentage will be determined, in line with government guidance, based on the level of funding for supported borrowing implicit in the revenue support grant issued by central government. For capital expenditure incurred on or after 1 April 2008 and funded through borrowing, the Council will calculate MRP using the asset life method. MRP will be based on the estimated life of the assets purchased from unsupported borrowing.

Table B14.1 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.

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

14.5 MRP will be made at 1% for investment properties held for income generation purposes. For investment properties held solely for asset appreciation purposes with an intention to sell, no MRP will be charged.

14.6 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.

14.7 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 account of local circumstances, including specific project timetables and revenue earning profiles.

14.8 In addition, the Council intends to consider the option to make an adjustment to this calculation to better reflect the debt maturity profile of the Council. The total of the two methods outlined above will provide the annual MRP charge. However, this calculation does not align the MRP with the repayment of debt. Given the challenges the Council is facing over the next few years, a more prudent approach is being considered. For current and subsequent years, the Council will continue with the existing calculation methodology but may consider making an adjustment to reflect the timing of the external debt repayments. This adjustment will reflect a deferment of MRP against the calculation, resulting in short to medium term benefits to the General Fund and assist with easing current budgetary pressures, whilst ensuring that the provision remains prudent and compliant with the statutory guidance for MRP, and that adequate provision is made to ensure debt is repaid.

14.9 Each year, a new MRP statement will be presented.

County Council Meeting – 9 February 2016

REPORT OF THE CABINET

The Cabinet met on 15 December 2015 and 2 February 2016. The report from the meeting held on 2 February 2016 will be circulated following that meeting.

In accordance with the Constitution, Members can ask questions of the appropriate Cabinet Member, seek clarification or make a statement on any of these issues without giving notice.

The minutes containing the individual decisions for 15 December 2015 meeting are included within the agenda at item 10. The minutes of the 2 February 2016 meeting will be submitted to the next County Council meeting. Cabinet responses to Committee reports are included in or appended to the minutes. If any Member wishes to raise a question or make a statement on any of the matters in the minutes, notice must be given to Democratic Services by 12 noon on the last working day before the County Council meeting (Monday 8 February 2016).

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

RECOMMENDATIONS ON POLICY FRAMEWORK DOCUMENTS

A CONFIDENT IN SURREY'S FUTURE, CORPORATE STRATEGY 2016 – 2021

The Cabinet will be considering Confident in Surrey's Future, Corporate Strategy 2016 – 2021 at its meeting on 2 February 2016. A copy of the Cabinet report is attached as an Appendix 1 to this report and the recommendation arising from the Cabinet's meeting will be circulated as a supplementary paper.

B ADMISSION ARRANGEMENTS FOR SURREY'S COMMUNITY AND VOLUNTARY CONTROLLED SCHOOLS AND CO-ORDINATED SCHEMES THAT WILL APPLY TO ALL SCHOOLS FOR SEPTEMBER 2017

1. The Cabinet at its meeting on 2 February 2016 will be considering the report on the admission arrangements for September 2017 for Surrey's Community and Voluntary Controlled Schools and Co-ordinated Schemes that will apply to all schools. The recommendations and reasons for recommendations to be considered by Cabinet are attached as Appendix 2 and the recommendations arising from the Cabinet's meeting will be circulated as a supplementary paper.

2. The full report is available as part of 2 February 2016 Cabinet agenda on the County Council's website.

3. This report covers the following areas in relation to school admissions:
   - Beacon Hill Primary School (Hindhead) – Recommendation 1
   - Chennestone Primary School (Sunbury-on-Thames) - Recommendation 2
   - Cranleigh CofE Primary School (Cranleigh) – Recommendation 3
   - West Ewell Infant School (Ewell) – Recommendation 4

- Start date to primary admissions round – Recommendation 5
- Published Admission Numbers for other community and voluntary controlled schools – Recommendation 6
- Admission arrangements for which no change is proposed – Recommendation 7
- Primary and secondary coordinated admission schemes for 2017 – Recommendation 8

REPORTS FOR INFORMATION / DISCUSSION

A QUARTERLY REPORT ON DECISIONS TAKEN UNDER SPECIAL URGENCY ARRANGEMENTS: 1 OCTOBER – 31 DECEMBER 2015

1. The Cabinet is required under the Constitution to report to Council on a quarterly basis the details of decisions taken by the Cabinet and Cabinet Members under the special urgency arrangements set out in Article 6.05(f) of the Constitution. This occurs where a decision is required on a matter that is not contained within the Leader's Forward Plan (Notice of Decisions), nor available 5 clear days before the meeting. Where a decision on such matters could not reasonably be delayed, the agreement of the Chairman of the appropriate Scrutiny Board, or in his/her absence the Chairman of the Council, must be sought to enable the decision to be made.

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

   SAP Support and Maintenance

   (taken by the Cabinet Member for Business Services and Resident Experience on 13 October 2015)

   Reason for Urgency:

   That the decision cannot be reasonably deferred because a decision needed to be made by 13 October 2015 due to supplier termination and the ability to implement a new solution provider.

Mr David Hodge
Leader of the Council
29 January 2016

Appendix 1

SURREY COUNTY COUNCIL

CABINET

DATE: **2 FEBRUARY 2016**

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

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

SUBJECT: ***CONFIDENT IN SURREY'S FUTURE,* CORPORATE STRATEGY 2016- 2021**

SUMMARY OF ISSUE:

The Cabinet is asked to endorse a refreshed version of the Council's Corporate Strategy. The Strategy will then be presented to the County Council meeting on 9 February 2016 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 2016-2021 and recommend that it be presented to the County Council meeting on 9 February 2016 for approval alongside the Revenue and Capital Budget 2016-2021.

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 10 February 2015.

Confident in Surrey's future, Corporate Strategy 2016-2021

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

3. By putting its Strategy into action since 2013 the Council has made good progress in meeting these challenges. The recently published Annual Report 2014/15 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 2016-2021 therefore reconfirms the strategic direction which has helped the Council to navigate significant challenges over recent years.

5. The contents and format of the Corporate Strategy 2015-2020 are well recognised by staff and partners and it's structure has formed the backbone of public reporting against the key priorities set out in it (see performance.surreycc.gov.uk). This format has been retained for the Corporate Strategy 2016-2021.

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. The vision statement has been retained as "*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.

8. The key actions for the next financial year have been updated. These actions have 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.

9. Attached to this report is a copy of the refreshed Strategy: *Confident in Surrey's future*, Corporate Strategy 2016-2021 (**Annex 1**).

10. The detailed goals and actions that services will deliver in 2016/17 will be included as part of the Medium Term Financial Plan reported to the Cabinet on 22 March 2016.

CONSULTATION:

11. 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.

