

# Cabinet

**Date & time**

Tuesday, 2  
February 2016 at  
2.00 pm

**Place**

Ashcombe Suite,  
County Hall, Kingston  
upon Thames, Surrey  
KT1 2DN

**Contact**

Vicky Hibbert or Anne  
Gowing  
Room 122, County Hall  
Tel 020 8541 9229 or 020  
8541 9938

**Chief Executive**

David McNulty

vicky.hibbert@surreycc.gov.uk or  
anne.gowing@surreycc.gov.uk

**Cabinet Members:** Mr David Hodge, Mr Peter Martin, Mrs Helyn Clack, Mrs Clare Curran, Mr Mel Few, Mr John Furey, Mr Mike Goodman, Mrs Linda Kemeny, Ms Denise Le Gal and Mr Richard Walsh

**Cabinet Associates:** Mr Tony Samuels, Mr Tim Evans, Mrs Kay Hammond and Mrs Mary Lewis

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**This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Vicky Hibbert or Anne Gowing on 020 8541 9229 or 020 8541 9938.**

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**1 APOLOGIES FOR ABSENCE**

**2 MINUTES OF PREVIOUS MEETING: 15 DECEMBER 2015**

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

**3 DECLARATIONS OF INTEREST**

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

Notes:

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

**4 PROCEDURAL MATTERS**

**a Members' Questions**

The deadline for Member's questions is 12pm four working days before the meeting (*27 January 2016*).

**b Public Questions**

The deadline for public questions is seven days before the meeting. (*26 January 2016*).

**c Petitions**

The deadline for petitions was 14 days before the meeting, one petition has been received from Mr Richard Harrold. It has 7,545 signatures.

The petition relates to Newlands Corner and states:

**'Keep Newlands Corner family-friendly and free to access!'**

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

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

(Pages 1  
- 2)

- 5 REPORTS FROM SCRUTINY BOARDS, TASK GROUPS, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL** (Pages 3 - 4)
- Economic Prosperity, Environment and Highways Scrutiny Board in relation to the Highways and Transport Member Reference Group's report on the Kier Contract Extension.
- 6 CONFIDENT IN SURREY'S FUTURE: CORPORATE STRATEGY 2016 - 2021** (Pages 5 - 10)
- 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.
- 7 REVENUE AND CAPITAL BUDGET 2016/17 TO 2020/21** (Pages 11 - 112)
- The purpose of this report is to present information to enable Cabinet to propose and recommend to the Full County Council:
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);
  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.
- 8 FINANCE AND BUDGET MONITORING REPORT - DECEMBER 2015** (Pages 113 - 136)
- The Council takes a multiyear approach to its budget planning and monitoring, recognising that the two are inextricably linked. This report presents the Council's financial position at the end December 2015 (ninth

month).

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

*[The decisions on this item can be called in by the Council Overview Board]*

**9**      **ADMISSION ARRANGEMENTS FOR SURREY'S COMMUNITY AND VOLUNTARY CONTROLLED SCHOOLS AND COORDINATED SCHEMES THAT WILL APPLY TO ALL SCHOOLS FOR SEPTEMBER 2017**      (Pages 137 - 218)

Following statutory consultation on Surrey's admission arrangements for September 2017, Cabinet is asked to consider the responses set out in Enclosure 4 and make recommendations to the County Council on admission arrangements for community and voluntary controlled schools and Surrey's coordinated schemes that will apply to all schools for September 2017.

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

**10**      **KIER CONTRACT EXTENSION AND VARIATION**      (Pages 219 - 226)

Surrey County Council's Highways and Transport core maintenance contract is with Kier. The contract was set up in 2011 for an initial term of 6 years with options to extend by up to 4 years by means of 2 plus 2 year extensions. The initial term of the contract will terminate in April 2017.

This paper outlines the recommendation to Cabinet to approve a decision to extend the contract with Kier to its full term 31 March 2021.

*[The decisions on this item can be called in by the Economic Prosperity, Environment and Highways Scrutiny Board].*

**11**      **PRUDENTIAL RIDE LONDON-SURREY 100 AND CLASSIC (PRLS)**      (Pages 227 - 262)

At the Cabinet meeting on the 25 November 2014 there was the decision to allow officers to progress the planning for PRLS to agree the feasibility of future events, but that a further paper would be brought back to the Cabinet for cycling events from 2018 onwards to gain Cabinet approval.

The Prudential RideLondon-Surrey 100 and Classic events (the event) are part of the wider Prudential RideLondon festival and largely follow the Olympic road cycling race route making them a key part of the Olympic



legacy. The Prudential RideLondon-Surrey 100 is an annual mass participation event for amateur cyclists and the Prudential RideLondon-Surrey Classic is an elite race of 150 professional riders.

The event is seen as a key aspect of the County's Olympic Legacy and the event route is designed to follow as closely as possible the event routes for the Olympic Road race and time trial.

*[The decisions on this item can be called in by the Resident Experience Scrutiny Board].*

**12 ORBIS PUBLIC LAW: ESTABLISHMENT OF SHARED LEGAL SERVICE** (Pages 263 - 296)

To seek approval for the creation of a shared legal service between Brighton & Hove City Council, East Sussex County Council, Surrey County Council and West Sussex County Council.

*[The decisions on this item can be called in by the Council Overview Board].*

**13 COUNTRYSIDE WORKS FRAMEWORK** (Pages 297 - 304)

This paper outlines the recommendation to Cabinet to approve the award of a 4 year framework that will allow for direct access to approved suppliers to deliver Countryside Works to the County and its Districts & Boroughs (D&BS).

Following a comprehensive procurement activity, it is proposed that the 4 year framework be awarded naming 34 approved contractors across 5 lots, as set out in the Part 2 report.

N.B. An annex containing exempt information is contained in Part 2 of the agenda – item 16.

*[The decisions on this item can be called in by the Economic Prosperity, Environment and Highways Scrutiny Board].*

**14 LEADER / DEPUTY LEADER / CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING** (Pages 305 - 308)

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

**15 EXCLUSION OF THE PUBLIC**

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

## PART TWO - IN PRIVATE

- 16 COUNTRYSIDE WORKS FRAMEWORK** (Pages 309 - 314)
- This is a part 2 annex relating to item 13.
- Exempt: Not for publication under Paragraph 3**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information)
- [The decisions on this item can be called in by the Economic Prosperity and Environment and Highways Board].*
- 17 PROPERTY TRANSACTIONS** (Pages 315 - 330)
- Disposal of a former school site**
- Exempt: Not for publication under Paragraph 3**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information)
- [The decisions on this item can be called in by the Council Overview Board].*
- 18 PUBLICITY FOR PART 2 ITEMS**
- To consider whether the item considered under Part 2 of the agenda should be made available to the Press and public.

**David McNulty**  
**Chief Executive**  
Monday, 25 January 2016

## QUESTIONS, PETITIONS AND PROCEDURAL MATTERS

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

**Please note:**

1. Members of the public can submit one written question to the meeting. Questions should relate to general policy and not to detail. Questions are asked and answered in public and so cannot relate to "confidential" or "exempt" matters (for example, personal or financial details of an individual – for further advice please contact the committee manager listed on the front page of this agenda).
2. The number of public questions which can be asked at a meeting may not exceed six. Questions which are received after the first six will be held over to the following meeting or dealt with in writing at the Chairman's discretion.
3. Questions will be taken in the order in which they are received.
4. Questions will be asked and answered without discussion. The Chairman or Cabinet Members may decline to answer a question, provide a written reply or nominate another Member to answer the question.
5. Following the initial reply, one supplementary question may be asked by the questioner. The Chairman or Cabinet Members may decline to answer a supplementary question.

## 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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**CABINET**

Tuesday 2 February 2016

**The Petition**

It states: **Keep Newlands Corner family-friendly and free to access!**

Surrey County Council has agreed Phase 1 of a development at Newlands Corner - to impose parking charges of £1 an hour (maximum £4) - and to spend £400,000 on constructing a family play trail and improving the existing toilets. Phase 2 envisages a coach park and large new café (built across the current viewing area, including the grass, on the brow of the hill) together with a new visitor centre and shopping space.

Please sign this petition if you want to keep Newlands Corner (the greatest viewpoint anywhere in the south of England, boasts this proud Surreyite!) free to access for all, unpretentious and busy! There's a whole community up there, consisting of the burger bar staff, SWT rangers and a crowd of regulars - bikers, police, fire and ambulance services, classic car owners, walkers, horse-riders and those who just go for the food, drink and friendly chat. SCC's move to monetise the site risks destroying this highly successful local amenity and destroying the livelihood of the people who run the busy burger bar. This is utterly unacceptable!

**Submitted by Richard Harrold**

**Signatures: 7,545**

**Response**

TO BE TABLED AT THE MEETING

**Mr Mike Goodman**

**Cabinet Member for Environment and Planning**

**2 February 2016**

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**ECONOMIC PROSPERITY, ENVIRONMENT AND HIGHWAYS BOARD****Item under consideration: HIGHWAYS AND TRANSPORT MEMBER  
REFERENCE GROUP REPORT ON THE KIER  
CONTRACT EXTENSION****Date Considered: 10 December 2015****Key points raised during the discussion:**

- The Board commended the Highways and Transport Member Reference Group for their hard work around the Kier contract extension. It was recognised that the Member Reference Group had undertaken an extensive review of the Kier contract over the last 18 months and had identified areas for improvement.
- The Board considered current market and best value assessments and were given a full briefing on these issues by officers.
- The Board felt there were opportunities and benefits to be gained by extending the Kier Contract. It was essential that issues and areas for improvement identified in the Member Reference Group report were considered before a decision was made.
- Overall the Board were satisfied with Kier's performance during the term of the current contract and felt that Kier had demonstrated value for money and a commitment to the current partnership with Surrey County Council.

**Recommendation:**

That Cabinet approve the extension to the Kier contract until 2021, subject to the conditions outlined in paragraph 20 of the Member Reference Group report.

**David Harmer**

Chairman of the Economic Prosperity, Environment and Highways Board

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**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](http://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.

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#### **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](#)
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## 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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**SURREY COUNTY COUNCIL****CABINET****DATE: 2 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**

The purpose of this report is to present information to enable Cabinet to propose and recommend to the Full County Council:

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);
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

It is recommended that Cabinet makes the following recommendations to the Full County Council on 9 February 2016:

### **Cabinet recommendations to Full County Council to note 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 forward. (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.

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

6. Increases the level of the general council tax by 1.99%.
7. Increases council tax by a further 2% for the adult social care precept.
8. Sets the County Council precept for band D council tax at £1,268.28 which represents a 3.99% up-lift.
9. Agrees to maintain the council tax rate set above after the Final Settlement.
10. Supports the 2016/17 budget by using £17.2m from reserves as set out in paragraph 72.
11. Delegates powers to the Leader and the Director of Finance to finalise budget proposals and recommendations to full County Council updated to take into account new information in the Final Settlement.
12. Requires 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 for the remaining years of this MTFP.
13. Approves 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



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receipts from asset sales.

14. Approves the County Council's £1,694m gross revenue expenditure budget for 2016/17.
15. Agrees the capital programme specifically to:
  - fund essential schemes over the five year period (schools and non-schools) to the value of £633m 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.
16. Requires 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 recommendations to Full County Council on treasury management and borrowing:**

17. Approves, 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 108);
  - 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 108);
  - 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 108);
  - the treasury management policy (Appendix 8);
  - the prudential indicators (Appendix 9);
  - the schedule of delegation (Appendix 11);
  - the minimum revenue provision policy (Appendix 14).

**It is further recommended that Cabinet makes the following decisions:**

18. Notes that services will develop budgets and savings proposed ahead of approval by Cabinet on 22 March 2016 when the final MTFP (2016-21) will be presented.
  19. Approves the draft MTFP for the financial years 2016-21, which includes:
    - to approve the Total Schools Budget of £551.5m (paragraphs 37 to 43);
    - to support the 2016/17 budget by using £17.2m from reserves as set out in paragraph 72;
-

- 
- to approve overall cash limits for individual services.

## REASON FOR RECOMMENDATIONS

Full County Council will meet on 9 February 2016 to agree the summary budget and set the council tax precept for 2016/17. Cabinet will advise the full County Council 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 the set up of 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 detailed 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 Departmental Expenditure Limits (DEL) for Local Government 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			
<b>Adjusted Revenue Support Grant</b>	<b>115.8</b>	<b>67.1</b>	<b>-48.7</b>	<b>-42.1%</b>
Top Up Grant	58.9	59.4	0.5	
Business Rates Baseline	45.6	45.9	0.3	
<b>Baseline Funding Assessment</b>	<b>104.5</b>	<b>105.3</b>	<b>0.8</b>	<b>0.8%</b>
<b>Settlement Funding Assessment</b>	<b>220.3</b>	<b>172.4</b>	<b>-47.9</b>	<b>-21.7%</b>

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

### Revenue grants rolled into Revenue Support Grant

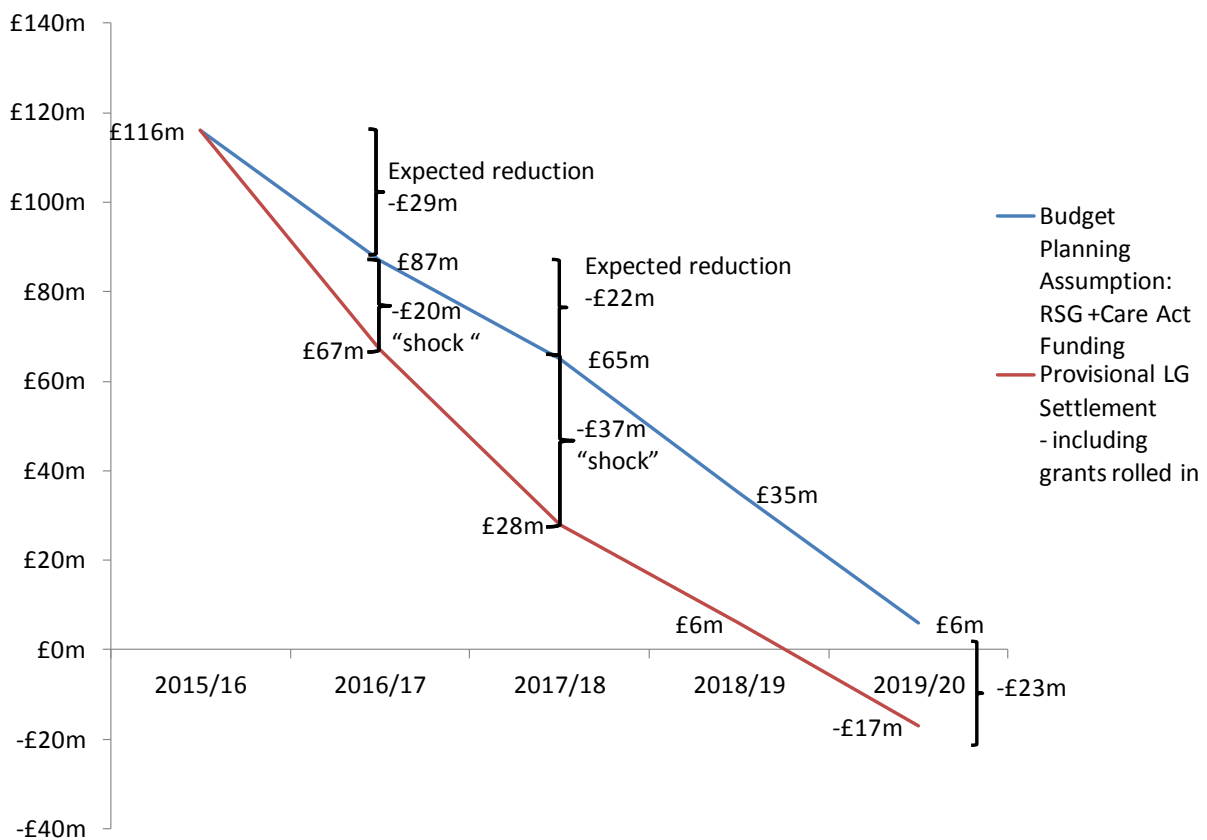
8. DCLG proposes to transfer some Government grants the Council receives in 2015/16 into the Settlement Funding Assessment for 2016/17 through RSG: Care Act Grant £5.8m and Flood Prevention Grant £0.2m. Given that RSG is then substantially reduced (42% in 2016/17) and disappears completely after 2018/19,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