RISK MANAGEMENT AND IMPLICATIONS:

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

Financial and Value for Money Implications

13. The Corporate Strategy is developed in line with budget planning. It sets the strategic direction reflected in the Revenue and Capital Budget 2016-2021 which is presented separately to Cabinet at this meeting.

Section 151 Officer Commentary

14. The Corporate Strategy has been refreshed alongside the development of the Council's future budget. The Revenue and Capital Budget 2016-2021 is presented separately to Cabinet at this meeting.

Legal Implications – Monitoring Officer

15. 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

16. 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.

17. 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 2016-2021 which will be reported to Cabinet on 22 March 2016.

Other Implications:

18. 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 2016-2021 is presented to the County Council meeting on 9 February 2016 for approval.
- The detailed goals and actions that services will deliver in 2016/17 to support the Corporate Strategy are presented to Cabinet alongside the Medium Term Financial Plan on 22 March 2016.
- The Strategy is published on the Council's website in readiness for the start of the 2016/17 financial year.
- 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 2016/17 are finalised and progress is reported through the year on the Council's website.
- The Chief Executive publishes six-monthly progress reports on the Council's website.
- Scrutiny Boards continue to scrutinise work programmes and performance.

Lead Officer:
David McNulty, Chief Executive

Consulted:
Cabinet Members
Continual Improvement and Productivity Network

Annexes:
Annex 1: *Confident in Surrey's future*, Corporate Strategy 2016-2021

Sources/background papers:

- Chief Executive's six month progress report
- Surrey County Council's Annual Report 2014/15

Confident in Surrey's future: Corporate Strategy 2016-21

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 2021, alongside increased demand for other services for children

Surrey's population is increasing and is ageing - by 2021, 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 19% between 2010 and 2014, 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 2016/17 we will

- Provide over 2000 additional school places for the September 2016 school year
- Improve outcomes for children in need of support and protection
- Support 750 families through the Surrey Family Support Programme
- Support our residents to live longer and live well
- Enable people to stay well at home in their community and to return home sooner from hospital with the care they need

2. Economic prosperity

Surrey's economy remains strong and sustainable

To support this goal in 2016/17 we will

- Support young people to participate in education, training or employment
- Resurface and treat roads to ensure the resilience of our highway network
- Improve and renew priority pavements, particularly to support vulnerable users
- 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 2016/17 we will

- Enhance opportunities for residents to influence and shape council services
- Make better use of digital technology to improve services for residents
- Invest in flood and maintenance schemes
- Improve the satisfaction of families of children with special educational needs and disabilities with the support they receive
- Deliver the savings set out in the Medium Term Financial Plan

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Appendix 2

ADMISSION ARRANGEMENTS FOR SURREY'S COMMUNITY AND VOLUNTARY CONTROLLED SCHOOLS AND COORDINATED SCHEMES THAT WILL APPLY TO ALL SCHOOLS FOR SEPTEMBER 2017

It is recommended that Cabinet make the following recommendations to the County Council:

Recommendation 1
That admission criteria are introduced for Year 3 entry to Beacon Hill Primary School for September 2017 as follows:

a. Looked after and previously looked after children
b. Exceptional social/medical need
c. Siblings
d. Children for whom the school is the nearest to their home address
e. Any other children

Reasons for Recommendation

- As it is proposed to introduce a Published Admission Number for Year 3, the local authority has a duty to determine criteria which confirm how children would be admitted
- The criteria are in line with those that exist for admission to Reception and this would ensure there is consistency in the way children are admitted to each intake
- They are also consistent with the admission arrangements that exist for the majority of Surrey's other community and voluntary controlled schools
- It is supported by the school which has asked for a Year 3 intake to ensure vacancies can be filled when children drop out to the independent sector at the end of Year 2

Recommendation 2
That a new criterion for Chennestone Primary School is introduced for Year 3 in September 2017, to provide priority for children attending Beauclerc Infant School as follows:

a. Looked after and previously looked after children
b. Exceptional social/medical need
c. Siblings
d. Children attending Beauclerc Infant School
e. Children for whom the school is the nearest to their home address
f. Any other children

Reasons for Recommendation

- It would introduce a feeder link for Beauclerc Infant School where currently none exists
- It would provide continuity and a clearer transition for parents, children and schools and would reduce anxiety for parents
- It would maximise the opportunity for families to keep children together or at schools with agreed links
- The schools are federated and share the same Headteacher and this criterion would support their joint working
- It is supported by the Headteacher and Governing Body of the federated Governing Body of Beauclerc Infant and Chennestone Primary schools
- It is consistent with Surrey's planning principles set out in the School Organisation Plan
- Eligibility to transport is not linked to the admission criteria of a school and as such attendance at Beauclerc Infant School would not confer an automatic right to transport to Chennestone Primary School

Recommendation 3
That admission criteria are introduced for Year 3 entry to Cranleigh CofE Primary School for September 2017 as follows:

a. Looked after and previously looked after children
b. Exceptional social/medical need
c. Siblings
d. Children for whom the school is the nearest to their home address
e. Any other children

Reasons for Recommendation

- As it is proposed to re-introduce a Published Admission Number for Year 3, the local authority has a duty to determine criteria which confirm how children would be admitted
- The criteria are in line with those that exist for admission to Reception and this would ensure there is consistency in the way children are admitted to each intake
- They are also consistent with the admission arrangements that exist for the majority of Surrey's other community and voluntary controlled schools
- It is supported by the Governing Body of the school which has asked for its Year 3 PAN to be reintroduced following its temporary removal in 2016 so that the school could accommodate a bulge class moving through the school

Recommendation 4
That the Published Admission Number for West Ewell Infant School is reduced from 90 to 60 for September 2017.

Reasons for Recommendation

- It would enable the school to accommodate the number of children in their Foundation and Key Stage 1 classes, alongside accommodating Key Stage 2 provision as they expand to become a primary school
- It is supported by the Headteacher and Governing Body of the school
- There would still be sufficient infant places for local children if the PAN is reduced
- It would help support other schools in attracting sufficient numbers to Reception

Recommendation 5
That the start date to the primary admissions round is changed from 1 September to the first day after the Autumn half term (31 October 2016 for 2017 admission).

Reasons for Recommendation

- It would reduce the number of applications where parents make changes after they have submitted their application
- It would enable support to be targeted to primary applicants after the secondary closing date (31 October)
- More would be known of school expansions and bulge classes so parents would be in a better position to make informed decisions
- It would relieve some of the pressure from primary schools at the start of the autumn term and enable them to focus support in the second half of the term
- It would be likely to reduce the pressure on parents in feeling they have to apply early, even though the closing date isn't until 15 January
- It would give parents more time to familiarise themselves with the process
- It would give parents more time to visit schools and consider admission criteria before they have to submit their applications. This might especially benefit parents with summer born children who may not have considered school places as much as others

- It would not have any detrimental effect on applicants who would still have nearly eleven weeks to complete their application by 15 January

Recommendation 6
That the Published Admission Numbers (PAN) for September 2017 for all other community and voluntary controlled schools are determined as they are set out in Appendix 1 of Enclosure 1, of the Cabinet report, which include the following changes:

i) Beacon Hill School - introduction of Year 3 PAN of 2
ii) Cranleigh CofE Primary School – re-introduction of Year 3 PAN of 30
iii) Dovers Green School - increase in Reception PAN from 56 to 90
iv) Downs Way School – increase in Reception PAN from 45 to 60
v) Godalming Junior - increase in Junior PAN from 58 to 60
vi) West Byfleet Junior - increase in Junior PAN from 60 to 90

Reasons for Recommendation
- Schools are increasing their intake to either rationalise their class organisation/sizes or to respond to the need to create more school places
- Any increase to PAN will help meet parental preference
- The School Commissioning team and the schools support these changes
- All other PANs remain as determined for 2016 which enables parents to have some historical benchmark by which to make informed decisions about their school preferences

Recommendation 7
That the aspects of Surrey's admission arrangements for community and voluntary controlled schools for September 2017, for which no change is proposed, are agreed as set out in Enclosure 1 of the Cabinet report and its Appendices.

Reasons for Recommendation
- This will ensure stability and consistency for the majority of Surrey's parents, pupils and schools
- The arrangements enable parents to have some historical benchmark by which to make informed decisions about their school preferences
- The existing arrangements are working reasonably well
- The arrangements enable the majority of pupils to attend their nearest schools and in doing so reduces travel and supports Surrey's sustainability policies
- Changes highlighted in bold in sections 7, 8, 10, 11, 12, 13, 14, 18 and 20 of Enclosure 1 which have not otherwise been referenced in this report, have been made to add clarity to the admission arrangements but do not constitute a policy change
- Changes to PAN that are highlighted in bold in Appendix 1 of Enclosure 1 of the Cabinet report are referenced in Recommendation 6

Recommendation 8
That the primary and secondary coordinated admission schemes that will apply to all schools for 2017 are agreed as set out in Enclosure 2 of the Cabinet report.

Reasons for Recommendation
- Other than the change proposed under recommendation 5, the coordinated schemes for 2017 are the same as 2016
- The coordinated schemes will enable the County Council to meet its statutory duties regarding school admissions
- The coordinated schemes are working well

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County Council Meeting – 9 February 2015

REPORT BACK FROM THE ECONOMIC PROSPERITY, ENVIRONMENT AND HIGHWAYS BOARD ON REFERRED MOTION

1. At its meeting on 26 January 2016, the Economic Prosperity, Environment and Highways Board considered a Motion in the name of Hazel Watson referred to it by the Council on 8 December 2015.

   The Motion was as follows:

   ''Council notes that when roads are surface dressed in order to prolong the life of roads by sealing them and to save money before a full resurfacing, the road surface becomes noisier for residents living nearby.

   This Council requests the Cabinet to amend its policy to take into account not just cost but also the quality of life of residents, including noise levels of different road surfaces when deciding on different types of materials and processes for surface dressing or full road resurfacing.'

2. Cllr Hazel Watson addressed the Board on the motion referred from the meeting of Council on 8 December 2015.

3. An officer report giving background information to the topic was also considered by the Board, attached as Appendix 1.

4. Following questions to officers and a full debate, the motion referred from the Council meeting on 8 December 2015 was lost. The Chairman advised that this would be reported back to the next Council meeting.

Decision by the Economic Prosperity, Environment and Highways Board:

5. The Motion was lost.

Mr David Harmer
Chairman of the Economic Prosperity, Environment and Highways Board
26 January 2016

APPENDIX 1

ECONOMIC PROSPERITY, ENVIRONMENT AND HIGHWAYS BOARD

26 JANUARY 2016

Officer report to the Economic Prosperity, Environment and Highways Board, further to Councillor Watson's motion to council on 8th December 2015;

> *'Council notes that when roads are surface dressed in order to prolong the life of roads by sealing them and to save money before a full resurfacing, the road surface becomes noisier for residents living nearby.*
>
> *This Council requests the Cabinet to amend its policy to take into account not just cost but also the quality of life of residents, including noise levels of different road surfaces when deciding on different types of materials and processes for surface dressing or full road resurfacing.'*

Background – National Guidance and Best Practice

Surrey Highways and Transport Service follow an Asset Management strategy in order to develop effective maintenance strategies for Highway Assets. Asset management is a well established discipline, implemented in the UK and internationally for the management of physical assets. Many asset owning organisations have adopted the principles of asset management and as a result, can demonstrate benefits in terms of financial efficiencies, improved accountability and stewardship of the asset, better value for money and improved customer service.

In terms of determining appropriate treatments for roads, various recent publications have highlighted the need for local authorities to adopt a maintenance approach that includes an appropriate balance between structural treatments (e.g. major maintenance), preventative treatments (e.g. surface dressing) and reactive works (e.g. pothole filing).

The 2011 Audit Commission Report "**Going the Distance: Achieving better value for money in road maintenance**" highlighted that by considering an asset over a whole lifecycle it's possible to select the right time to intervene with the right treatment in order to preserve the asset in an economically viable way. The report also discussed the fact that this approach may not be a popular approach with residents because carrying out preventative maintenance can seem wasteful when other roads are more visibly in need of maintenance, however if asset management principles are followed, improved value for money and sustainability in the long term will be delivered.

The report also highlights the importance that roads make to the economic competitiveness of an area, further highlighting the need to follow an asset management strategy, "Councils *must use their road maintenance to support the economic competitiveness of their area. Roads play a critical role in public service delivery and economic growth – both through the increased mobility of citizens, goods and services, and through building and maintaining infrastructure*." The full report can be downloaded at; http://www.ciht.org.uk/en/media-centre/news/index.cfm/audot-commission-release-going-the-distance-report-on-road-maintenance

The 2012 Department for Transport report "**Prevention and a Better Cure: Potholes Review**" discussed the benefits of an asset management approach that includes preventative maintenance. The report states "*asset management has not been embraced consistently across all authorities, although it is clearly understood that a more preventative approach to maintenance and long term planning is likely to reduce the occurrence of potholes*".

One of the main themes highlighted in the review is that 'Prevention is better than cure – intervening at the right time will reduce the amount of potholes forming and prevent bigger problems later'. The review recommends the following 'Local highway authorities should adopt the principle that 'prevention is better than cure' in determining the balance between structural, preventative and reactive maintenance activities in order to improve the resilience of the highway network and minimise the occurrence of potholes in the future. The Full report can be downloaded at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/3995/pothole-review.pdf

In view of the above, the Department for Transport has recently changed how capital highway funds will be allocated to highway authorities. From 2016 onwards each authority will still receive a basic allocation based on empirical data, but a new "Incentive Fund" will be allocated according to how successfully an authority is implementing efficiency measures. This includes the need for a sound asset management based approach to highway maintenance. The national value of the fund is significant at £578m (spread from 2015 to 2020) and the County Council is keen to ensure we obtain the maximum share we can. The allocation process involves completing a detailed self assessment that has to be certified by the S151 Officer.