Type of authority	2016/17			2017/18		
	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
Unitaries	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
<b>Core Funding</b>	<b>807.2</b>	<b>774.3</b>	<b>755.8</b>	<b>755.3</b>	<b>757.8</b>
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
<b>Core Spending Power</b>	<b>812.4</b>	<b>792.4</b>	<b>786.7</b>	<b>797.7</b>	<b>816.6</b>

#### 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**

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Revenue Support Grant</b>	<b>115.8</b>	<b>67.1</b>	<b>28.0</b>	<b>4.7</b>	<b>0.0</b>
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
<b>Baseline Funding Assessment</b>	<b>104.5</b>	<b>105.3</b>	<b>107.4</b>	<b>110.6</b>	<b>96.9</b>
<b>Settlement Funding Assessment</b>	<b>220.3</b>	<b>172.4</b>	<b>135.4</b>	<b>115.3</b>	<b>96.9</b>

### 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 assume 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 as 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 as a one-off sum. These changes led to a reappraisal of the Council's estimates of future council tax growth 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**

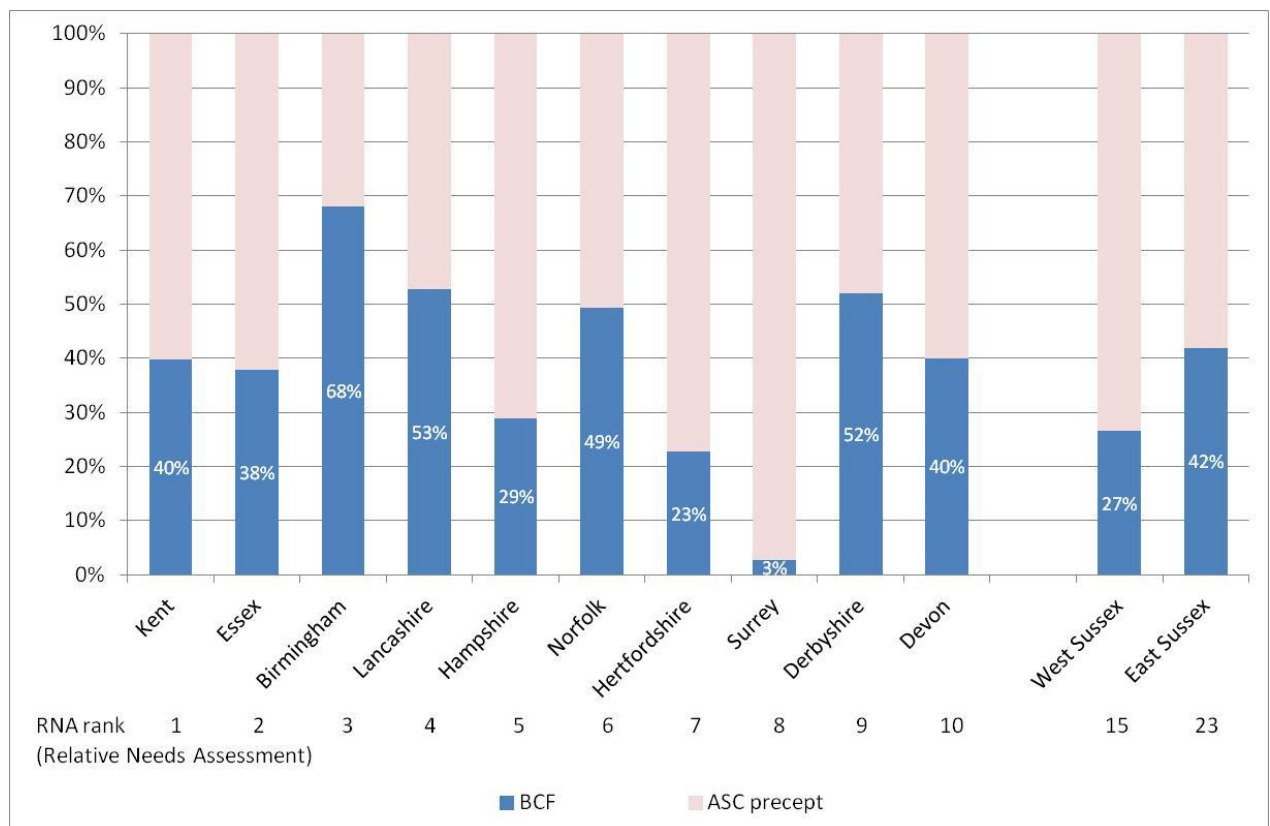
31. The Provisional Settlement included a consultation, running until 10 March 2016, on reforms to the New Homes Bonus, including focusing the incentive on those councils that deliver additional homes and reducing the period for which councils receive the New Homes Bonus.
32. Ahead of the outcome of 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 needs and resources in the form of how much each social care authority could raise from the 2% Adult Social Care precept. Table 4 (following paragraph 14) shows the Council will receive £1.5m in 2019/20. Had the Government used their usual method of distribution of ASC funding, the Council could have expected additional funding of approximately £28m.

36. Only seven out of 152 social care authorities have a higher need ranking 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 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, the Council suffers heavily. Figure 2 shows of the social care authorities with highest ranked relative needs assessment, Surrey County Council receives by far the lowest proportion of BCF through the new funding distribution model.

**Figure 2: Proportion of Better Care Fund allocation for the authorities with highest ranked social care need**



### 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 6 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 6: 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
<b>Total DSG</b>	<b>413.4</b>	<b>122.6</b>	<b>536.0</b>
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
<b>Total Schools Budget</b>	<b>427.3</b>	<b>124.2</b>	<b>551.5</b>

Note:

Total Schools Budget does not include the pupil premium grant, provisionally £16.4m, 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 £457.6m 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. 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 2016/17-2018/19.
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 Cabinet 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. A separate report on this agenda presents this in more detail - Item 8 (Finance and budget monitoring report for December 2015).
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 300 vulnerable adults in 2016/17 as Surrey's population ages;
  - 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 7 shows the key cost, pressure and savings assumptions used to prepare the illustrative budgets.

**Table 7: 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 8 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 8: 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	59.5	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
<b>Gross expenditure</b>	<b>1,669.4</b>	<b>1,680.9</b>	<b>1,684.1</b>	<b>1,695.7</b>	<b>1,702.8</b>	<b>1,710.6</b>

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 and expenditure by service, which shows the budget movements for each year.
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 9 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 9: Summary of gross funding and expenditure (assuming transitional relief)**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m	£m
<b>Funding:</b>						
Business Rates	-44.1	-45.5	-48.3	-49.4	-50.5	-50.5
Council tax	-598.0	-615.4	-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
<b>Total funding</b>	<b>-1,665.7</b>	<b>-1,663.8</b>	<b>-1,678.0</b>	<b>-1,650.9</b>	<b>-1,664.8</b>	<b>-1,686.0</b>
<b>Expenditure:</b>						
Expenditure	1,669.4	1,680.9	1,684.2	1,695.7	1,702.8	1,710.6
<b>Funding shortfall</b>	<b>3.7</b>	<b>17.2</b>	<b>6.2</b>	<b>44.8</b>	<b>37.9</b>	<b>24.7</b>

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 2010. PVR was the start of a long term process over the last five 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. These are explained in another report on this agenda, Item 8 (Finance and budget monitoring report for December 2015).
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 10 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 10: Summary capital expenditure programme**

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m	£m	£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
<b>Total</b>	<b>175</b>	<b>168</b>	<b>126</b>	<b>93</b>	<b>73</b>	<b>635</b>

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

**Table 11: Government capital grants 2016/17**

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

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

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

#### Borrowing

92. 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.
93. Table 12 summarises the Council's estimated capital funding for the period 2016-21.

**Table 12: Capital funding 2016/17 to 2020/21**

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Summary capital funding</b>						
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
<b>Total</b>	<b>175</b>	<b>168</b>	<b>126</b>	<b>93</b>	<b>73</b>	<b>635</b>

## Capital receipts

94. 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.
95. 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

96. 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

97. 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.
98. 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.
99. 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

reason for this is the carry forward of £8m of previous year expenditure; the use of £4m of reserves to support the 2015/16 budget, and a further £3m supporting the capital programme.

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

102. 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.
103. 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.
104. 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.
105. 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.
106. 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.
107. 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.

108. 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:**

109. 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.

110. The Council conducted a robust and statistically sound public engagement campaign in November and December 2012 to understand residents' service priorities and views on spending. The summary headlines were as follows:

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

#### **RISK MANAGEMENT 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 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;

117. 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 as soon as is manageable.

### **LEGAL IMPLICATIONS – MONITORING OFFICER**

118. 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.
119. 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

120. 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.”
121. 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.
122. 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.
123. 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.
124. 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.
125. 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

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

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

## WHAT HAPPENS NEXT

127. The Full County Council will set its budget and council tax precept on 9 February 2016.

128. The detailed budget will be presented to the Cabinet on 22 March 2016.

### Contact Officer

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

### Consulted

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

### Annexes

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

### Appendices:

Appendix 1 Surrey County Council: 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.
- 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 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**

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Projected	← -----	-----	Estimated	-----	→
External debt	£m	£m	£m	£m	£m	£m	£m
<b>Capital Finance Requirement at 31 March</b>	<b>781.6</b>	<b>870.9</b>	<b>916.4</b>	<b>950.3</b>	<b>943.9</b>	<b>903.2</b>	<b>857.8</b>
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
<b>Under/(over) borrowing</b>	<b>250.1</b>	<b>293.6</b>	<b>293.4</b>	<b>293.2</b>	<b>293.3</b>	<b>257.7</b>	<b>219.7</b>

- 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**

	Bank rate %	PWLB borrowing rates (including certainty rate adjustment)		
		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 borrowing 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%	
<b>Maturity structure of external borrowing</b>	<b>Lower</b>	<b>Upper</b>	<b>£m</b>	
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%
<b>Total external borrowing</b>			<b>397</b>	<b>100%</b>

## 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 collateralised)
- 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**

	<b>Cash limit</b>
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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## PURPOSE

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

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## 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 Responsibility (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

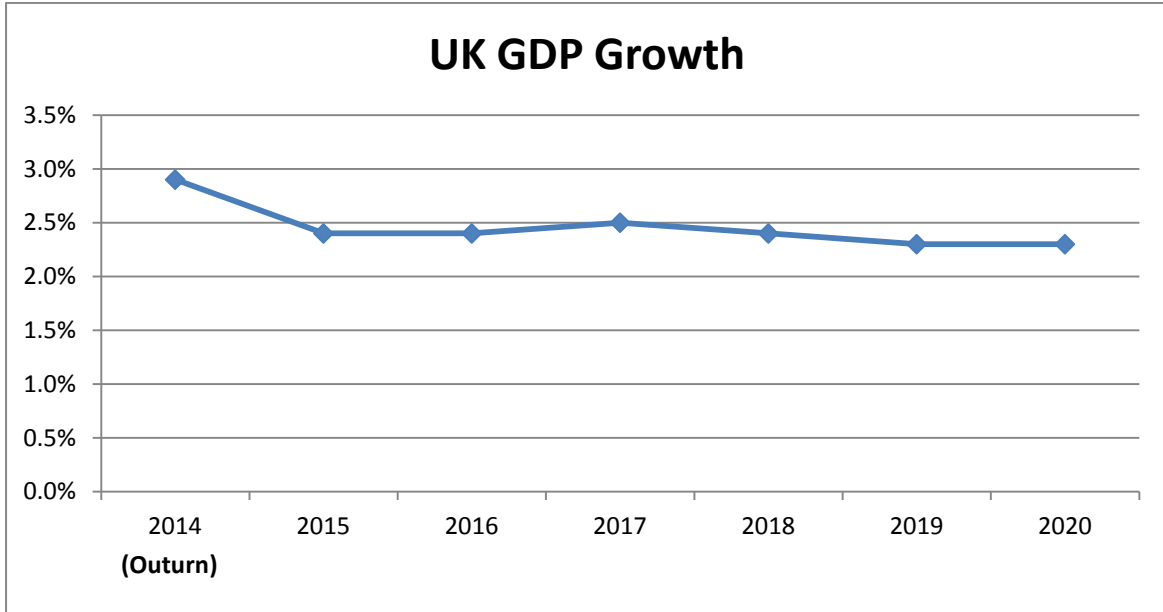
	←----- Percentage of GDP -----→						
	Outturn 2014/15	←----- Forecast -----→					
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	
Cyclically adjusted surplus on current budget	2.4	1.6	0.5	-0.5	-1.2	-1.9	-2.4
Public Sector Net Borrowing <sup>1</sup>	5.2	3.9	2.5	1.2	0.2	-0.5	-0.6
Public Sector Net Debt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

<sup>1</sup> 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.

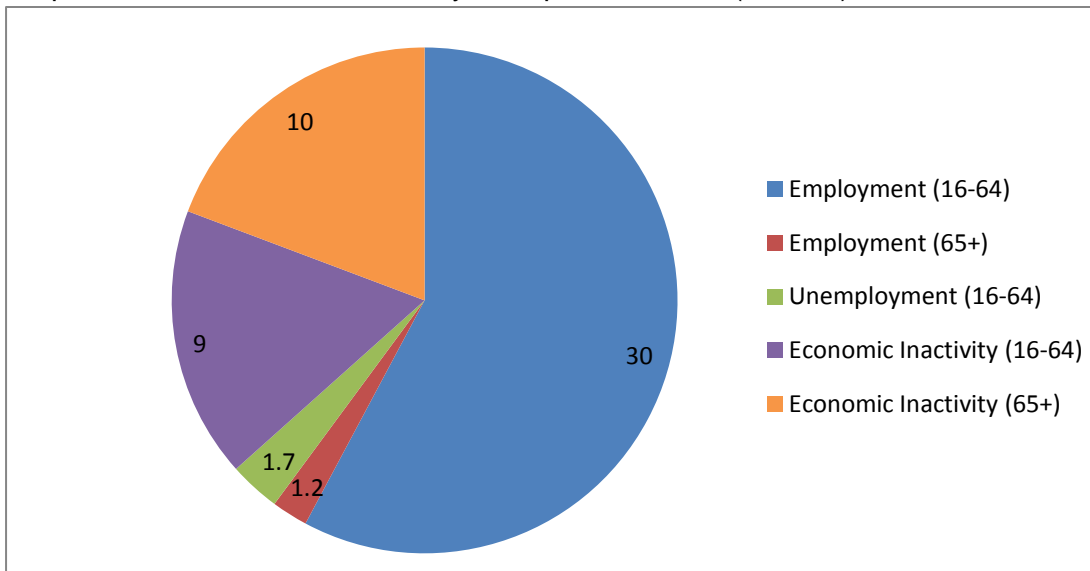
Graph A2:1 UK GDP growth:



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.