Surrey County Council's Approach to Asset Management

Surrey County Councils prioritisation policy and criteria for key highway assets including roads and pavements gives details on how Surrey Highways prioritises available funds in the most cost effective way through asset management, It states '*It is necessary that whatever funds are available are spent on the right schemes at the right time and that schemes are prioritised using value management to maximise risk reduction and minimise whole life costs.'*

As well as including priorities such as the condition of the road within the prioritisation matrix, other aspects that affect the quality of life of residents are also taken into account, for instance scores are also given for sections of roads;

- where there have been accidents
- where claims have been made
- where there have been potholes reported

The glossary of the prioritisation policy provides the following narrative to explain the importance of preventative maintenance;

> *Preventative Maintenance treatments are used in a similar way as varnish is used to preserve and prolong the life of a window frame. Unlike Major Maintenance they generally don't involve removing and replacing, but instead are applied on top of what is existing to preserve where the underlying structure is still intact. On roads treatments such as surface dressing are used to reinstate skid resistance and seal against the ingress of water to the lower layers of the road structure.*
> *Although it may not seem like an obviously sensible use of resources to treat a road that is still in fairly good condition when other worse roads are left untreated, spending money on preventative maintenance improves the resilience of the highway network and prolongs the life of highway assets in a cost efficient way, leading to an overall long term improvement.'*

The full policy and criteria can be found at:
http://www.surreycc.gov.uk/__data/assets/pdf_file/0016/45052/Prioritisation-Policy-and-Critieria.pdf

Officers are in the process of developing a long term 15 year asset management strategy which will be referred to this Board for comment and development before consideration by Cabinet.

Surface Dressing and Noise

Surrey County Council does not generally test for volume of road noise, as there is no set figure defining acceptable levels of road noise. However, noise is considered in the first instance when the site to be surfaced is reviewed by highway engineers. Surface dressing is rarely used on residential roads, for instance housing estates or other roads with houses adjacent to the road where the traffic speed is usually 30mph or below, as it is acknowledged that it is noisier than other surfacing options, however it is a commonly used treatment in Surrey and the rest of the country which is used on various road

types of road including A class roads that have high speed and large volumes of traffic as well as more rural roads with lower traffic levels.

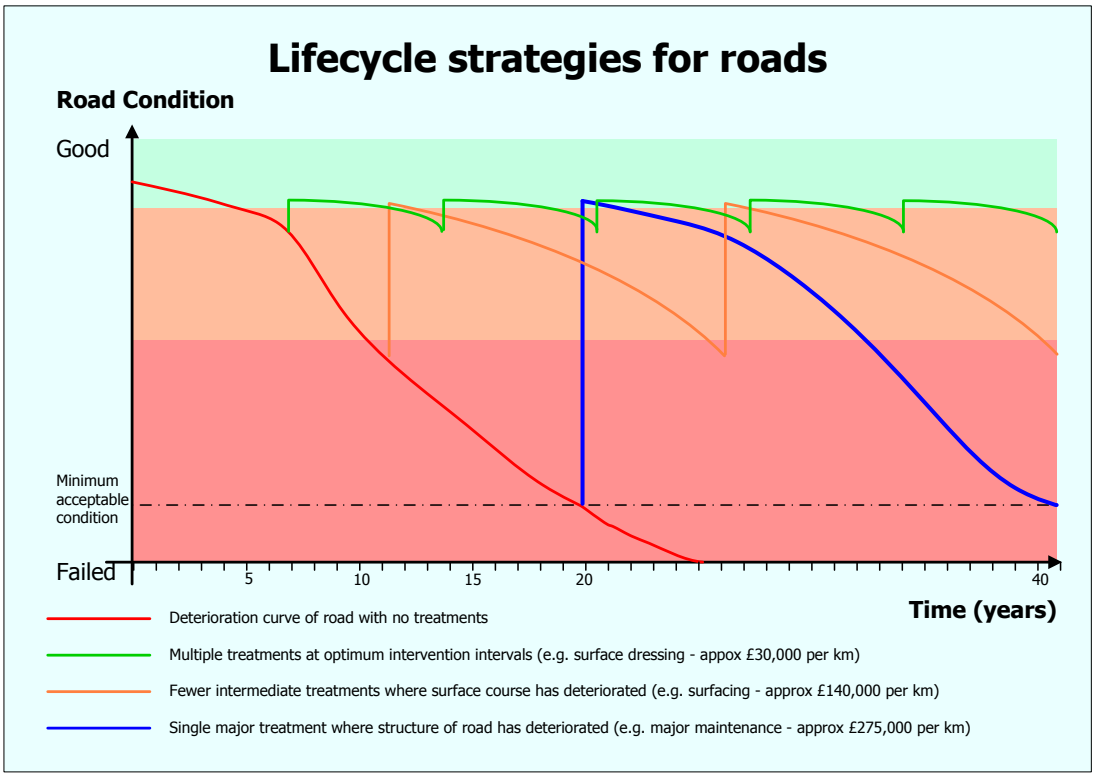
Some of the materials which are considered quieter than others are thin surface course systems which were originally developed in mainland Europe over 20 years ago. They have since been developed to meet UK safety requirements and have been in widespread use on English roads since the mid nineties. The life span for this type of surfacing is typically between 7 – 15 years. While there are benefits to using thin surface course systems including the fact that they produce lower noise levels, they tend to be open-textured and potentially more susceptible to the ingress of water leading to deterioration of the road surface. For this reason Surrey and many other local authorities apply a preventative maintenance treatment, such as Surface Dressing, between 7 and 10 years after the initial treatment in order to prolong the life of the surface. As well as prolonging the life of the road, surface dressing also restores skid resistance properties and therefore is a useful material in terms of safety.

While surface dressing is acknowledged to be a noisier surface than some structural treatments, evidence from the Road Surface Treatments Association (RSTA) and from the Transport Research Laboratory (TRL) suggest that the noise levels will reduce over time. The RSTA point out that loss of texture tends to reduce noise and therefore "*surface dressing will become less noisy over time*" (http://www.rsta-uk.org/downloads/RSTA-ADEPT-Code-of-Practice-for-Surface-Dressing-Pt8-Quieter-Surface-Dressing-2014.pdf). This is borne out by research carried out by TRL which measured noise levels of different road surfaces two years apart. The noise levels of all surfaces measured were quieter after two years and those which had shown higher noise levels initially showed greater levels of noise reduction; "*the fact that the largest reductions in noise tended to occur on the surfaces that were the noisiest in 2002 will mean that over time the range between noisiest and quietest surface will tend to reduce*". (http://www.trl.co.uk/reports-publications/trl-reports/report/?reportid=4927).

Benefits of Preventative Maintenance

The illustration at figure 1 shows the different high level treatment options available to a highway engineer during the different points of a roads lifecycle and illustrates the benefits of intervening at the right time. If a road is not showing much sign of deterioration, a surface treatment can be used which will restore the road to a 'nearly new' condition and will considerably prolong the life of the road. If the initial intervention point is missed a more expensive treatment will be required to restore the road to nearly new condition and when a road has reached the point where it has significantly deteriorated, multiple layers of the road may need to be replaced at a considerable cost.

Figure 1



The tables in figure 2 provide a financial illustration of the benefits of intervening at the right time with the right treatment. They demonstrate that a maintenance strategy that is based on structural treatments only could be nearly twice as expensive in the long term than an asset management strategy that includes an appropriate mix of structural and preventative maintenance.

Figure 2

Treatment Year	Reconstruction Only	Cost
20	RC	£275,000
40	RC	£275,000
60	RC	£275,000
80	RC	£275,000
100	RC	£275,000

Treatment Year	Reconstruction & Resurfacing only	Cost
14	RS	£140,000
28	RS	£140,000
42	RC	£275,000
56	RS	£140,000
70	RS	£140,000
84	RC	£275,000
98	RS	£140,000

Treatment Year	Full Asset Management	Cost
7	SD	£30,000
17	SD	£30,000
27	RS	£140,000
34	SD	£30,000
44	SD	£30,000
54	RS	£140,000
61	SD	£30,000
71	SD	£30,000
81	RC	£275,000
88	SD	£30,000
98	SD	£30,000

Total cost to treat 1km of road over 100 years

£1,375,000 **£1,250,000** **£795,000**

Conclusion

The Council has a duty under the Highways Act (1980) to maintain the highway. The Council's policy on how to fulfil this duty in terms of planned capital maintenance is set out in the Capital Prioritisation Policy which was developed by an Environment and Transport Select Committee member/officer task group and approved by cabinet on 27/05/14. This policy ensures that the limited funds available to the Council are spent on the right schemes at the right time to minimise risks to highways users and whole life costs of an asset. It is the Council's policy to use preventative maintenance such as surface dressing on roads that have previously undergone a reconstruction. This is in order to extend the service life of that road by restoring skid resistance and preventing the ingress of water into underlying layers which could lead to deterioration. The asset management approach of including preventative maintenance as part of an effective asset management strategy is backed up by guidance from the Department for Transport and the Audit Commission who recommend intervening at the right time with preventative measures such as surface dressing. The Department for Transport is now directly linking the value of capital maintenance grants to

those authorities which have comprehensive asset and efficiency procedures in place.

Officers are in the process of preparing a new 15 year asset strategy to take the service to 2030. As part of this process comments from Members will be taken into consideration.

While there are no specific standards, noise is a consideration to the highway engineer and for this reason surface dressing is infrequently used where there are multiple properties which are in very close proximity to the highway. On most of the network it is a cost effective and necessary treatment that is used nationwide.

MINUTES OF THE MEETINGS OF CABINET

Any matters within the minutes of the Cabinet's meetings, and not otherwise brought to the Council's attention in the Cabinet's report, may be the subject of questions and statements by Members upon notice being given to the Democratic Services Lead Manager by 12 noon on Monday 8 February 2016.

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MINUTES OF THE MEETING OF THE CABINET
HELD ON 15 DECEMBER 2015 AT 2.00 PM
AT ASHCOMBE SUITE, COUNTY HALL, KINGSTON UPON THAMES, SURREY KT1 2DN.

These minutes are subject to confirmation by the Cabinet at its next meeting.

Members:

*Mr David Hodge (Chairman)	*Mr John Furey
*Mr Peter Martin (Vice-Chairman)	* Mr Mike Goodman
* Mrs Helyn Clack	* Mrs Linda Kemeny
*Mrs Clare Curran	Ms Denise Le Gal
*Mr Mel Few	*Mr Richard Walsh

Cabinet Associates:

*Mr Tim Evans	*Mrs Kay Hammond
*Mrs Mary Lewis	*Mr Tony Samuels

* = Present

PART ONE
IN PUBLIC

243/15 APOLOGIES FOR ABSENCE [Item 1]

Apologies were received from Ms Le Gal.

244/15 MINUTES OF PREVIOUS MEETING: 24 NOVEMBER 2015 [Item 2]

The minutes of the meeting held on 24 November 2015 were confirmed ad signed by the Chairman.

245/15 DECLARATIONS OF INTEREST [Item 3]

There were none.

246/15 PROCEDURAL MATTERS [Item 4]

a MEMBERS' QUESTIONS [Item 4a]
There were no questions from Members.

247/15 PUBLIC QUESTIONS [Item 4b]

There were no questions from members of the public.

248/15 PETITIONS [Item 4c]

There were no petitions.

249/15 REPRESENTATIONS RECEIVED ON REPORTS TO BE CONSIDERED IN PRIVATE [Item 4d]

No representations were received.

250/15 REPORTS FROM SCRUTINY BOARDS, TASK GROUPS, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL [Item 5]

Council Overview Board: Recommendations were received relating to agency workers within the Environment and Infrastructure Directorate. A response from the Cabinet Member for Highways, Transport and Flooding is attached as Appendix 1.

The newly appointed Chairman of the Council Overview Board was invited to speak and said that although he had not been the Chairman or a member of this Board when this topic was discussed, he had been a member of the Economic Prosperity, Environment and Highways Scrutiny Board, where it was also discussed. Both Boards had recognised the real pressures on staff of frequent re-organisations and particular problems in the Environment and Infrastructure Directorate had been identified.

He was, however, happy to accept the response from the Cabinet Member for Highways, Transport and Flooding and pleased that staff morale would remain a focus in this Directorate and said that he would be asking both Scrutiny Boards to re-look at the issue when the staff survey results were available early in 2016.

251/15 MONTHLY BUDGET MONITORING REPORT [Item 6]

The Leader of the Council presented the budget monitoring report for the eighth month of the 2015/16 financial year, covering the period up to 30 November 2015. He said that the County Council faced ever more intense pressures and hard choices as service demand grew and funding declined, and gave the following example, where last month grant reductions by the Department of Health meant that Cabinet had to approve £2.2m of in year loss of funding from Public Health spending and that these cuts, inevitably would mean some front line service reductions.

He confirmed, as stated at each Cabinet meeting that, the Council's financial strategy had four key drivers to ensure sound governance in managing finances and providing value for money for Surrey residents.