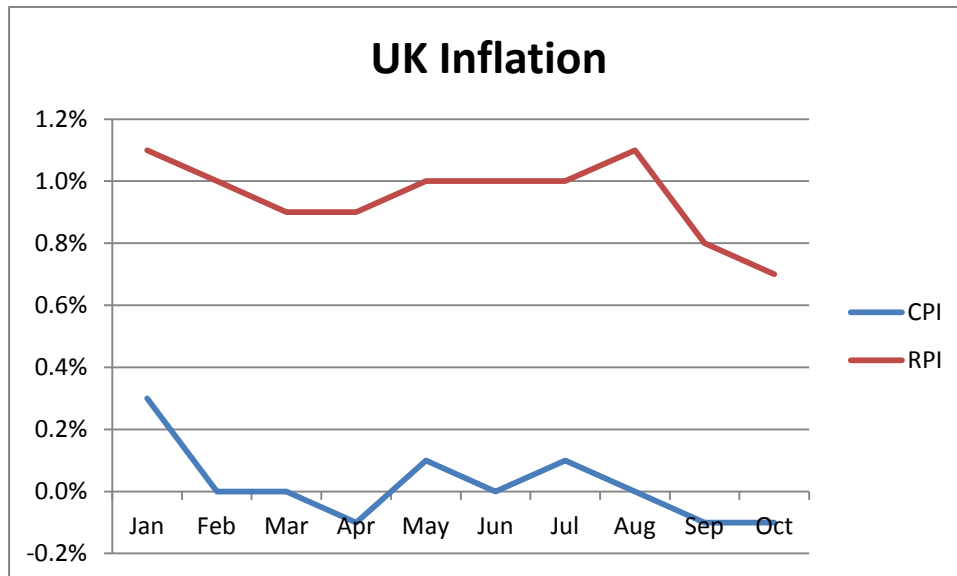
Graph A2:2: UK Labour Market July to September 2015 (millions)



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

2016/17 Government Grants	2015/16 Budget £000s	2016/17 Planning Assumption £000s	2016/17 Budgeted Grant Reduction £000s	2016/17 Budgeted Grant Reduction %	2016/17 Confirmed Grant £000s	2016/17 Budget £000's	2016/17 Anticipated Grant Reduction £000s	2016/17 Anticipated Grant Reduction %
<b>General (Non Targeted) Grants</b>								
Revenue Support Grant	-109,800	-88,000	-21,800	20%	-67,078	-67,078	42,722	-39%
Business Rates Top Up Grant	-58,915	-59,622	707	-1%	-59,406	-59,406	-491	1%
Transitional Relief	0	0	0	0%	0	-20,000	-20,000	0%
<b>General (Non Targeted) Grants Total</b>	<b>-168,715</b>	<b>-147,622</b>	<b>-21,093</b>		<b>-126,484</b>	<b>-146,484</b>	<b>22,231</b>	
<b>Specific Grants</b>								
S31 Grant Business Rates 2% Cap to 2015/16	-1,523	-1,523	0	0%	0	-1,523	0	0%
S31 Grant Business Rates Relief	-1,546	-1,546	0	0%	0	-1,546	0	0%
Care Act Grant	-9,387	-9,387	0	0%	-2,563	-2,563	6,824	-73%
Care Act-Social Care in Prisons	-421	-421	0	0%	-421	-421	0	0%
Independent Living Fund Grant	-1,345	-1,791	446	-33%	0	-1,791	-446	33%
New Homes Bonus	-5,194	-6,155	961	-19%	-5,981	-5,981	-787	15%
Private Finance Initiative Grant	-11,044	-16,949	5,905	-53%	0	-11,044	0	0%
Dedicated Schools Grant	-544,688	-544,944	256	0%	-533,097	-533,097	11,591	-2%
ACL, Skills Funding Agency	-2,407	-1,929	-478	20%	0	-2,287	120	-5%
Area of ONB grant	-103	-82	-21	20%	0	-103	0	0%
Asylum Seekers	-2,300	-2,300	0	0%	-3,300	-3,300	-1,000	43%
Better Care Fund (Care Act)	-25,000	-25,000	0	0%	-25,000	-25,000	0	0%
Bikeability	-233	-186	-47	20%	0	-221	12	-5%
Bus operators' grant	-1,126	-902	-224	20%	0	-1,069	57	-5%
Counter Fraud Fund	-360	0	-360	100%	0	0	360	-100%
16-19 Funding, Education Funding Agency	-14,700	-14,700	0	0%	0	-13,891	809	-6%
Education Services Grant	-11,110	-4,210	-6,900	62%	-9,319	-9,319	1,791	-16%
Extended Rights to free travel	-135	-108	-27	20%	0	-128	7	-5%
Sustainable Travel Grant	-64	-52	-12	19%	0	-61	3	-5%
Fire Pensions	-8,305	-9,396	1,091	-13%	-9,396	-9,396	-1,091	13%
Fire Revenue Grant	-403	-322	-81	20%	0	-382	21	-5%

# Analysis of Provisional Government Grants 2016/17

2016/17 Government Grants	2015/16	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17
	Budget	Planning	Budgeted	Budgeted	Confirmed	Budget	Anticipated	Anticipated
	£000s	Assumption	Grant	Grant	Grant	£000's	Grant	Grant
		£000s	Reduction	Reduction			Reduction	Reduction
			£000s	%	£000s		£000s	%
Fire Transformation-Emergency Care Respons	-262	0	-262	100%	0	0	262	-100%
Fire Transformation-Joint Transport	-756	0	-756	100%	0	0	756	-100%
Flood Water Management	-250	-200	-50	20%	0	0	250	-100%
Local Reform and Community Voices DH	-458	-431	-27	6%	0	-435	23	-5%
Local Sustainable Transport Fund-Sci Tech	-1,684	0	-1,684	100%	0	0	1,684	-100%
LSTF - Encouraging town centres/high streets	-230	0	-230	100%	0	0	230	-100%
Mental Health Deprivation of Liberty	-80	-80	0	0%	0	-80	0	0%
Music Grant, Surrey Arts	-1,073	-860	-213	20%	0	-1,007	66	-6%
PE and Sport Premium	-2,396	-2,396	0	0%	0	-2,334	62	-3%
Police and Crime Panel	-64	-51	-13	20%	0	-61	3	-5%
Public Health Grant inc 0 to 5	-35,505	-42,032	6,527	-18%	0	-38,472	-2,967	8%
Pupil Premium	-18,382	-18,382	0	0%	0	-17,572	810	-4%
Registration service	-18	-14	-4	22%	0	-17	1	-6%
Remand	-32	-26	-6	19%	0	-32	0	0%
SEND implementation	-638	0	-638	100%	0	0	638	-100%
Transformation Challenge-Mental Health	-1,017	-508	-509	50%	0	-500	517	-51%
Staying Put	-276	-221	-55	20%	0	-276	0	0%
Woodland Officer	-5	-5	0	0%	0	-5	0	0%
Sustainable Development Fund	-30	-23	-7	23%	0	-30	0	0%
SE Protected Landscape Grants	-36	-29	-7	19%	0	-36	0	0%
Troubled Families	-350	-350	0	0%	0	-972	-622	178%
Universal infant free meals grant	-11,560	-11,560	0	0%	0	-11,470	90	-1%
Youth Justice Board	-797	-639	-158	20%	0	-656	141	-18%
<b>Specific Grants (Total)</b>	<b>-717,293</b>	<b>-719,710</b>	<b>2,417</b>		<b>-589,077</b>	<b>-697,078</b>	<b>20,215</b>	
<b>Grants Total</b>	<b>-886,008</b>	<b>-867,332</b>	<b>-18,676</b>		<b>-715,561</b>	<b>-843,562</b>	<b>42,446</b>	







**Overall**

Chief Executive: David McNulty

**Draft Income & Expenditure revenue budget**

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Funding:</b>						
Business Rates	(44,100)	(45,468)	(48,300)	(49,389)	(50,503)	(50,503)
Council tax	(598,000)	(615,381)	(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 <sup>1</sup>	(141,091)	(147,348)	(149,373)	(150,625)	(152,597)	(155,219)
<b>Total funding</b>	<b>(1,665,732)</b>	<b>(1,663,770)</b>	<b>(1,677,993)</b>	<b>(1,650,892)</b>	<b>(1,664,823)</b>	<b>(1,685,963)</b>
<b>Expenditure:</b>						
Expenditure	1,669,432	1,680,939	1,684,138	1,695,657	1,702,758	1,710,616
<b>Total expenditure</b>	<b>1,669,432</b>	<b>1,680,939</b>	<b>1,684,138</b>	<b>1,695,657</b>	<b>1,702,758</b>	<b>1,710,616</b>
<b>Net budget <sup>2</sup></b>	<b>3,700</b>	<b>17,169</b>	<b>6,145</b>	<b>44,765</b>	<b>37,935</b>	<b>24,653</b>

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
<u>Funding:</u>						
UK Government grants	(1,097)	(580)	(80)	(80)	(80)	(80)
Other income <sup>1</sup>	(55,695)	(60,351)	(61,403)	(61,574)	(62,465)	(63,998)
<b>Total funding</b>	<b>(56,792)</b>	<b>(60,931)</b>	<b>(61,483)</b>	<b>(61,654)</b>	<b>(62,545)</b>	<b>(64,079)</b>
<u>Expenditure:</u>						
Expenditure	428,592	429,541	422,262	426,616	427,210	429,613
<b>Total expenditure</b>	<b>428,592</b>	<b>429,541</b>	<b>422,262</b>	<b>426,616</b>	<b>427,210</b>	<b>429,613</b>
<b>Net budget<sup>2</sup></b>	<b>371,800</b>	<b>368,609</b>	<b>360,779</b>	<b>364,962</b>	<b>364,665</b>	<b>365,534</b>

## 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
<u>Funding:</u>						
Business Rates	(44,100)	(45,468)	(48,300)	(49,389)	(50,503)	(50,503)
Council tax	(598,000)	(615,381)	(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 - Tra	0	(20,000)	(37,000)	0	0	0
Business Rates Retention scl	(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 <sup>1</sup>						
<b>Total funding</b>	<b>(879,348)</b>	<b>(882,143)</b>	<b>(894,549)</b>	<b>(863,978)</b>	<b>(877,979)</b>	<b>(897,410)</b>
<u>Expenditure:</u>						
Expenditure	60,595	59,480	68,678	75,788	80,796	83,362
<b>Total expenditure</b>	<b>60,595</b>	<b>59,480</b>	<b>68,678</b>	<b>75,788</b>	<b>80,796</b>	<b>83,362</b>
<b>Net budget<sup>2</sup></b>	<b>(818,753)</b>	<b>(822,663)</b>	<b>(825,871)</b>	<b>(788,190)</b>	<b>(797,183)</b>	<b>(814,048)</b>

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
<u>Funding:</u>						
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 <sup>1</sup>	(40,464)	(40,922)	(41,135)	(41,366)	(41,598)	(41,829)
<b>Total funding</b>	<b>(164,451)</b>	<b>(166,276)</b>	<b>(166,458)</b>	<b>(166,658)</b>	<b>(166,864)</b>	<b>(166,097)</b>
<u>Expenditure:</u>						
Expenditure	342,862	363,934	359,292	357,522	355,308	352,721
<b>Total expenditure</b>	<b>342,862</b>	<b>363,934</b>	<b>359,292</b>	<b>357,522</b>	<b>355,308</b>	<b>352,721</b>
<b>Net budget <sup>2</sup></b>	<b>178,411</b>	<b>197,658</b>	<b>192,834</b>	<b>190,864</b>	<b>188,444</b>	<b>186,624</b>

## 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
<u>Funding:</u>						
UK Government grants	0	0	0	0	0	0
Other income <sup>1</sup>	(15)	(25)	(26)	(26)	(27)	(28)
<b>Total funding</b>	<b>(15)</b>	<b>(25)</b>	<b>(26)</b>	<b>(26)</b>	<b>(27)</b>	<b>(28)</b>
<u>Expenditure:</u>						
Expenditure	2,021	2,022	1,968	1,918	1,925	1,931
<b>Total expenditure</b>	<b>2,021</b>	<b>2,022</b>	<b>1,968</b>	<b>1,918</b>	<b>1,925</b>	<b>1,931</b>
<b>Net budget <sup>2</sup></b>	<b>2,006</b>	<b>1,997</b>	<b>1,942</b>	<b>1,892</b>	<b>1,898</b>	<b>1,903</b>

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

## 7 Community Partnership & Safety

Head of Service : Jane Last

## Draft Income &amp; Expenditure revenue budget

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

## Coroner

Head of Service: Richard Travers

## Draft Income &amp; Expenditure revenue budget

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

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
<u>Funding:</u>						
UK Government grants	(3,498)	(3,311)	(3,185)	(3,157)	(3,049)	(3,049)
Other income <sup>1</sup>	(9,410)	(9,441)	(9,589)	(9,739)	(9,893)	(10,043)
<b>Total funding</b>	<b>(12,908)</b>	<b>(12,752)</b>	<b>(12,774)</b>	<b>(12,896)</b>	<b>(12,942)</b>	<b>(13,092)</b>
<u>Expenditure:</u>						
Expenditure	22,905	22,308	22,105	22,083	22,159	22,341
<b>Total expenditure</b>	<b>22,905</b>	<b>22,308</b>	<b>22,105</b>	<b>22,083</b>	<b>22,159</b>	<b>22,341</b>
<b>Net budget <sup>2</sup></b>	<b>9,997</b>	<b>9,556</b>	<b>9,331</b>	<b>9,187</b>	<b>9,217</b>	<b>9,249</b>

## 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
<u>Funding:</u>						
UK Government grants	0	0	0	0	0	0
Other income <sup>1</sup>	(133)	(134)	(135)	(137)	(138)	(139)
<b>Total funding</b>	<b>(133)</b>	<b>(134)</b>	<b>(135)</b>	<b>(137)</b>	<b>(138)</b>	<b>(139)</b>
<u>Expenditure:</u>						
Expenditure	1,120	1,053	1,054	1,057	1,057	1,059
<b>Total expenditure</b>	<b>1,120</b>	<b>1,053</b>	<b>1,054</b>	<b>1,057</b>	<b>1,057</b>	<b>1,059</b>
<b>Net budget <sup>2</sup></b>	<b>987</b>	<b>919</b>	<b>919</b>	<b>920</b>	<b>919</b>	<b>920</b>

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
<u>Funding:</u>						
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 <sup>1</sup>	0	0	0	0	0	0
<b>Total funding</b>	<b>(469,038)</b>	<b>(454,762)</b>	<b>(457,481)</b>	<b>(457,481)</b>	<b>(457,481)</b>	<b>(457,481)</b>
<u>Expenditure:</u>						
School expenditure	469,038	454,762	457,481	457,481	457,481	457,481
<b>Total expenditure</b>	<b>469,038</b>	<b>454,762</b>	<b>457,481</b>	<b>457,481</b>	<b>457,481</b>	<b>457,481</b>
<b>Net budget <sup>2</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 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
<u>Funding:</u>						
UK Government grants	0	0	0	0	0	0
Other income <sup>1</sup>	(22)	(42)	(63)	(84)	(106)	(128)
<b>Total funding</b>	<b>(22)</b>	<b>(42)</b>	<b>(63)</b>	<b>(84)</b>	<b>(106)</b>	<b>(128)</b>
<u>Expenditure:</u>						
Expenditure	575	544	553	562	571	581
<b>Total expenditure</b>	<b>575</b>	<b>544</b>	<b>553</b>	<b>562</b>	<b>571</b>	<b>581</b>
<b>Net budget <sup>2</sup></b>	<b>553</b>	<b>502</b>	<b>490</b>	<b>478</b>	<b>465</b>	<b>453</b>

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

<sup>2</sup> 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
<u>Funding:</u>						
UK Government grants	(3,510)	(1,525)	(1,515)	(1,514)	(1,506)	(1,498)
Other income <sup>1</sup>	(5,002)	(5,117)	(5,236)	(5,358)	(5,483)	(5,612)
<b>Total funding</b>	<b>(8,512)</b>	<b>(6,642)</b>	<b>(6,751)</b>	<b>(6,872)</b>	<b>(6,989)</b>	<b>(7,110)</b>
<u>Expenditure:</u>						
Expenditure	88,176	86,363	87,708	90,614	95,136	97,197
<b>Total expenditure</b>	<b>88,176</b>	<b>86,363</b>	<b>87,708</b>	<b>90,614</b>	<b>95,136</b>	<b>97,197</b>
<b>Net budget <sup>2</sup></b>	<b>79,664</b>	<b>79,721</b>	<b>80,957</b>	<b>83,742</b>	<b>88,147</b>	<b>90,087</b>

## 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
<u>Funding:</u>						
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 <sup>1</sup>	(1,015)	(1,189)	(1,184)	(1,182)	(1,195)	(1,206)
<b>Total funding</b>	<b>(13,062)</b>	<b>(13,571)</b>	<b>(12,334)</b>	<b>(15,662)</b>	<b>(14,837)</b>	<b>(14,981)</b>
<u>Expenditure:</u>						
Expenditure	47,945	46,782	45,466	47,616	46,011	46,049
<b>Total expenditure</b>	<b>47,945</b>	<b>46,782</b>	<b>45,466</b>	<b>47,616</b>	<b>46,011</b>	<b>46,049</b>
<b>Net budget <sup>2</sup></b>	<b>34,883</b>	<b>33,211</b>	<b>33,132</b>	<b>31,954</b>	<b>31,174</b>	<b>31,068</b>

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
<u>Funding:</u>						
UK Government grants	(250)	0	0	0	0	0
Other income <sup>1</sup>	(7,241)	(7,495)	(7,679)	(7,866)	(8,017)	(8,171)
<b>Total funding</b>	<b>(7,491)</b>	<b>(7,495)</b>	<b>(7,679)</b>	<b>(7,866)</b>	<b>(8,017)</b>	<b>(8,171)</b>
<u>Expenditure:</u>						
Expenditure	51,874	51,870	53,406	54,151	54,953	55,810
<b>Total expenditure</b>	<b>51,874</b>	<b>51,870</b>	<b>53,406</b>	<b>54,151</b>	<b>54,953</b>	<b>55,810</b>
<b>Net budget <sup>2</sup></b>	<b>44,383</b>	<b>44,375</b>	<b>45,727</b>	<b>46,285</b>	<b>46,936</b>	<b>47,639</b>

## Legal and Democratic Services

Director of Legal &amp; 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
<u>Funding:</u>						
UK Government grants	(64)	(61)	(59)	(58)	(57)	(56)
Other income <sup>1</sup>	(479)	(488)	(498)	(508)	(518)	(528)
<b>Total funding</b>	<b>(543)</b>	<b>(549)</b>	<b>(557)</b>	<b>(566)</b>	<b>(575)</b>	<b>(584)</b>
<u>Expenditure:</u>						
Expenditure	8,908	8,964	10,325	9,019	9,046	9,073
<b>Total expenditure</b>	<b>8,908</b>	<b>8,964</b>	<b>10,325</b>	<b>9,019</b>	<b>9,046</b>	<b>9,073</b>
<b>Net budget <sup>2</sup></b>	<b>8,365</b>	<b>8,415</b>	<b>9,768</b>	<b>8,453</b>	<b>8,471</b>	<b>8,489</b>

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
<u>Funding:</u>						
UK Government grants	0	0	0	0	0	0
Other income <sup>1</sup>	(17,258)	(17,392)	(17,605)	(17,907)	(18,237)	(18,572)
<b>Total funding</b>	<b>(17,258)</b>	<b>(17,392)</b>	<b>(17,605)</b>	<b>(17,907)</b>	<b>(18,237)</b>	<b>(18,572)</b>
<u>Expenditure:</u>						
Expenditure	98,244	101,423	102,920	101,278	102,123	104,361
<b>Total expenditure</b>	<b>98,244</b>	<b>101,423</b>	<b>102,920</b>	<b>101,278</b>	<b>102,123</b>	<b>104,361</b>
<b>Net budget <sup>2</sup></b>	<b>80,986</b>	<b>84,031</b>	<b>85,315</b>	<b>83,371</b>	<b>83,886</b>	<b>85,789</b>

## 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
<u>Funding:</u>						
UK Government grants	(33,305)	(38,472)	(37,489)	(36,466)	(35,443)	(35,443)
Other income <sup>1</sup>	0	0	0	0	0	0
<b>Total funding</b>	<b>(33,305)</b>	<b>(38,472)</b>	<b>(37,489)</b>	<b>(36,466)</b>	<b>(35,443)</b>	<b>(35,443)</b>
<u>Expenditure:</u>						
Expenditure	33,629	38,796	37,813	36,790	35,767	35,767
<b>Total expenditure</b>	<b>33,629</b>	<b>38,796</b>	<b>37,813</b>	<b>36,790</b>	<b>35,767</b>	<b>35,767</b>
<b>Net budget <sup>2</sup></b>	<b>324</b>	<b>324</b>	<b>324</b>	<b>324</b>	<b>324</b>	<b>324</b>

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
<u>Funding:</u>						
UK Government grants	0	0	0	0	0	0
Other income <sup>1</sup>	0	0	0	0	0	0
<b>Total funding</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<u>Expenditure:</u>						
Expenditure	446	1,009	1,025	1,041	1,058	1,075
<b>Total expenditure</b>	<b>446</b>	<b>1,009</b>	<b>1,025</b>	<b>1,041</b>	<b>1,058</b>	<b>1,075</b>
<b>Net budget <sup>2</sup></b>	<b>446</b>	<b>1,009</b>	<b>1,025</b>	<b>1,041</b>	<b>1,058</b>	<b>1,075</b>

## 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
<u>Funding:</u>						
UK Government grants	(818)	(435)	(419)	(417)	(405)	(393)
Other income <sup>1</sup>	(282)	(317)	(322)	(328)	(333)	(338)
<b>Total funding</b>	<b>(1,100)</b>	<b>(752)</b>	<b>(741)</b>	<b>(745)</b>	<b>(738)</b>	<b>(731)</b>
<u>Expenditure:</u>						
Expenditure	4,618	3,643	3,622	3,617	3,601	3,586
<b>Total expenditure</b>	<b>4,618</b>	<b>3,643</b>	<b>3,622</b>	<b>3,617</b>	<b>3,601</b>	<b>3,586</b>
<b>Net budget <sup>2</sup></b>	<b>3,518</b>	<b>2,891</b>	<b>2,881</b>	<b>2,872</b>	<b>2,863</b>	<b>2,855</b>

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

<sup>2</sup> 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
<u>Funding:</u>						
UK Government grants	0	0	0	0	0	0
Other income <sup>1</sup>	(1,594)	(1,669)	(1,705)	(1,728)	(1,739)	(1,749)
<b>Total funding</b>	<b>(1,594)</b>	<b>(1,669)</b>	<b>(1,705)</b>	<b>(1,728)</b>	<b>(1,739)</b>	<b>(1,749)</b>
<u>Expenditure:</u>						
Expenditure	3,657	3,675	3,657	3,661	3,677	3,691
<b>Total expenditure</b>	<b>3,657</b>	<b>3,675</b>	<b>3,657</b>	<b>3,661</b>	<b>3,677</b>	<b>3,691</b>
<b>Net budget <sup>2</sup></b>	<b>2,063</b>	<b>2,006</b>	<b>1,952</b>	<b>1,933</b>	<b>1,938</b>	<b>1,942</b>

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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## Capital Programme 2016 to 2021

Scheme	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
<b>Adult Social care</b>						
Major Adaptations	800	800	800	800	800	<b>4,000</b>
In-house capital improvement schemes	250	250	250	250	250	<b>1,250</b>
User led organisational hubs	100	0	0	0	0	<b>100</b>
<b>Adult Social care</b>	<b>1,150</b>	<b>1,050</b>	<b>1,050</b>	<b>1,050</b>	<b>1,050</b>	<b>5,350</b>
<b>Children, Schools &amp; Families</b>						
Schools devolved formula capital	2,612	2,612	2,612	2,612	2,612	<b>13,060</b>
Foster carer grants	300	300	300	300	300	<b>1,500</b>
Adaptations for children with disabilities	299	299	299	299	299	<b>1,495</b>
<b>Children, Schools &amp; Families</b>	<b>3,211</b>	<b>3,211</b>	<b>3,211</b>	<b>3,211</b>	<b>3,211</b>	<b>16,055</b>
<b>Community Partnership &amp; Safety: Local Committee Allocations</b>	0	385	385	385	385	<b>1,540</b>
<b>Surrey Fire &amp; Rescue Service</b>						
Fire-Vehicle & Equipment Replacement	1,836	1,986	2,141	1,526	1,163	<b>8,652</b>
<b>Surrey Fire &amp; Rescue Service</b>	<b>1,836</b>	<b>1,986</b>	<b>2,141</b>	<b>1,526</b>	<b>1,163</b>	<b>8,652</b>
<b>Highways &amp; Transport</b>						
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
<b>Highways &amp; Transport</b>	<b>33,649</b>	<b>33,166</b>	<b>31,339</b>	<b>30,256</b>	<b>30,256</b>	<b>158,666</b>
<b>Environment &amp; Planning</b>						
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
<b>Environment &amp; Planning</b>	<b>5,761</b>	<b>5,739</b>	<b>5,864</b>	<b>5,764</b>	<b>5,764</b>	<b>28,892</b>

## Capital Programme 2016 to 2021

Scheme	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
<b>Business Services</b>						
<u>Recurring programmes:</u>						
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
<b>Recurring programmes</b>	<b>22,432</b>	<b>21,889</b>	<b>21,886</b>	<b>21,794</b>	<b>21,391</b>	<b>110,582</b>
<u>Projects:</u>						
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 reprovion 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
<b>Projects</b>	<b>26,052</b>	<b>26,029</b>	<b>12,982</b>	<b>9,741</b>	<b>0</b>	<b>74,804</b>
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
<b>Information Management &amp; Technology</b>	<b>4,716</b>	<b>3,932</b>	<b>3,176</b>	<b>5,081</b>	<b>4,398</b>	<b>21,303</b>
<b>Business Services</b>	<b>52,900</b>	<b>51,850</b>	<b>38,044</b>	<b>36,616</b>	<b>25,789</b>	<b>205,199</b>
<b>Schools Basic Need</b>	<b>75,574</b>	<b>70,410</b>	<b>42,968</b>	<b>13,975</b>	<b>4,968</b>	<b>207,895</b>
Legal & Democratic services: Community Buildings Grant scheme	150	150	150	150	150	750
<b>Chief Executive's Office</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>750</b>
<b>Total Capital Programme</b>	<b>174,532</b>	<b>168,247</b>	<b>125,452</b>	<b>93,233</b>	<b>73,036</b>	<b>634,500</b>

## **Reserves & balances policy statement**

### **Introduction**

A.6.1. This paper sets out the council's policies underpinning the maintenance of a level of general balances and earmarked reserves within the council's accounts.

### **Statutory position**

A.6.2. A local authority is not permitted to allow its spending to exceed its available resources so that overall it would be in deficit. Sections 32 and 43 of the Local Government Finance Act 1992 require authorities to have regard to the level of balances and reserves needed for meeting estimated future expenditure when calculating the budget requirement.

A.6.3. Balances and reserves can be held for three main purposes:

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

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

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

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

A.6.6. Although there is no generally recognised official guidance on the level of general balances to be maintained, the key factor is that the level should be justifiable in the context of local circumstances, and council taxpayers' money should not be tied up unnecessarily. The council's external auditor comments on the level of balances and reserves as part of the annual audit of the council's financial position.

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

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

A.6.8. In recent years it has been considered prudent to maintain a minimum level of available general balances of between 2.0% to 2.5% of the sum of council tax plus settlement funding, i.e. between £16m to £20m. This is normally sufficient to cover unforeseen circumstances and the risk of higher than expected inflation. The council brought forward £21.3 m general balances at 1 April 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 in 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
<b>Earmarked Reserves</b>	<b>109.5</b>	<b>104.1</b>	<b>92.0</b>	<b>-17.2</b>	<b>74.8</b>
<b>General Fund Balance</b>	<b>21.3</b>	<b>21.3</b>	<b>21.3</b>	<b>0.0</b>	<b>21.3</b>

### Purpose of earmarked reserves

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

**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

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**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 Actual £m	2015/16 Projected £m	2016/17 ← ----- £m	2017/18 £m	2018/19 ----- Estimated ----- £m	2019/20 ----- £m	2020/21 ----- £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
<b>Net financing need for the year*</b>	<b>101.3</b>	<b>69.2</b>	<b>45.7</b>	<b>65.0</b>	<b>45.6</b>	<b>14.1</b>	<b>12.0</b>

\*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
<b>Total CFR Movement</b>	<b>99.9</b>	<b>89.3</b>	<b>45.5</b>	<b>33.9</b>	<b>-6.4</b>	<b>-40.7</b>	<b>-45.4</b>

\*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
<b>CFR</b>	<b>781.6</b>	<b>870.9</b>	<b>916.4</b>	<b>950.3</b>	<b>943.9</b>	<b>903.2</b>	<b>857.8</b>

### 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 Actual £m	2015/16 Projected £m	2016/17 ← ----- £m	2017/18 Estimated ----- £m	2018/19 £m	2019/20 £m	2020/21 -----> £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
<b>Total</b>	<b>520.7</b>	<b>608.9</b>	<b>676.9</b>	<b>688.3</b>	<b>676.0</b>	<b>668.0</b>	<b>650.1</b>
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 Actual £m	2015/16 Projected £m	2016/17 ← ----- £m	2017/18 Estimated ----- £m	2018/19 £m	2019/20 £m	2020/21 -----> £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
<b>Total</b>	<b>690.1</b>	<b>882.9</b>	<b>928.1</b>	<b>962.0</b>	<b>955.6</b>	<b>914.9</b>	<b>869.6</b>
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 Projected	2016/17 ← ----- £m	2017/18 Estimated ----- £m	2018/19 £m	2019/20 £m	2020/21 -----> £m
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.<sup>1</sup>

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.

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



## Global economic outlook and the UK economy

### The UK

- 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		Maximum Value	Maximum Term
	Short Term	Long Term	Short Term	Long Term	Short Term	Long 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.

**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 2 FEBRUARY 2016**

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

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

**SUBJECT: FINANCE AND BUDGET MONITORING REPORT FOR DECEMBER 2015**



#### **SUMMARY OF ISSUE:**

The council takes a multiyear approach to its budget planning and monitoring, recognising the two are inextricably linked. This report presents the council's financial position as at 31 December 2015 (month nine).

The annex to this report gives details of the council's financial position.

#### **RECOMMENDATIONS:**

Cabinet is asked to note:

1. the council forecasts a -£5.0m overall revenue budget underspend at year end, which includes use of -£6.9m central government grant plus temporary use of -£0.8m unplanned underspend against Deprivation of Liberty Safeguards budget to offset pressures in Adult Social Care (Annex, paragraph 1);
2. services forecast to achieve £64.4m efficiencies and service reductions by year end (Annex, paragraph 31);
3. total forecast capital expenditure for 2015/16, including long term investments, is £225.5m (Annex, paragraph 39);
4. the quarter end positions for: balance sheet, earmarked reserves, debt and treasury management (Annex 1, paragraphs App 7 to 20);
5. services' management actions to mitigate overspends (throughout this report).

#### **REASON FOR RECOMMENDATIONS:**

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

#### **DETAILS:**

##### **Revenue budget overview**

6. Surrey County Council set its gross expenditure budget for the 2015/16 financial year at £1,671m. A key objective of MTFP 2015-20 is to increase the

council's overall financial resilience. As part of this, the council plans to make efficiencies totalling £67.4m.

7. The council aims to smooth resource fluctuations over its five year medium term planning period. To support the 2015/16 budget, Cabinet approved use of £3.7m from the Budget Equalisation Reserve and carry forward of £8.0m to fund continuing planned service commitments. The council currently has £21.3m in general balances.
8. The financial strategy has the following long term drivers to ensure sound governance, management of the council's finances and compliance with best practice.
  - Keep any additional call on the council taxpayer to a minimum, consistent with delivery of key services through continuously driving the efficiency agenda.
  - Develop a funding strategy to reduce the council's reliance on council tax and government grant income.
  - Balance the council's 2015/16 budget by maintaining a prudent level of general balances and applying reserves as appropriate.
  - Continue to maximise our investment in Surrey.

#### **Capital budget overview**

9. Creating public value by improving outcomes for Surrey's residents is a key element of the council's corporate vision and is at the heart of MTFP 2015-20's £696m capital programme, which includes £176m spending planned for 2015/16.