These were:

1. **To keep any additional call on the council taxpayer to a minimum**
   The current forecast end of year revenue position was for an underspend of £2.8m and he was confident that Cabinet's support for managers' actions would make this the sixth consecutive year that the Council would have a small underspend or balanced outturn across the Council. He said that the Council's multi-year approach to financial management aimed to smooth resource fluctuations over five years and managing budgets and overall resources to achieve a small underspend was important for giving some headroom and flexibility for managing future spending plans.

   He drew attention to Adult Social Care's forecast balanced out turn which included £7.7m one off support, which if left unchecked, would add to future years' pressures.

2. To continuously drive the efficiency agenda

That, at the end of November, services forecast delivering £63.1m efficiencies.

Of this, £33m had either already been implemented or were on track, £8m had some issues, £19m were additional in-year or one off savings and £3m was considered to be at risk. He said that it was important that each Cabinet Member worked with their Strategic Director to achieve all efficiency savings.

3. To reduce the Council's reliance on council tax and government grant income

That reducing reliance on government grants and council tax was key to balancing the Council's budgets over the longer term and that the Revolving Infrastructure & Investment Fund forecast investing another £66m this year.

4. To continue to maximise our investment in Surrey

He said that the Council's £696m capital programme for 2015-20, not only improved and maintained Council services, it was also a way of investing in Surrey and generating income for the Council, with forecast capital programme of £231m investment in 2015/16.

Finally, he thanked the S151 officer and her team for producing this Finance and Budget Monitoring Report a week earlier than normal.

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

RESOLVED:

That the report be noted, including the following:

1. That the council forecasts a £2.8m overall revenue budget underspend at year end, which includes use of £6.9m central government grant plus £0.8m unplanned underspend to offset pressures in Adult Social Care, as set out in the Annex, paragraph 1 of the submitted report.

2. That services forecast to achieve £63.1m efficiencies and service reductions by year end, as set out in the Annex, paragraph 36 of the submitted report.

3. That the total forecast capital expenditure for 2015/16, including long term investments, is £231.2m, as set out in the Annex, paragraph 47 of the submitted report.

4. That services' management actions to mitigate overspends were set out throughout the submitted report.

<u>Reasons for Decisions:</u>

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.

252/15 SUPPORTING ECONOMIC GROWTH THROUGH INVESTMENT IN TRANSPORT AND HIGHWAYS INFRASTRUCTURE - 3RD TRANCHE [Item 7]

The Deputy Leader reminded Cabinet that on 23 September 2014, they approved arrangements for local contribution for the first tranche of three schemes, of the 2015-16 SEP programme and on 14 December 2014, approval was given for local contribution for the second tranche of seven schemes of the same programme.

He said that approval was now being sought for arrangements for local contributions for the third tranche of four schemes, for the 2015-16 SEP programme. The total estimated cost for these four schemes was just under £22m and the Authority was seeking Local Growth Fund (LGF) contribution from the Local Enterprise Partnerships (LEPs) of £17m. Currently, the County Council contribution was approximately £3.3m, with partner contribution from the Boroughs and Districts of £1.4m, which could increase, as discussions were still in progress with the partners.

The business cases for the Enterprise M3 LEP needed to be submitted by 29 January 2016; and for the Coast to Capital LEP by the end March 2016 and construction of some of these schemes could commence during 2016/17.

He drew Members attention to Table 1 – Schemes featured in the Third Tranche and Contribution Status – and said that two of the Resilience Schemes could be met from the Operation Horizon maintenance programme.

Finally, he asked Cabinet to agree a minor amendment to recommendation (1), namely to include after 'agree' 'the schemes and' so that it read 'agree the schemes and the precise amount....'

The Cabinet Member for Highways, Transport and Flooding confirmed his support for the schemes and said that he considered that Boroughs and Districts were working well with the County Council in this area and that the fruition of the schemes would be a good outcome for Surrey residents.

The Cabinet Member for Wellbeing and Health drew attention to the climate change / carbon emission implications and said that she hoped the relevant boroughs would find the funding for their contribution for the Epsom – Banstead STP scheme.

RESOLVED (as amended):

That Authority be delegated to the Strategic Director for Environment and Infrastructure, in consultation with the Deputy Leader, Cabinet Member for Highways, Transport and Flooding and the Director of Finance to:

1. agree the schemes and the precise amount of the Surrey County Council contribution, based on the proposals set out in Table 1 in the submitted report.

2. substitute and/or omit any schemes listed in Table 1in the submitted report from submission to the Local Enterprise Partnerships, if so warranted by developments at that time.

Reasons for Recommendations:

Transport infrastructure schemes are a key element of the Strategic Economic Plan (SEPs), submitted by the Local Enterprise Partnerships (LEPs) to Government in March 2014, which sets out how they will support the economic development and regeneration of their areas. The proposed schemes will deliver a range of benefits to Surrey's residents, including reduced congestion, improved journey time reliability, enhanced safety, and improved access for cyclists, pedestrians and buses, as well as enabling economic development and regeneration.

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

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

253/15 AWARD OF CONTRACT FOR THE INTEGRATED COMMUNITY EQUIPMENT SERVICE [Item 8]

The Cabinet Member for Adult Social Care, Wellbeing and Independence said that
this report sought approval to award a contract to Millbrook Healthcare Ltd for a managed service for the provision of Integrated Community Equipment Service (ICES) to commence on 1 April 2016 because the current arrangements expired on 31 March 2016.

He said that this contract would be jointly funded on a 50-50 basis by the Council and Surrey's six Clinical Commissioning Groups (CCGs) and that the procurement process had delivered an improved service which would support strategies in Health and Social Care to enable Surrey residents to remain independent, facilitate hospital discharges, prevent re-admission and delay admittance into long term care.

This report provided details of the procurement process, including the results of the evaluation process and, in conjunction with the Part 2 report, demonstrated why the recommended contract award would deliver best value for money.

He said that current financial forecasting was estimating that the cost of this service would be £6.2m for 2015/16 because demand had increased. However, he highlighted the improved benefits of the new service, as set out in paragraph 11 of the report, and which now included a Saturday service as standard.

The Cabinet Member for Schools, Schools and Educational Achievement said that she was pleased that the new service would allow individuals within the community, who might benefit from equipment but were not necessarily

eligible to receive it under this service, to access information and advice on purchasing equipment privately through this supplier.

RESOLVED:

1. That the contract be awarded to Millbrook Healthcare Ltd.

2. That the contract be awarded for an initial period of three years with an option to extend for up to two further years in one year increases.

Reasons for Recommendations:

Following an assessment of a number of options it was decided that a full competitive tender under the existing financial model was deemed the most appropriate route to market.

An open tender process compliant with the requirements of Public Contracts Regulations 2015 and the Council's Procurement Standing Orders, has been carried out using the Council e-Procurement system, with the opportunity advertised within the Official Journal of the European Union, and on Contracts Finder. Following a thorough evaluation process the recommendation provides best value for money for this contract.