#### **Budget monitoring overview**

10. The council's 2015/16 financial year began on 1 April 2015. This budget monitoring report covering the financial position at the end of the second quarter of 2015/16. The report focuses on material and significant issues, especially monitoring MTFP efficiencies. The report emphasises proposed actions to resolve any issues.
11. The council has implemented a risk based approach to budget monitoring across all services. The approach ensures we focus effort on monitoring those higher risk budgets due to their value, volatility or reputational impact.
12. A set of criteria categorise all budgets into high, medium and low risk. The criteria cover:
  - the size of a particular budget within the overall council's budget hierarchy (the range is under £2m to over £10m);
  - budget complexity, which relates to the type of activities and data monitored (this includes the proportion of the budget spent on staffing or fixed contracts - the greater the proportion, the lower the complexity);
  - volatility, which is the relative rate that either actual spend or projected spend moves up and down (volatility risk is considered high if either the current year's projected variance exceeds the previous year's outturn variance, or the projected variance has been greater than 10% on four or more occasions during the current year); and

- political sensitivity, which is about understanding how politically important the budget is and whether it has an impact on the council's reputation locally or nationally (the greater the sensitivity the higher the risk).
13. Managers with high risk budgets monitor their budgets monthly, whereas managers with low risk budgets monitor their budgets quarterly, or more frequently on an exception basis (if the year to date budget and actual spend vary by more than 10%, or £50,000, whichever is lower).
  14. Annex 1 to this report sets out the council's revenue budget forecast year end outturn as at 31 December 2015. The forecast is based upon current year to date income and expenditure as well as projections using information available to the end of the month.
  15. The report provides explanations for significant variations from the revenue budget, with a focus on efficiency targets. As a guide, a forecast year end variance of greater than £1m is material and requires a commentary. For some services £1m may be too large or not reflect the service's political significance, so variances over 2.5% may also be material.
  16. Annex 1 to this report also updates Cabinet on the council's capital budget and a summary of the second quarter's: balance sheet, reserves, debt and treasury management positions.
  17. Appendix 1 provides details of the MTFP efficiencies, revenue and capital budget movements, plus the second quarter's: balance sheet, reserves, debt and treasury management positions.

#### **CONSULTATION:**

18. All Cabinet Members will have consulted their relevant director or head of service on the financial positions of their portfolios.

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

19. Risk implications are stated throughout the report and each relevant director or head of service has updated their strategic and or service risk registers accordingly. In addition, the leadership risk register continues to reflect the increasing uncertainty of future funding likely to be allocated to the council.

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

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

#### **Section 151 Officer Commentary**

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

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

22. There are no legal issues and risks.

#### **Equalities and Diversity**

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

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

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

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#### **Contact Officer:**

Sheila Little, Director of Finance  
020 8541 7012

#### **Consulted:**

Cabinet, strategic directors, heads of service.

#### **Annexes:**

- Annex 1 – Revenue budget, staffing costs, efficiencies, capital programme, summary of: balance sheet, reserves, debt and treasury management positions.
- Appendix 1 – Service financial information (revenue and efficiencies), revenue and capital budget movements, balance sheet, reserves, debt and treasury management positions.

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

- None
-



## Budget monitoring period 9 2015/16 (December 2015)

### Summary recommendations

Cabinet is asked to note:

1. services forecast a -£5.0m revenue budget variance at year end which includes use of -£6.9m central government grant plus -£0.8m unplanned underspend to offset pressures in Adult Social Care (paragraph 1);
2. services forecast to achieve £64.4m efficiencies and service reductions by year end (paragraph 31);
3. total forecast capital expenditure for 2015/16, including long term investments, is £225.5m (paragraph 39**Error! Reference source not found.**);
4. the quarter end positions for: balance sheet, earmarked reserves, debt and treasury management (paragraphs App 7 to App 20).
5. services' management actions to mitigate overspends (throughout this report).

### Revenue summary

Surrey County Council set its gross expenditure budget for the 2015/16 financial year at £1,671m. A key objective of MTFP 2015-20 is to increase the council's overall financial resilience. As part of this, the council plans to make efficiencies totalling £67.4m.

As at 31 December 2015, services forecast to underspend by -£5.0m and achieve £64.4m efficiencies by year end. The underspend is due to several offsetting variances among services, the most significant of which are:

- -£7.7m use of 2015/16 central government grant and unplanned underspend in Adult Social Care services to offset +£6.6m additional demand, +£2.6m forecast unachieved savings and -£1.5m additional fees and charges;
- +£2.6m children's services' costs due to higher volumes of children in need; and
- -£3.1m more income from business rates collection than expected.

The council aims to smooth resource fluctuations over its five year medium term planning period. To support 2015/16, Cabinet approved use of £3.7m from the Budget Equalisation Reserve and carry forward of £8.0m to fund continuing planned service commitments. The financial strategy has a number of long term drivers to ensure sound governance, management of the council's finances and compliance with best practice.

- Keep any additional call on the council taxpayer to a minimum, consistent with delivery of key services through continuously driving the efficiency agenda.
- Develop a funding strategy to reduce the council's reliance on council tax and government grant income.
- Balance the council's 2015/16 budget by maintaining a prudent level of general balances and applying reserves as appropriate.
- Continue to maximise our investment in Surrey.

## Capital summary

Creating public value by improving outcomes for Surrey's residents is a key element of Surrey County Council's corporate vision and it is at the heart of its £696m capital programme in MTFP 2015-20. As at 31 December 2015, services forecast £159.7m capital spending against the current 2015/16 budget of £176.2m and total forecast capital expenditure including long term investments is £225.2m (paragraphs 38 to 42)

As part of increasing the council's overall financial resilience, it plans to invest £66m in long term capital investment assets in 2015/16 to add to the £48m invested up to March 2015.

## Revenue budget

1. As at 31 December 2015, the council's overall forecast is -£5.0m underspend at year end including using -£6.9m support from central government new burdens Care Act funding plus -£0.8m temporary use of an unplanned underspend against Deprivation of Liberty Safeguards to offset pressures in Adult Social Care.
2. In March 2015, Cabinet approved the council's 2015/16 gross expenditure budget at £1,671.3m, financed by -£1,667.6m gross income and -£3.7m from reserves. Changes in 2015/16 reflecting agreed carry forwards and small budgetary adjustments to 31 December 2015, increased the gross expenditure budget to £1,679.4m and gross income to -£1,675.7m. The council's plan to use reserves to balance 2015/16 remains at -£3.7m.

### Revenue budget monitoring position

3. Table 1 summarises the council's year to date and forecast year end gross income and expenditure positions compared to the full year revised budget. The full year revised net expenditure budget to be met from reserves is £3.7m. The year to date net expenditure of -£9.1m is derived from the actual net expenditure of £16.7m and the budget profile of £25.8m (shown in Table App3). The impact of the -£5.0m overall forecast budget variance is the council could appropriate £1.3m to reserves, rather than draw £3.7m from reserves at year end.

Table 1: 2015/16 revenue budget subjective summary as at 31 December 2015

Subjective summary	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Gross income	-1,675.7	-1,256.0	-1,692.5	-16.8
Gross expenditure	1,679.4	1,272.6	1,691.2	11.8
Total net expenditure	<b>3.7</b>	<b>* -9.1</b>	<b>-1.3</b>	<b>-5.0</b>

Note: \* Profiled year to date budget is £25.6m compared to actual net expenditure of £16.6m

All numbers have been rounded - which might cause a casting error

4. In the appendix: Table App1 outlines the updated revenue budget by service; Table App2 summarises movements in the budget; and Table App 3 gives details of the overall income and expenditure for the year to date and year end forecast position.
5. Table 2 shows the revenue budget position analysed by services and the council's general funding sources. For each service, Table 2 shows the net expenditure position, which comprises gross expenditure less income from specific grants and fees, charges and reimbursements. The council's general funding sources include: general government grants, local taxation (council tax and business rates) and planned use of reserves.
6. Table 2 shows the majority of services' budgets are on track to achieve a balanced outturn or underspend in 2015/16. General funding sources show favourable forecast variances for business rates income and for government grants to compensate the council for business rates reliefs.

Table 2: 2015/16 updated revenue budget – 31 December 2015

Service	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Economic Growth	1.7	0.9	1.7	0.0
Strategic Leadership	0.4	0.4	0.4	0.0
Adult Social Care	372.2	280.6	372.2	0.0
Children's Services	91.4	69.7	94.0	2.6
Services for Young People	15.4	9.7	15.2	-0.2
Schools & Learning	74.2	54.1	73.9	-0.3
Strategic Services (CSF)	2.2	1.8	2.3	0.1
Delegated Schools	0.0	0.0	0.0	0.0
Community Partnership & Safety	3.5	2.0	3.0	-0.5
Coroner	1.3	1.0	1.6	0.3
Cultural Services	9.8	7.3	9.4	-0.4
Customer Services & Directorate Support	4.4	3.1	4.3	-0.1
Emergency Management	0.6	0.4	0.5	-0.1
Magna Carta	0.8	0.6	0.6	-0.2
Surrey Fire & Rescue Service	34.6	26.1	34.5	-0.1
Trading Standards	2.0	1.3	2.0	0.0
Environment & Planning	80.4	60.9	80.5	0.1
Highways & Transport	45.3	28.8	45.3	0.0
Public Health	0.3	0.6	0.3	0.0
Central Income & Expenditure	50.5	35.5	52.5	1.9
Communications	2.1	1.4	2.0	-0.1
Finance	8.4	5.6	7.7	-0.7
Human Resources & Organisational Development	8.5	5.7	8.0	-0.5
Information Management & Technology	25.5	18.4	25.4	-0.1
Legal & Democratic Services	8.5	6.2	8.5	0.0
Policy & Performance	2.5	1.7	2.3	-0.2
Procurement	3.3	2.3	3.2	-0.1
Property	28.9	20.1	27.3	-1.6
Shared Service Centre	4.3	2.9	4.1	-0.2
<b>Total services' net revenue expenditure</b>	<b>883.0</b>	<b>649.1</b>	<b>882.7</b>	<b>-0.4</b>
<b>General funding sources</b>				
General Government grants	-237.2	-182.8	-238.8	-1.6
Local taxation (council tax and business rates)	-642.1	-449.6	-645.2	-3.1
<b>Total general funding</b>	<b>-879.3</b>	<b>-632.5</b>	<b>-884.0</b>	<b>-4.7</b>
<b>Total movement in reserves</b>	<b>3.7</b>	<b>N/A</b>	<b>-1.3</b>	<b>-5.0</b>

Note: All numbers have been rounded - which might cause a casting error

### Significant budget variances

7. The following section sets out for services with significant budget variances:

- changes since 30 November 2015,
- the variances' impact on the council's overall financial position and
- services' actions to mitigate adverse variances.

*Adult Social Care - balanced (no change since November)*

8. As at 31 December 2015 Adult Social Care (ASC) services project an overall balanced budget (no change from November 2015) after taking into account -£6.9m use of central government Care Act implementation funding plus -£0.8m use of ASC's existing Deprivation of Liberty Safeguards (DoLS) budget to balance an underlying +£7.7m forecast overspend.
9. ASC's 2015/16 central government grant funding, includes £7.2m for service reform new burdens. Following postponement of the reforms, the Government announced it will not claw back the funding this year and ASC is using £6.9m of these funds to offset increased demand pressures in 2015/16. This is likely to be a one-off measure as future years' funding allocations are unclear, but likely to be adjusted downwards.
10. ASC's 2015/16 DoLS budget increased by £1m in response to considerable growth in demand for assessments following a 2014 Supreme Court ruling. ASC will need additional ongoing resources to meet the demand. Difficulties recruiting specialist Best Interest Assessors mean ASC will not spend all the extra budget by year end, consequently the balance of £0.8m has been used to cover the underlying forecast overspend.
11. The main drivers of the underlying projected overspend of +£7.7m are as follows.
  - +£6.6m additional pressures from increased demand for care services (+£1.2m from November 2015). Over the first nine months of 2015/16, volumes have increased by 4.6%. A key priority for ASC is to manage demand effectively through: prevention, information and advice, plus greater collaboration and integration with the NHS. These strategies help limit demand increases, but are not yet successful in reducing the rate of demand to budgeted levels. In addition to the increased volume pressure, the cost of placements for those in care is also rising.
  - Ongoing local health pressures systems also place significant pressure on social care. Local clinical commissioning groups' demand for hospital admissions is not falling as planned. Metrics for the first quarter of 2015/16 show unplanned admissions to hospitals up 4.1% on last year's baseline (5.1% higher than the planned 1% reduction). This highlights why work to develop a whole systems approach to health and social care across Surrey is crucial to increasing health and wellbeing and reducing demand pressures on the care system.
  - +£2.6m underachievement of ASC's savings targets (-£0.3m change from November 2015). This is mainly due to non-achievement of the 20% FFC (Family, Friends & Community) stretch savings target of £3.5m. Current performance suggests 17% is achievable for FFC re-assessments, but 20% savings on new care packages is difficult, particularly for Older People.
  - -£1.5m surplus on fees & charges and other income streams not directly related to individual packages of care or block contracts (-£0.9m from November 2015).

*Children's Services +£2.6m (+£0.9m change since November)*

12. As at 31 December 2015, Children's Services anticipates +£2.6m overspend (up from +£1.7m as at November 2015). The overall pattern of spending and the overspend remains as previously reported. The main reasons for the increase in the overspend are an increase in area staffing costs and agency placements.

- Staffing pressures in the area teams have increased. North West area has needed additional capacity to manage caseloads safely; North East and South West areas are slightly above establishment; plus all areas rely more on locum social workers, with each costing an additional £25,000 on average.
- Increasing numbers of looked after children. This mainly affects the budget for external placements that anticipates an overspend of +£2.4m (+£1.9m as at November 2015) plus a +£0.9m overspend for Asylum (+£0.8m as at October 2015). As at December 2015 there were 884 looked after children, an increase of 102 since March 2015 and the highest level for the last five years. This includes 55 more unaccompanied asylum seeker children, an increase of 50% this year.
- In-house fostering forecasts to overspend by +£0.5m. Current placements are slightly less than budgeted. However, there are more high cost placements, with three new high cost placements in December and five placements cost over £5,000 a week
- Offsetting these pressures is £0.4m centrally held emerging pressures budget and -£0.5m underspend against the Adoption Reform grant in 2015/16, though this is planned to support the requirements of the Family Justice Review into 2016/17.

*Property Services -£1.6m (-£1.4m change since November 2015)*

13. As at 31 December 2015, Property Services forecasts -£1.6m underspend (-£1.4m since November 2015). This is primarily because it will only carry out essential building maintenance until April 2016. This means Property Services will only undertake works: required for health and safety reasons; to complete schemes already underway; or to deliver efficiency savings. The reduction in works also means -£0.2m lower fees. The mild winter to date adds another -£0.1m forecast underspend on utilities.

*Central Income & Expenditure +£1.9m (no change since November 2015)*

14. As at 31 December 2015, Central Income & Expenditure forecasts +£1.9m overspend (no change from October 2015). This is mainly due to increased capital financing costs due to the council's strategy of retaining capital receipts for investment and a small pressure due to borrowing early to fund the capital programme at lower interest rates.

*General Government Grants and Local Taxation -£4.7m (no change since November 2015)*

15. As at 31 December 2015, General Government Grants and Local Taxation, forecasts -£4.7m underspend (no change from November 2015). As reported previously: -£1.6m is for additional forecast business rates income due to the district and borough councils' final schedules being higher than the earlier estimates used to produce the budget; -£1.6m is due to further government grant compensating councils for the loss of business rate relief scheme being higher than expected; and -£1.5m is from business rates pooling arrangements with four Surrey district and

borough councils. This arrangement increases business rates retained by each authority in the pool by reducing the levy paid centrally.

#### *Areas to be aware - Waste Management*

16. Waste Management is experiencing cost pressures due to: an increase in waste volumes linked to population growth and increased economic activity; stalled recycling rates; delayed implementation of savings; and increases in contract prices.
17. As a result of these factors, expenditure is expected to be higher than budget and, subject to necessary approvals Waste Management plans to meet this additional cost by drawing £4.4m from the Waste Sinking Fund.