This procurement exercise has been carried out in collaboration with Surrey's six NHS Clinical Commissioning Groups (CCGs) to secure a single supplier to deliver the service for the seven parties through a contract between the Council and Millbrook Healthcare Ltd.

The demand pressures on the equipment service is increasing which drives up the cost however it is recognised that this is a key service in supporting Surrey residents to remain independent, facilitate hospital discharges, prevent re-admission and delay admittance into long term care.

In accordance with their constitution and procurement governance, each of the six CCGs has approved the process and award of contract at their governance boards.

254/15 AWARD OF A FRAMEWORK FOR THE PROVISION OF SURFACE DRESSING ON ROADS [Item 9]

Cabinet were asked to approve the award of a five year framework agreement that would allow for direct access to approved suppliers to deliver the surface dressing works.

The Cabinet Member foe Highways, Transport and Flooding informed Members that surface dressing was designed to extend the life of a road surface by upto 10 years and that the interim delivery model for 2015 had enabled a trial scenario to be tested.

He said that, following a comprehensive procurement activity, it was proposed that the five year framework agreement contract be awarded to three approved contractors; Road Maintenance Services Limited, Hazell & Jefferies Ltd and Kiely Bros Ltd and that due to the commercial sensitivity involved in the contract award process, financial details of the proposed contractors had

been circulated as a Part 2 Annex, to be discussed later in the meeting.

RESOLVED:

1. That the framework agreement be awarded to:

   a) Road Maintenance Services Limited
   b) Hazell and Jefferies Ltd
   c) Kiely Bros Ltd

2. That authority be delegated to the Strategic Director for Environment and Infrastructure, in consultation with the Leader, the Cabinet Member for Highways, Transport and Flooding and the Section 151 Officer, to award annual contracts, above £0.5m in value, where a mini-competition procedure has been followed under this Framework Agreement.

Reasons for Recommendations:

A full tender process, both in compliance with the Public Contracts Regulations 2015 and Procurement Standing Orders, has been completed and the recommendations provide best value for money. The tender process was constructed based directly on findings from three pre procurement activities; these are detailed in the 'Background and Procurement Strategy' section.

255/15 ACCOMMODATION WITH CARE AND SUPPORT [Item 10]

The Cabinet Member for Adult Social Care, Wellbeing and Independence said that this was an unusual report because it was seeking agreement for the strategic intent for the provision of accommodation options for Surrey residents for whom the Council commissioned care and support.

He said that, whilst the strategy covered all client groups, this report mainly focused on accommodation with care and support for older people as the largest area of spend within Adult Social Care and that there would be a further report in relation to People with Learning Disabilities.

He also said that the report gave a range of housing options where individuals could live within private independent units but have care and support services available as required, to support them to live independently and that a full glossary of terms was included, as set out in at Annex 1 to the submitted report.

Finally, the Cabinet Member said that this report sought approval to the approach outlined in the Strategic Intent Document (Annex 2 to the submitted report).

This document set out:

(i) Vision, (ii) Purpose, (iii) Scope, (iv) Context, (v) Principles, (vi) Outcomes

Cabinet was also asked to note the emerging local plans and agree these continue to be developed with partners. (These were presented separately in

the part 2 section of the meeting, due to the commercial sensitivity of the plans.)

Other Cabinet Members made the following points:

- That these accommodation choices would enable elderly residents to receive the level of care to age well and to be active until end of life.
- It was a new direction of travel for the Council.
- The importance of working together with partners to plan the right accommodation for Surrey residents.
- This report had been presented to the Health and Wellbeing Board last week and had been well received.
- That this topic should be on the agenda for discussion at a future Surrey Council / Borough / District Leaders' meeting.
- Support for the person centred Strategic Intent Document.
- That a further Equalities Impact Assessment, evaluating the impact of the local implementation plans would be brought back to Cabinet for further discussion as the individual business cases develop.

The Leader of the Council considered that this report was an excellent piece of work, which set out a new model of delivery for the Council, and thanked Rachel Crossley and her team for the report.

RESOLVED:

1. The Strategic Intent Document for Accommodation with Care and Support be approved.
2. That future developments will include a full business case and be presented for Cabinet approval as appropriate.

Reasons for Recommendations:

With changing demographics, increasing financial challenges, and a joint health and social care strategy to support people to live independently in their homes for as long as possible, the Council needs to commission the right accommodation options to meet eligible residents' health and wellbeing needs. To do this, the Council will work with partners and the private sector to develop the market in Surrey for accommodation with care and support. This paper sets out a clear ambition and message to the market in relation to future needs, and provides a strong base for Surrey to work together with developers in the private sector, as well as Health and District and Borough partners to find the right local solutions.

256/15 AWARD OF FRAMEWORK AND CALL OFF CONTRACT FOR THE PROVISION OF EMPLOYEE HEALTH SERVICES [Item 11]

In the absence of the Cabinet Member for Business Services and Resident Experience, the Leader of the Council introduced the report.
He said that this report summed up the crucial elements of the Councils' overall health and wellbeing strategy which was centred around proactively ensuring its employees have the appropriate structures in place to ensure the continued positive wellbeing and that they remained fit for work and, where necessary were helped back to work in a timely and care centred way.

Other Members of the Cabinet confirmed their support for the health and wellbeing strategy and the award of a framework agreement for the provision of Employee Health Services. They were pleased that this was another example of a successful collaborative exercise with East Sussex County Council, and a number of other local authorities in the Surrey and East Sussex regions, which would deliver value for money and that also benefitted staff.

The Leader drew attention to paragraph 51 of the report which confirmed that a further Equalities Impact Assessment was not required because this was not a new service, nor were there any significant changes to the provision of the service that negatively affected staff with protected characteristics.

RESOLVED:

1. That the framework agreement be awarded to the following three suppliers, for a period of four years to commence on 1 January 2016 and to expire on 31 December 2019:

    a. Lot 1 – Occupational Health Services to be awarded to Team Prevent Ltd

    b. Lot 2 – Employee Assistance Services to be awarded to OH Assist

    c. Lot 3 – Absence Management Services to be awarded to First Care Ltd

2. That Individual contracts for the Council be awarded to Team Prevent and OH Assist for a period of three years with the option to extend for one further year to commence on 1 April 2016 for:

    a. Lot 1 – Occupational health Services at an anticipated total value of £1.1m

    b. Lot 2 – Employee assistance Services at an anticipated total value of £522,000

3. That the Cabinet note that the HR service is currently in the process of completing a business case to proceed to put in place a contract from lot 3 of the framework and implement the absence management service within the Council.

Reasons for Recommendations:

During a review of the spend and contracts in the Corporate and Human Resources categories across Surrey and East Sussex Councils, an opportunity was identified to collaborate on the design of the specification, align the expiry of the current contracts and retender as a joint contract to appoint the same providers for both Councils.