#### *Areas to be aware - Public Health*

18. In June 2015 the Chancellor announced a £200m in year cut to the Public Health ring-fenced grant, of which Surrey's 2015/16 share is £2.2m. To meet this cut, Public Health (PH) identified: £0.75m efficiency or one off reductions, £1.0m of in year front line service reductions and £0.45m transfer from the Public Health Reserve (created from delayed funding to PH's 2014/15 ring fenced grant in anticipation of supporting activities in later years).
19. To meet its MTFP savings target, PH will reduce spend through a mixture of process or contract efficiencies and service reductions. Efficiencies are on track in 2015/16 to meet the £0.75m target and lower priority areas where expenditure can be reduced in year have already or are currently being cancelled. If the grant cut continues, future years will involve further front line service reductions as the service uses up the Public Health Reserve.

#### *Areas to be aware - Coroner*

20. Changes around Deprivation of Liberty legislation may significantly increase the number of coroner inquests. The inquest into the death of Private Cheryl James has begun and includes a cost pressure. In 2014/15 a shortage of mortuary provision meant the Coroner used temporary mortuary facilities, creating a cost pressure that is likely to continue. Taking these three pressures together, the Coroner Service projects a pressure of £0.3m, though there is a risk it could be higher.

### **Revolving Infrastructure & Investment Fund**

Table 3: Summary revenue and capital position as at 31 December 2015

<b>Summary</b>	<b>YTD actual</b>	<b>Full year forecast</b>
<b>Revenue expenditure</b>	<b>£m</b>	<b>£m</b>
Income	-2.6	-4.1
Expenditure	0.3	0.5
Net income before funding	-2.3	-3.6
Funding costs	1.9	3.1
Net income after funding	-0.4	-0.5
Capital expenditure	23.0	62.5

Note: All numbers have been rounded - which might cause a casting error

21. Net income of £0.5m is being generated this financial year by the Joint Venture project to deliver regeneration in Woking town centre and from various property acquisitions that have been made for future service delivery or regeneration. It is



anticipated that the net income will be transferred to the Revolving Infrastructure and Investment Fund at the year-end.

22. Capital expenditure this year includes development of the former Thales site in Crawley, further loans to the Woking Bandstand Joint Venture Company and equity investment and loan to Halsey Garton Property Ltd. Additionally, £36.5m expenditure is forecast on an investment acquisition as approved by Cabinet in November. Further details will be shared after the completion of contracts.

### Staffing costs

23. The council employs three categories of staff.
- Contracted staff employed on a permanent or fixed term basis and paid through the council's payroll. These staff are contracted to work full time, or part time.
  - Bank staff are contracted to the council and paid through the payroll but have no guaranteed hours.
  - Agency staff employed through an agency with which the council has a contract.
24. Bank and agency staff enable managers to manage short term variations in service demand, or contracted staff vacancies. This is particularly the case in social care. Some flexibility in the staffing budget is sensible, as it allows the council to vary a portion of staffing costs.
25. The council sets its staffing budget on the estimated labour it needs to deliver its services. It expresses this estimated labour as budgeted full time equivalent (FTEs) staff required on average over the full year and converts it to a budget cost. The budget comprises spending on all three categories of staff and is the key control in managing staffing costs.
26. In practice, throughout the year, the composition of occupied posts and FTEs will vary. However managers are still able to control total cost within budget. For example, there are several reasons a service might recruit new staff at lower cost than the current budget and use of fixed term contracts may temporarily result in higher than budgeted FTEs, but remain within the overall budget.
27. The council's total full year staffing budget for 2015/16 is £279.2m based on 7,935 budgeted FTEs. Table 4 shows the composition of the council's workforce as at 31 December 2015. Of the 633 live vacancies, where the council is actively recruiting, 499 are in social care.

Table 4: Full time equivalents in post and vacancies as at 31 December 2015

	<b>FTE</b>
Budget	7,935
Occupied contracted FTE	7,322
"Live" vacancies (i.e. actively recruiting)	633

28. Table 5 shows staffing cost as at 31 December 2015 against service budgets and analysed among the three staff categories of contracted, bank and agency staff. Table 5 also shows services' budgeted FTEs and occupied contracted FTEs. Variances between these two figures can arise for several reasons including: the budget for some FTEs is held in a different service from where the postholder works in the organisation (for example the HR&OD budget covers apprentices' costs, but



the occupied FTEs appear in the service they work in); secondees' budgeted posts appear in the seconding service, but the occupied FTE appears in the service they are seconded to (or not at all if the secondment is to an external body). The income from recharges for secondments is within services' other income.

29. Agency or bank staff often cover vacancies on a temporary basis. The number of temporary staff does not translate easily into an FTE number as these may be for a few hours only, part time etc. The easiest measure for monitoring staffing costs is the total expenditure and the variance shown in Table 5.
30. The easiest measure for monitoring staffing is cost, using the total expenditure and variance shown in Table 5 and Table App3 in the appendix. Table 5 shows the year to date staffing budget as at 31 December 2015 is £229.0m and actual expenditure is £224.7m. Table App 3 reiterates the -£4.3m year to date underspend on employment costs and shows services forecast -£5.7m underspend by year end.

Table 5: Staffing costs and FTEs to 31 December 2015

Service	YTD staffing budget £m	Staffing spend by category					Total £m	Variance £m	Budgeted FTE	Occupied contracted FTEs
		Contracted £m	Agency £m	Bank & casual £m						
Economic Growth								1	0	
Strategic Leadership	0.3	0.3	0.0	0.0	0.3	0.0	0.0	2	0	
Adult Social Care	44.3	39.0	2.2	1.6	42.8	-1.5	1,925	1,633		
Children's Services	35.1	29.4	4.6	2.0	36.0	0.9	1,108	1,015		
Services for Young People	10.6	10.0	0.0	0.4	10.4	-0.2	395	363		
Strategic Services	2.0	2.2	0.0	0.0	2.2	0.2	52	63		
Schools & Learning	35.0	33.3	0.3	0.7	34.3	-0.7	1,332	1,272		
Delegated Schools							0			
Community Partnership & Safety	0.9	1.0	0.0	0.0	1.0	0.1	24	28		
Coroner	0.3	0.2	0.1	0.0	0.3	0.0	1	3		
Cultural Services	14.0	12.4	0.0	1.2	13.6	-0.4	520	528		
Customer Services	2.6	2.3	0.2	0.0	2.5	-0.1	112	97		
C&C Directorate Support	0.8	0.7	0.0	0.0	0.7	-0.1		0		
Emergency Management	0.4	0.4	0.0	0.0	0.4	0.0	12	16		
Magna Carta	0.0	0.0	0.0	0.0	0.0	0.0	0	0		
Surrey Fire & Rescue Service	20.8	19.4	0.1	1.3	20.8	0.0	675	634		
Trading Standards	2.4	2.3	0.0	0.0	2.3	-0.1	100	92		
Environment & Planning	7.8	7.4	0.2	0.2	7.8	0.0	215	199		
Highways & Transport	10.2	8.6	0.3	0.1	9.0	-1.2	313	283		
Public Health	2.1	1.9	0.0	0.1	2.0	-0.1	51	46		
Central Income & Expenditure	0.0	0.2	0.0	0.0	0.2	0.2	0	0		
Communications	0.8	0.8	0.0	0.0	0.8	0.0	23	25		
Finance	4.3	4.1	0.0	0.0	4.1	-0.2	101	101		
Human Resources & Organisational Development	4.1	3.7	0.1	0.1	3.9	-0.2	104	98		
Information Management & Technology	9.1	7.7	1.4	0.0	9.1	0.0	221	199		
Legal & Democratic Services	4.1	3.5	0.3	0.0	3.8	-0.3	130	109		
Policy & Performance	2.0	1.8	0.1	0.0	1.9	-0.1	42	40		
Procurement	2.3	2.2	0.1	0.0	2.3	0.0	57	52		
Property	6.4	6.1	0.4	0.0	6.5	0.1	177	184		
Shared Service Centre	6.1	5.7	0.0	0.0	5.7	-0.4	242	237		
<b>Total</b>	<b>229.0</b>	<b>206.6</b>	<b>10.4</b>	<b>7.7</b>	<b>224.7</b>	<b>-4.3</b>	<b>7,935</b>	<b>7,318</b>		

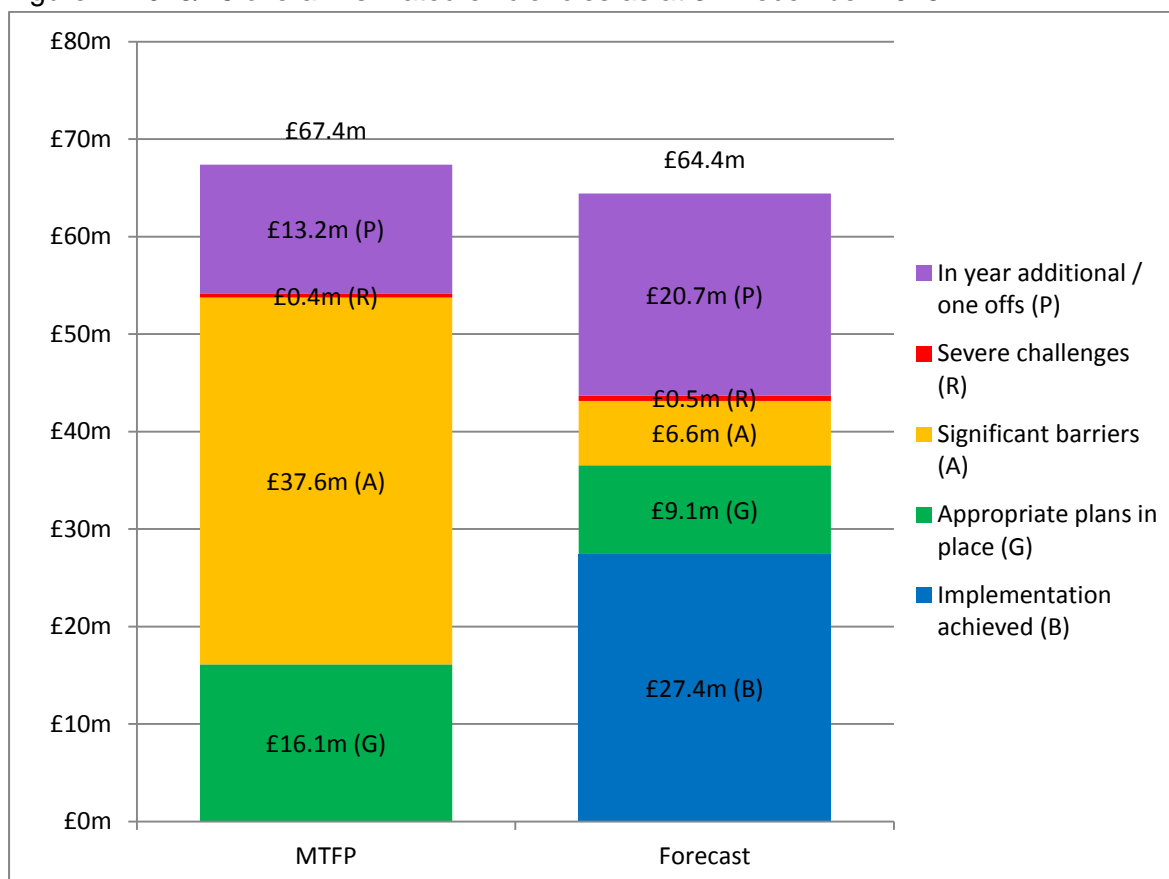
Note: All numbers have been rounded - which might cause a casting error.

Trading Standards' FTEs include C&C Directorate support

## Efficiencies

31. MTFP 2015-20 incorporates £67.4m of efficiencies in 2015/16. Against this, the council forecasts to achieve £64.4m by year end (£63.8m as at 30 November 2015), an underachievement of £3.0m. Figure 1 summarises services' efficiency targets, their forecasts for achieving the efficiencies and the risks to achieving them.
32. Each service's assessment of its progress on achieving efficiencies uses the following risk rating basis:
- RED – significant or high risk of saving not being achieved, as there are barriers preventing the necessary actions to achieve the saving taking place;
  - AMBER - a risk of saving not being achieved as there are potential barriers preventing the necessary actions to achieve the saving taking place;
  - GREEN – plans in place to take the actions to achieve the saving;
  - BLUE – the action has been taken to achieve the saving;
  - PURPLE – in year additional and one off savings to support the programme, which are not sustainable in subsequent years.

Figure 1: 2015/16 overall risk rated efficiencies as at 31 December 2015



33. Table 6 summarises forecast progress on efficiencies by service. It shows most services are on track to achieve their planned efficiencies. Adult Social Care, Environment & Planning, Property and Surrey Fire & Rescue are supporting their programmes with additional in year and one off efficiencies.
34. The next section sets out significant variances in efficiencies forecasts, their impact on the council's overall position and services' actions to mitigate adverse variances.

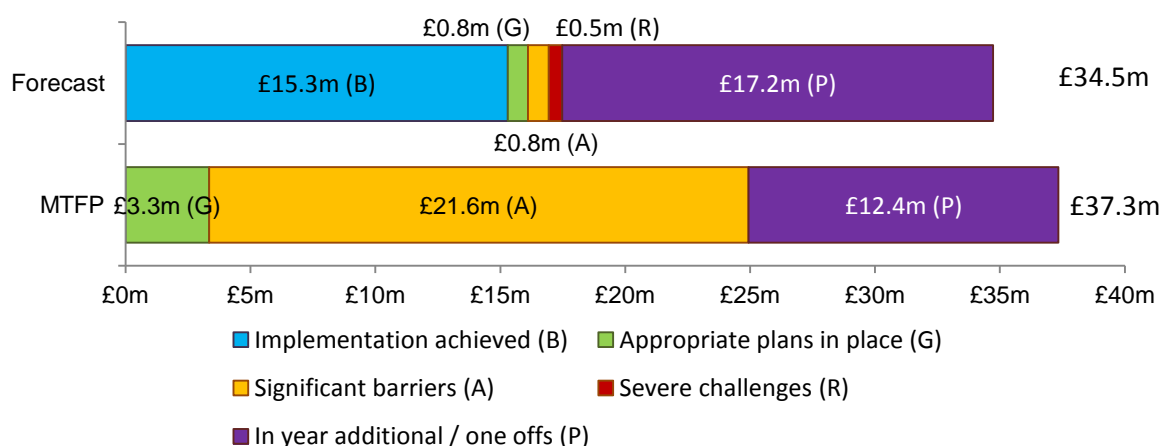
Table 6: 2015/16 Efficiency programme as at 31 December 2015

Service	MTFP £m	Forecast sustainable £m	Forecast one offs £m	Overall variance £m
Adult Social Care	37.3	17.5	17.2	-2.6
Children's Services	0.3	0.3		0.0
Services for Young People	1.9	1.9		0.0
Schools & Learning	9.8	8.8		-1.0
Cultural Services	0.6	0.6		0.0
Customer Services & Directorate Support	0.2	0.2		0.0
Surrey Fire & Rescue Service	1.6	1.4	0.2	0.0
Environment & Planning	6.4	3.3	2.6	-0.4
Highways & Transport	1.7	1.7		0.0
Central Income & Expenditure	0.9	0.8		-0.1
Communications	0.1	0.1		0.0
Finance	0.7	1.0		0.3
Human Resources & Organisational Development	0.8	1.1		0.3
Information Management and Technology	0.6	0.7		0.1
Legal & Democratic Services	0.5	0.5		0.0
Policy & Performance	0.1	0.1		0.0
Procurement	0.1	0.5		0.3
Property	3.4	2.9	0.7	0.1
Shared Service Centre	0.1	0.1		0.0
<b>Total</b>	<b>67.4</b>	<b>43.6</b>	<b>20.7</b>	<b>-3.0</b>

Note: All numbers have been rounded - which might cause a casting error

### Significant variances in services' efficiencies & service reductions

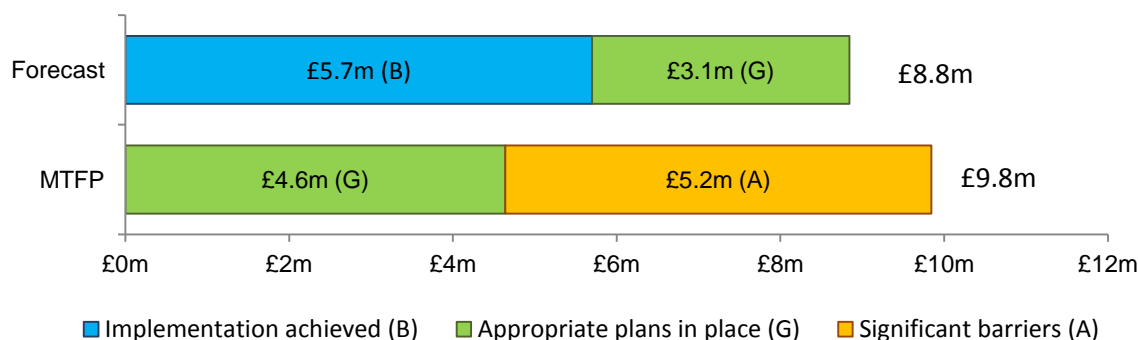
#### Adult Social Care



35. As at 31 December 2015, ASC forecasts a £2.6m shortfall against its efficiencies target (a decrease of 0.3m from November 2015). There is a high degree of risk associated with £0.5m of savings related to two efficiencies:

- £0.2m FFC stretch target of 20% savings for FFC re-assessments and new packages, ASC is making progress on these savings, but costs are not yet reducing by the full 20% so it remains challenging to achieve; and
- £0.3m optimisation of block contracts, which is still subject to negotiations with ASC's biggest block contract provider.