Following discussion with a number of public sector authorities in the region, it was found that there were several authorities with similar requirements for employee health services whose contracts were due to expire within the next 18 months. This has created an opportunity to pool volume and approach the market with a larger offering than that of the Council on its own, to achieve better rates through economies of scale.

Following an assessment of a number of options, it was decided that the creation of a framework, led by the Council and open to public sector authorities in the Surrey and East Sussex region would be the most appropriate route to market.

In addition to better rates, through the use of the framework by other authorities it is anticipated that the common arrangements would provide an avenue for further collaborative joint working such as wellbeing campaigns, co-location of clinics, and proactive sharing of best practice.

The tender was in compliance with the requirements of Public Contracts Regulations 2015 and the Council's Procurement Standing Orders. The recommendation provides best value for money for these contracts, following a thorough evaluation process.

This procurement exercise has been carried out in collaboration with East Sussex County Council to secure a single provider to deliver the service for both Councils via individual contracts for each Council.

257/15 LEADER / DEPUTY LEADER / CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING [Item 12]

RESOLVED:

That the delegated decisions taken by Cabinet Members since the last meeting of the Cabinet be noted.

Reasons for Recommendations:

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

258/15 EXCLUSION OF THE PUBLIC [Item 13]

RESOLVED that under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act.

PART TWO – IN PRIVATE

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

259/15 AWARD OF CONTRACT FOR THE INTEGRATED COMMUNITY EQUIPMENT SERVICE [Item 14]

In presenting the part 2 element, containing the financial and value for money implications relating to item 8, the Cabinet Member for Adult Social Care, Wellbeing and Independence said that the unique aspect of this contract was that it was demand led. He also said that he supported awarding the contract to the preferred bidder.

RESOLVED:

That approval be granted to award a contract to Millbrook Healthcare Ltd for a managed service to the value set out in the submitted report over the duration of the five year term, subject to demand, for the provision of Integrated Community Equipment Service (ICES) to commence on 1 April 2016 as the current arrangements would expire on 31 March 2016 and based on additional financial information provided in this report.

Reasons for Recommendations:

The existing contract would expire on 31 March 2016. A full tender process, in compliance with the requirement of EU Procurement Legislation and Procurement Standing Orders had been completed, and the recommendations provided best value for money for the Council, following a thorough evaluation process.

260/15 AWARD OF A FRAMEWORK FOR THE PROVISION OF SURFACE DRESSING ON ROADS [Item 15]

The Cabinet Member for Highways, Transport and Flooding drew Cabinet attention to the financial and value for money implications and commended the approval of the Surface Dressing Framework agreement to Members.

RESOLVED:

1. That the scores and financial information be noted.

2. That the Surface Dressing Framework agreement be approved and the award of annual programmes of work via mini competition be delegated to the Strategic Director for Environment and Infrastructure, in consultation with the Leader, the Cabinet Member for Highways, Transport and Flooding and the Section 151 Officer.

Reasons for Recommendations:

A full tender process, in compliance with the requirement of Public Contracts Regulations 2015 and Procurement Standing Orders has been completed,

and the recommendations provide best value for money for the Council following a thorough evaluation process.

261/15 ACCOMMODATION WITH CARE AND SUPPORT [Item 16]

This part 2 report contained the initial local plans for the full Accommodation with Care and Support Programme, which the Cabinet Member for Adult Social Care, Wellbeing and Independence said was presented separately from the part 1 report due to their commercial sensitivity.

Cabinet were asked to agree that the local plans continued to be developed with partners in order to re-shape the market and increase the accommodation with care and support options available in Surrey.

RESOLVED:

That the emerging local plans as set out in the submitted report be noted, and agree these continue to be developed with partners.

Reasons for Recommendations:

With changing demographics, increasing financial challenges, and a joint health and social care strategy to support people to live independently in their homes for as long as possible, the Council needs to commission the right accommodation options to meet eligible residents' health and wellbeing needs. To do this, the Council will work with partners and developers in the private sector to shape the market for accommodation with care and support. This annex sets out the initial opportunities identified locally and asks the Cabinet to agree that these continue to be developed.

262/15 AWARD OF FRAMEWORK AND CALL OFF CONTRACT FOR THE PROVISION OF EMPLOYEE HEALTH SERVICES [Item 17]

This part 2 report contained the financial and value for money information relating to item 11.

RESOLVED:

That the commercial and financial details contained within the submitted report be noted.

Reasons for Recommendations:

As part of the overall health and wellbeing service that is provided by the Council for its employees, the contracts for Occupational Health and Employee Assistance services help to ensure that employees remain fit for work and are supported and rehabilitated back to work in a timely and care centred way.

The current contracts Occupational Health and Employee assistance services both expire on 31 March 2016 and there is a continued need for these services to be provided for employees.

263/15 PROPERTY TRANSACTIONS - DISPOSAL [Item 18]

In the absence of the Cabinet Member for Business Services and Resident Experience, the Cabinet Member Associate for Community Safety Services introduced the report and commended the recommendations for the disposal of the former Guildford fire station site to the Cabinet.

RESOLVED:

1. That the Cabinet authorises the grant of a groundlease over the property as outlined in the submitted report for a bulky goods non food retail store, as set out in the report.

2. That any agreed variation in the sale price in accordance with the report be delegated to the Strategic Director for Business Services, in consultation with the Cabinet Member for Business Services and the Leader.

Reasons for Recommendations:

The sale of the property is required to contribute towards the County Council's Investment Strategy and to dispose of a property no longer considered required for ongoing service delivery, nor capable of generating significant income.

264/15 PUBLICITY FOR PART 2 ITEMS [Item 19]

It was agreed that non-exempt information may be made available to the press and public, where appropriate.

[Meeting closed at 3.07pm]

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Chairman

Appendix 1

CABINET RESPONSE TO COUNCIL OVERVIEW BOARD

AGENCY WORKERS
(considered by Council Overview Board on 5 November 2015)

COMMITTEE RECOMMENDATIONS:
The frequency of reorganisation within the Environment & Infrastructure Directorate be considered and managed to avoid an impact on:

- The morale and wellbeing of Highways staff
- The ability of the service to carry out priority highway maintenance

RESPONSE:

We agree that it is important to monitor carefully the morale and wellbeing of staff and our capability to deliver our priorities. That is why this has been a consistent focus for us. It is equally important that the service is configured to ensure that residents get the best value for money in terms of local highways services and more strategic transport infrastructure provision.

We have an excellent 'People Strategy' for Highways and Transport that is involving and engaging staff in a programme to develop skills and capability, for example, and will review this work in the light of the recent staff survey results when they are available early in 2016.

The Cabinet and I congratulate the service for the continued delivery, during this period, of excellent service to our residents.

John Furey
Cabinet Member for Highways, Transport and Flooding
15 December 2015