## Schools &amp; Learning



36. As at 31 December 2015, S&L forecasts a £1.0m shortfall against its efficiencies target (no change from November 2015). Decision to not progress some early years projects means S&L is unlikely to achieve £1.0m efficiencies in 2015/16.

## Capital budget

37. The council demonstrated its firm long term commitment to supporting Surrey's economy through its £696m 2015-20 MTFP capital programme, including £176m capital expenditure budget for 2015/16.
38. As at 31 December 2015, the revised full year capital budget is £176.2m. Early in 2015, Cabinet approved £17.4m carry forwards from 2014/15 and £22.5m reprofiling from 2015/16 into future years. Table App 4 summarises movements in the capital budget to 31 December 2015.
39. Table 7 compares the current forecast expenditure for the service capital programme and long term investments of £225.5m to the revised full year budget of £176.2m.

Table 7: Forecast capital expenditure 2015/16 as at 31 December 2015

	Current full year budget £m	Apr - Dec actual £m	Jan- Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	57.8	55.7	2.1	57.8	0.0
Highways recurring programme	33.9	40.7	-6.8	33.9	0.0
Property & IT recurring programme	25.6	16.1	5.3	21.4	-4.2
Other capital projects	58.9	29.6	17.0	46.6	-12.2
<b>Service capital programme</b>	<b>176.2</b>	<b>142.1</b>	<b>17.6</b>	<b>159.7</b>	<b>-16.4</b>
Long term investments	0.0	5.9	59.6	65.5	65.5
<b>Overall capital programme</b>	<b>176.2</b>	<b>147.9</b>	<b>77.2</b>	<b>225.2</b>	<b>49.0</b>

Note: All numbers have been rounded - which might cause a casting error

40. 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 year to date underspend across a range of projects including CIL, LSTF, Basingstoke canal and closed landfill site maintenance;
  - £4.8m on schools capital maintenance due to only carrying out essential maintenance.
  - £1.6m on Superfast broadband scheme life;and
  - £2.3m on other school schemes due to scheme delays.

41. The Joint transport and Immediate Emergency Care Response projects are fully grant funded so do not affect the YTD position. The projects are behind the expected expenditure for December by £463,704 mainly due to delays in the early project planning stage. They are expected to regain some of this delay going forward.
42. Approved Investment Strategy spending is expected to be £65.5m in 2015/16 (no change from November 2015) and total capital expenditure £225.2m (£231.2m as at November 2015). Table 8 shows significant variances to the service capital programme.

Table 8: Significant variances to the service capital programme

	to 30 November £m	to 31 December £m
Schools capital maintenance, including children's centres	-3.7	-£3.7m
Merstham Library & Youth	-1.3	-£1.3m
Fire reconfiguration and training investment	-1.2	-£1.2m
School projects	-1.4	-£0.4m
SEN Strategy	-0.7	-£0.5m
Corporate capital projects	-0.4	-£1.2m
Land acquisition for waste	-0.5	-£1.3m
Closed landfill sites	-0.4	-£0.2m
IT Investment	-0.2	-£3.7m
Other variances	-0.2	-£2.5m
<b>Capital variance</b>	<b>-10.0</b>	<b>-£16.0m</b>

Note: All numbers have been rounded - which might cause a casting error

## Appendix to Annex

## Updated budget - revenue

App 1. The council's 2015/16 revenue expenditure budget was initially approved at £1,671.3m. Adding virement changes since April increased the budget as at 31 December 2015 to £1,679.4m. Table App1 shows the original and updated income and expenditure budget, including the overall net expenditure the council plans to meet from reserves of £3.7m.

Table App1: 2015/16 updated revenue budget as at 31 December 2015

Service	MTFP Income £m	Carry fwds & internal movements £m	Approved income £m	MTFP expenditure £m	Carry fwds & internal movements £m	Approved expenditure £m	Updated net expenditure budget £m
Economic Growth	0.0	0.2	<b>0.2</b>	0.9	0.6	<b>1.5</b>	<b>1.7</b>
Strategic Leadership	0.0	0.0	<b>0.0</b>	0.4	0.0	<b>0.4</b>	<b>0.4</b>
Adult Social Care	-56.8	0.0	<b>-56.8</b>	428.6	0.4	<b>429.0</b>	<b>372.2</b>
Children's Services	-7.0	0.0	<b>-7.0</b>	96.0	2.4	<b>98.5</b>	<b>91.4</b>
Services for Young People	-10.6	0.0	<b>-10.6</b>	25.9	0.1	<b>26.0</b>	<b>15.4</b>
Schools & Learning	-145.3	0.1	<b>-145.3</b>	217.3	2.1	<b>219.5</b>	<b>74.2</b>
Strategic Services (CSF)	-1.5	-0.9	<b>-2.4</b>	3.6	1.1	<b>4.6</b>	<b>2.2</b>
Delegated Schools	-469.0	-7.3	<b>-476.3</b>	469.0	7.3	<b>476.3</b>	<b>0.0</b>
Community Partnership & Safety	-0.2	0.0	<b>-0.2</b>	3.0	0.7	<b>3.7</b>	<b>3.5</b>
Coroner	0.0	0.0	<b>0.0</b>	1.3	0.0	<b>1.3</b>	<b>1.3</b>
Cultural Services	-12.9	-0.1	<b>-13.0</b>	22.9	-0.1	<b>22.8</b>	<b>9.8</b>
Customer Services	-0.3	0.0	<b>-0.3</b>	4.6	0.1	<b>4.7</b>	<b>4.5</b>
Directorate Support							
Emergency Management	0.0	0.0	<b>0.0</b>	0.6	0.0	<b>0.6</b>	<b>0.6</b>
Magna Carta	0.0	0.0	<b>0.0</b>	0.0	0.8	<b>0.8</b>	<b>0.8</b>
Surrey Fire & Rescue Service	-13.1	0.0	<b>-13.1</b>	47.9	-0.3	<b>47.7</b>	<b>34.6</b>
Trading Standards	-1.6	0.0	<b>-1.6</b>	3.7	0.0	<b>3.6</b>	<b>2.0</b>
Environment & Planning	-8.5	-0.5	<b>-9.0</b>	88.2	1.1	<b>89.4</b>	<b>80.4</b>
Highways & Transport	-7.5	-0.6	<b>-8.1</b>	51.8	1.5	<b>53.4</b>	<b>45.3</b>
Public Health	-35.5	2.2	<b>-33.3</b>	35.8	-2.2	<b>33.6</b>	<b>0.3</b>
Central Income & Expenditure	-0.5	-0.3	<b>-0.7</b>	61.0	-9.7	<b>51.3</b>	<b>50.5</b>
Communications	0.0	0.0	<b>0.0</b>	2.0	0.1	<b>2.1</b>	<b>2.1</b>
Finance	-1.8	-0.1	<b>-1.9</b>	10.2	0.1	<b>10.2</b>	<b>8.3</b>
Human Resources & Organisational Development	-0.2	0.1	<b>-0.1</b>	9.3	-0.7	<b>8.6</b>	<b>8.5</b>
Information Management & Technology	-0.7	0.0	<b>-0.7</b>	25.2	1.0	<b>26.2</b>	<b>25.5</b>
Legal & Democratic Services	-0.5	0.0	<b>-0.5</b>	8.9	0.1	<b>9.0</b>	<b>8.5</b>
Policy & Performance	-1.1	0.0	<b>-1.1</b>	3.7	-0.2	<b>3.6</b>	<b>2.5</b>
Procurement	-0.2	0.2	<b>0.0</b>	3.4	-0.2	<b>3.3</b>	<b>3.3</b>
Property	-8.9	-0.7	<b>-9.7</b>	37.2	1.4	<b>38.6</b>	<b>28.9</b>
Shared Service Centre	-4.6	-0.3	<b>-4.9</b>	8.8	0.4	<b>9.2</b>	<b>4.3</b>
<b>Services total</b>	<b>-788.3</b>	<b>-7.9</b>	<b>-796.2</b>	<b>1,671.3</b>	<b>8.0</b>	<b>1,679.3</b>	<b>883.0</b>
<b>General funding sources</b>							
General Government grants	-237.2		<b>-237.2</b>			<b>0.0</b>	<b>-237.2</b>
Local taxation (council tax and business rates)	-642.1	0.0	<b>-642.1</b>		0.0	<b>0.0</b>	<b>-642.1</b>
<b>Total</b>	<b>-1,667.6</b>	<b>-7.9</b>	<b>-1,675.5</b>	<b>1,671.3</b>	<b>8.0</b>	<b>1,679.3</b>	<b>3.7</b>

Note: All numbers have been rounded - which might cause a casting error

App 2. When Council agreed the MTFP in February 2015, some government departments had not determined the final amount for some grants. Cabinet agreed the principle

that services would estimate their likely grant and services' revenue budgets would reflect any changes in the final amounts, whether higher or lower.

App 3. To control their budgets during the year, managers occasionally need to transfer, or vire budgets from one area to another. In most cases these are administrative or technical in nature, or of a value the Director of Finance can approve. Virements above £500,000 require the approval of the relevant Cabinet Member. There were no virements above £500,000 in December 2015.

App 4. Table App 2 summarises the movements to the revenue expenditure budget.

Table App 2: Movements in 2015/16 revenue expenditure budget

	Income £m	Expenditure £m	Earmarked reserves £m	General balances £m	Virement count
MTFP	-1,667.6	1,671.3		3.7	
Carry forwards	0.2	7.8	-8.0	0.0	1
	-1,667.4	1,679.1	-8.0	3.7	1
Quarter 1 movements	-2.4	2.7	-0.3	0.0	99
Quarter 2 movements	-1.1	2.1	-1.0	0.0	64
October movements	-6.8	6.8	0.0	0.0	19
November movements	2.1	-2.1		0.0	19
December movements					
Internal service movements	-0.1	0.1	0	0.0	16
Council and Cabinet approvals	0	0	0	0.0	0
Total quarter 3 movements	<b>-0.1</b>	<b>0.1</b>			
<b>December approved budget</b>	<b>-1,675.7</b>	<b>1,679.4</b>	<b>-9.3</b>	<b>3.7</b>	

Note: All numbers have been rounded - which might cause a casting error

App 5. Table App 3 shows the year to date and forecast year end gross revenue position supported by general balances.

Table App 3: 2015/16 Revenue budget year to date and year end forecast positions as at 31 December 2015

	Year to date			←----- Full year ----->			
	Budget £m	Actual £m	Variance £m	Budget £m	Remaining forecast £m	Projection £m	Variance £m
Income:							
Local taxation	-447.9	-449.6	-1.7	-642.1	-195.6	-645.2	-3.1
Government grants	-682.7	-668.9	13.8	-891.0	-206.2	-875.1	15.9
Other income	-105.9	-137.5	-31.6	-142.5	-34.6	-172.1	-29.6
Total income	-1,236.5	-1,256.0	-19.5	-1,675.6	-436.4	-1,692.4	-16.8
Expenditure:							
Staffing	229.0	224.7	-4.3	311.6	81.3	305.9	-5.7
Service provision	662.2	676.8	14.7	891.4	232.1	908.9	17.5
Non schools sub-total	891.2	901.5	10.4	1,203.0	313.4	1,214.8	11.8
Schools expenditure	371.1	371.1	0.0	476.2	105.1	476.2	0.0
Total expenditure	1,262.3	1,272.7	10.4	1,679.3	418.4	1,691.0	11.8
<b>Movement in balances</b>	<b>25.8</b>	<b>16.7</b>	<b>-9.1</b>	<b>3.7</b>	<b>-18.0</b>	<b>-1.4</b>	<b>-5.0</b>

Note: All numbers have been rounded - which might cause a casting error

**Updated budget – capital**

App 6. Cabinet approved £17.4m carry forward of scheme budgets requested in 2014/15's Outturn report and £22.3m reprofiling of 2015/16 capital spending by Property and Information Management & Technology into future years in May 2015's budget monitoring report. Table App 4 summarises the capital budget movements for the year. There were no significant virements in December.

Table App 4: 2015/16 Capital budget movements as at 31 December 2015

	to 30 June £m	to 30 November £m	to 31 December £m
<b>MTEP (2015-20) (opening position)</b>	<b>176.2</b>	<b>176.2</b>	<b>176.2</b>
<b>Approved budget movements:</b>			
Carry forwards from 2014/15	17.4	17.4	17.4
Business Services - reprofile to future years	-22.5	-22.5	-22.5
Weybridge Library - reprofile to future years	-0.1	-0.1	-£0.1
Schools projects	0.3	0.6	£0.6
Lindon Farm, Alford, Cranleigh		1.5	£1.5
Third party delegated school contributions		0.8	£0.8
Highways	0.1	0.1	£0.1
Newlands Corner		0.1	£0.1
<b>In year budget changes</b>	<b>-4.7</b>	<b>-2.2</b>	<b>-2.2</b>
<b>2015/16 updated capital budget</b>	<b>171.5</b>	<b>174.1</b>	<b>174.1</b>
<b>In year budget changes funded by:</b>			
Third party contributions		0.8	0.8
Borrowing and reprofiling to future years	-4.7	-3.0	-3.0



**Balance sheet**

App 7. Table App 5 shows the council's balance sheet as at 31 December 2015. The council's net assets have increased by £52m since 31 March 2015. This is mainly due to: increases of £42m extra cash due to grants received at the start of the year, £101m capital expenditure and £12m higher cash investments; less £48m depreciation, £47m academy school transfers and £5m other disposals.

Table App 5: Balance sheet

<b>As at 31 Mar 2015</b>		<b>As at 31 Dec 2015</b>
<b>£m</b>		<b>£m</b>
1,725.6	Property, plant & equipment	1,737.8
0.7	Heritage assets	0.7
30.9	Investment property	30.9
4.5	Intangible assets	4
0.0	Assets held for sale	0.0
0.4	Long term investments	3.3
15.2	Long term debtors	27.2
<b>1,777.2</b>	<b>LONG TERM ASSETS</b>	<b>1,803.9</b>
107	Short term investments	65.5
0.9	Intangible assets	0.9
34	Assets held for sale	34
1.1	Inventories	0.9
119.2	Short term debtors	123.5
16.6	Cash & cash equivalents	47.3
<b>279.8</b>	<b>CURRENT ASSETS</b>	<b>272.1</b>
-32.6	Short term borrowing	-38.7
-187.3	Creditors	-199.4
-4.7	Provisions	-4.3
-0.2	Revenue grants receipts in advance	-0.2
-0.2	Capital grants receipts in advance	-0.3
-7.0	Other short term liabilities	-7.0
<b>-232</b>	<b>CURRENT LIABILITIES</b>	<b>-249.8</b>
-20.8	Provisions	-21.5
-397.8	Long term borrowing	-397.8
-1,605.7	Other long term liabilities	-1,606.0
<b>-2,024.3</b>	<b>LONG TERM LIABILITIES</b>	<b>-2,025.3</b>
<b>-199.3</b>	<b>NET ASSETS</b>	<b>-199.3</b>
-268.0	Usable reserves	-306.5
467.3	Unusable reserves	505.7
<b>199.3</b>		<b>199.2</b>

## Earmarked reserves

Table App 6: Earmarked revenue reserves as at 31 December 2015

	Opening balance 1 Apr 2015 £m	Balance at 31 Dec 2015 £m	Forecast 31 Mar 2016 £m
Revolving Infrastructure & Investment Fund	20.6	20.6	20.6
Budget Equalisation Reserve	16.6	5.0	5.0
Eco Park Sinking Fund	16.0	16.0	11.8
Insurance Reserve	10.6	10.9	10.9
Investment Renewals Reserve	10.0	9.5	8.6
General Capital Reserve	7.9	7.9	4.6
Street lighting PFI Reserve	5.8	5.1	5.1
Vehicle Replacement Reserve	5.6	6.5	2.8
Economic Downturn Reserve	4.2	9.2	9.2
Public Health Reserve	2.5	3.3	2.1
Economic Prosperity Reserve	2.5	2.5	2.5
Equipment Replacement Reserve	1.9	3.1	1.5
Child Protection Reserve	1.9	1.1	1.1
Business Rate Appeals Reserve	1.3	1.3	1.3
Pension Stabilisation Reserve	1.1	1.1	1.1
Interest Rate Reserve	1.0	1.0	1.0
<b>Total earmarked revenue reserves</b>	<b>109.5</b>	<b>104.1</b>	<b>89.2</b>
<b>General Fund Balance</b>	<b>21.3</b>	<b>95.9</b>	<b>21.3</b>

Note: All numbers have been rounded - which might cause a casting error

## Debt

App 8. During the nine months to 31 December 2015, the Accounts Payable team raised invoices totalling £208.8m. The amount outstanding on these invoices was £40.4m of gross debt as at 31 December 2015.

Table App 7: Age profile of the council's debts as at 31 December 2015

Account group	<1 month £m	2-12 months £m	1-2 years £m	+2 years £m	Total £m	Overdue debt £m
Care debt – unsecured	2.6	5.3	2.0	3.0	12.9	10.4
Care debt – secured	0.1	2.0	1.0	3.1	6.1	6.1
<b>Total care debt</b>	<b>2.6</b>	<b>7.3</b>	<b>3.0</b>	<b>6.2</b>	<b>19.0</b>	<b>16.4</b>
Schools, colleges and nurseries	0.5	0.3	0.0	0.0	0.7	0.3
Clinical commissioning groups	6.3	1.5	0.3	0.2	8.3	2.1
Other local authorities	0.5	2.6	0.3	0.0	3.3	2.8
General debt	3.4	2.1	0.1	0.0	5.5	2.2
<b>Total non-care debt</b>	<b>10.6</b>	<b>6.5</b>	<b>0.7</b>	<b>0.2</b>	<b>17.9</b>	<b>7.3</b>
<b>Total debt</b>	<b>13.2</b>	<b>13.7</b>	<b>3.6</b>	<b>6.4</b>	<b>37.0</b>	<b>23.8</b>

Note: All numbers have been rounded - which might cause a casting error

App 9. Adjusting the gross debt to take into account those balances not immediately due (i.e. less than 30 days old) or collectable (i.e. secured on property) produces the overdue debt figures shown in Table App 8.

Table App 8: Overdue debt summary as at 31 December 2015

	2015/16 Q3 £m	2015/16 Q2 £m	2015/16 Q1 £m	2014/15 Q4 £m	2013/14 Q4 £m	2012/13 Q4 £m
Care related debt	10.4	10.1	4.1	8.9	6.5	7.6
Non care related debt	7.3	7.7	8.2	4.2	3.1	3.8
<b>Total</b>	<b>17.7</b>	<b>17.8</b>	<b>12.3</b>	<b>13.1</b>	<b>9.6</b>	<b>11.4</b>

Note: All numbers have been rounded - which might cause a casting error

App 10. The council's debt policy includes a target of 30 days to collect non-care debt. The average number of debtor days for the period 1 April 2015 to 31 December 2015 was 28 days.

App 11. The Director of Finance has delegated authority to write off irrecoverable debts in line with financial regulations. This quarter (Q3 2015/16) the Director of Finance has written off 105 such debts with a total value of £217,479, of which £204,701 is care related and £12,778 is non care related debt.

## Treasury management

### *Borrowing*

App 12. The council borrows money to finance the amount of our capital spending that exceeds receipts from grants, third party contributions, capital receipts and reserves. The council must also demonstrate the costs of borrowing are affordable, prudent and sustainable under the Prudential Code.

Table App 9: Long-term borrowing as at 31 December 2015

	£m
Debt outstanding as at 1 April 2015	397.2
Loans raised	0.0
Loans repaid	0.0
<b>Current balance as at 31 December 2015</b>	<b>397.2</b>

Note: All numbers have been rounded - which might cause a casting error

App 13. The weighted average interest rate of the council's entire long term debt portfolio is 4.1% as at 31 December 2015.

App 14. The council also manages cash on behalf of Surrey Police Authority (£33.5m as at 31 December 2015) which is classed as temporary borrowing.

### *Authorised limit and operational boundary*

App 15. The following prudential indicators control the overall level of borrowing:

- The authorised limit represents the limit beyond which borrowing is prohibited. The limit reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing needed with headroom for unexpected cash flow. This is a statutory limit determined under section 3(1) of the Local Government Act 2003.
- The operational boundary is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It acts as an indicator to ensure the authorised limit is not breached.

Table App 10: Borrowing against the authorised limit and operational boundary as at 31 December 2015

	Authorised limit £m	Operational boundary £m
Gross borrowing	397.2	397.2
Limit / boundary	688.0	618.0
<b>Headroom</b>	<b>290.8</b>	<b>220.8</b>

Note: All numbers have been rounded - which might cause a casting error

*Maturity profile*

App 16. The council sets limits for the maturity structure of borrowing in accordance with the Prudential Code, as shown in Table App 11. This excludes balances invested on behalf of Surrey Police Authority.

Table App 11: Maturity structure of the council's borrowing as at 31 December 2015

	Upper limit	Lower limit	Actual
Repayable in 1 year*	50%	0%	0%
Repayable in 1-2 years	50%	0%	0%
Repayable in 2-5 years	50%	0%	0%
Repayable in 5-10 years	75%	0%	2%
Repayable in 10-15 years	75%	0%	0%
Repayable in 15-25 years	75%	0%	2%
Repayable in 25-50 years	100%	25%	96%

Note: All numbers have been rounded - which might cause a casting error

*Early debt repayment and rescheduling*

App 17. There has been no early repayment or rescheduling in 2015/16.

*Investments*

App 18. The council had an average daily level of investments of £142m throughout 2014/15, with an average of £186m for 2015/16. The balance of funds managed on behalf of schools was £45.0m at 31 December 2015.

App 19. Cash is invested on the money markets through one of the council's five brokers, or directly with counterparties through the use of call accounts, money market funds or direct deal facilities

App 20. The weighted average return on all investments received to the end of the third quarter in 2015/16 is 0.58%. This compares to the average 7-day London Interbank Bid Rate (LIBID) of 0.36% for the equivalent period. Table App 12 shows the comparison.

Table App 12: Weighted average return on investments compared to 7-day LIBID

	Average 7-day LIBID	Weighted return on investments
Quarter 3	0.36%	0.58%
<b>2015/16 total</b>	<b>0.36%</b>	<b>0.53%</b>
2014/15 total	0.35%	0.42%

Note: All numbers have been rounded - which might cause a casting error

**SURREY COUNTY COUNCIL****CABINET****DATE: 2 FEBRUARY 2016****REPORT OF: MRS LINDA KEMENY, CABINET MEMBER FOR SCHOOLS, SKILLS AND EDUCATIONAL ACHIEVEMENT****LEAD OFFICER: JULIE FISHER, DEPUTY CHIEF EXECUTIVE AND STRATEGIC DIRECTOR OF CHILDREN, SCHOOLS AND FAMILIES****SUBJECT: ADMISSION ARRANGEMENTS FOR SURREY'S COMMUNITY AND VOLUNTARY CONTROLLED SCHOOLS AND THE COORDINATED SCHEMES THAT WILL APPLY TO ALL SCHOOLS FOR SEPTEMBER 2017****SUMMARY OF ISSUE:**

Following statutory consultation on Surrey's admission arrangements for September 2017, Cabinet is asked to consider the responses set out in Enclosure 4 and make recommendations to the County Council on admission arrangements for Surrey's community and voluntary controlled schools and the coordinated schemes that will apply to all schools for September 2017.

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 that will apply to all schools for 2017 – Recommendation 8

Recommendations are set out on pages 1 to 4 and further details of each proposal are set out on pages 6 to 13.

**RECOMMENDATIONS:**

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

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### **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 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



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### 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 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 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.

### 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

<b>DETAILS:</b>
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### Consultation

1. On 8 October 2015 the Cabinet Member for Schools, Skills and Educational Achievement agreed to consult on proposed changes to the admission arrangements for some community and voluntary controlled schools and the primary coordinated scheme.
2. A consultation on the proposed changes and the admission arrangements for which no change was proposed was launched on 2 November 2015 and ran for six weeks until 14 December 2015.
3. Full details of the proposed admission arrangements for Surrey's community and voluntary controlled schools, including the arrangements for which there is no change



proposed are attached as Enclosure 1 and its Appendices. The proposed primary and secondary coordinated admission schemes are attached as Enclosure 2.

4. A document which set out a summary of the main changes was made available to schools and parents and is attached as Enclosure 3.
5. The consultation was sent directly to Headteachers, Chairs of Governors and Parent Governors of all Surrey schools, Diocesan Boards of Education, neighbouring local authorities, out of County voluntary aided and foundation schools within 3 miles (primary schools) or 5 miles (secondary schools) radius of the Surrey border, Surrey County Councillors, Borough and District Councillors, Parish and Town Councillors, members of Surrey's Admission Forum, Early Years establishments and Surrey MPs.
6. Surrey County Council Members and Borough and District Councillors were asked to draw the consultation to the attention of any local community or resident groups in their area who may have an interest in responding.
7. Nurseries and schools were asked to draw the consultation to the attention of parents with children at the nursery or school.
8. All consultees were also sent a suggested form of wording for parents, which they were encouraged to put on websites, noticeboards and in newsletters, as appropriate.
9. Notice of the consultation was also published on Surrey County Council's website along with an online response form.
10. In addition, with regard to recommendation 5 and the proposal to change the start date of the primary admissions round, an email was sent on 4 November 2015 to all schools (for the attention of Headteachers, Chairs of Governors and Parent Governors) to encourage them to consider this proposal and to respond.
11. In total, 90 responses were received to the consultation (88 by the closing date and two late responses which were accepted).
12. A full analysis of the responses to the consultation is included as Enclosure 4.
13. A summary of the responses to questions within the consultation is set out below in Table A.

**Table A - Summary of responses to admission consultation**

Question Number	Proposal	Document	Agree	Disagree
1	Beacon Hill Primary School – admission criteria for Year 3	Enclosure 1	7	3
2	Chennestone Primary School - introduction of feeder link at Year 3 for children at Beauclerc Infant	Enclosure 1	15	1
3	Cranleigh Primary School – admission criteria for Year 3	Enclosure 1	6	1
4	West Ewell Infant School – reduction of PAN from 90 to 60	Enclosure 1 Appendix 1	7	1
5	Start date to the primary admissions round	Enclosure 2	63	14

6	Admission arrangements for which no change was proposed	Enclosure 1 and its appendices	26	9
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14. Details of recommendations have been shared with the local Members for each area, where appropriate.

### **Proposed changes to local admission arrangements**

#### **Recommendation 1 - Beacon Hill Primary School: introduction of admission criteria for Year 3**

15. The number of responses was low but seven respondents supported this proposal and three were opposed.
16. For September 2017, it is proposed to introduce a Year 3 intake of 2 at Beacon Hill Primary School, in addition to its existing intake of 30 at Reception. This is following a request from the school to ensure vacancies can be filled when children drop out to the independent sector at the end of Year 2, for which there was general agreement by other schools within the confederation.
17. As a result of the additional intake, the local authority has a duty to determine criteria which confirm how children would be admitted.
18. The criteria that have been proposed are in line with those that already exist for admission to Reception at the school and therefore ensure that there would be consistency in the way children are admitted to each intake.
19. They are also consistent with the admission arrangements that exist for the majority of Surrey's other community and voluntary controlled schools.
20. The concern expressed by a parent that with the increase in class sizes the quality of teaching will deteriorate and 'my child's development will suffer' was a response to the introduction of a Year 3 intake rather than the admission criteria itself. However, the introduction of a Published Admission Number for Year 3 was not the subject of consultation. In any case, the school has confirmed that they already take up to 32 children in KS2 classes and have done so for several years and so the introduction of a Year 3 intake will not in itself lead to an increase in class sizes.
21. The concern expressed by a Diocesan member on Surrey's Admissions Forum was a general one that could be applied to any community or voluntary controlled school which prioritises applicants according to whether the school is the nearest or not. It is unclear on what basis the admission arrangements might be considered to be discriminatory against Catholic Schools or to apply a conditionality which would contravene the Code.
22. However, Surrey's admission arrangements were scrutinised by the Office of the Schools Adjudicator in 2015 and no concern was raised in this respect. Although this criterion was not the subject of the objection, the Schools Adjudicator has the power to raise any other matter which comes to his/her attention in the course of scrutinising a set of admission arrangements.
23. As this concern has been raised by a Diocesan member of Surrey's Admissions Forum, where this criterion and the definition of 'nearest school' has previously been discussed, it is intended to place this as an agenda item for the next meeting so the issues might be explored further.

24. In any case, as any change to the use of 'nearest school' within the admission arrangements for Surrey's community and voluntary controlled schools would constitute a fundamental change to the way children were to be admitted, it would not be possible to make such a change without due consultation and consideration of the impact.

**Recommendation 2 – Chennestone Primary School: introduction of a new criterion for Year 3 to give priority for children attending Beauclerc Infant School**

25. The number of responses was low but fifteen respondents supported this proposal and one was opposed.
26. Chennestone Primary School currently admits 30 children in to Reception and a further 40 children in to Year 3. It is federated with Beauclerc Infant School which has a Reception PAN of 40 and the schools share the same headteacher.
27. The majority of children at Beauclerc Infant School currently transfer to Chennestone Primary School and this number has been on the increase over the past four years:
- |      |                   |
|------|-------------------|
| 2015 | 32 pupils (80%)   |
| 2014 | 29 pupils (72.5%) |
| 2013 | 25 pupils (63%)   |
| 2012 | 21 pupils (52.5%) |
28. The next highest feeder school to Chennestone is Hawkedale Infant School, which has a Reception PAN of 30. Over the past four years the following number of pupils have transferred from Hawkedale Infants to Chennestone Primary at Year 3:
- |      |                 |
|------|-----------------|
| 2015 | 7 pupils (23%)  |
| 2014 | 7 pupils (23%)  |
| 2013 | 11 pupils (37%) |
| 2012 | 9 pupils (30%)  |
29. Many of the children from Hawkedale Infant who do not transfer to Chennestone are offered a place at Springfield Primary School which has a Reception PAN of 30 and a Year 3 PAN of 30.
30. However, it has been agreed for Hawkedale Infant School to become an all through primary school from September 2017. It has also been agreed to expand Springfield Primary to two Forms of Entry (FE) and to remove its Junior PAN. In this way, with the exception of children attending Beauclerc Infant School, from 2017 all children in the area will be attending all through primary schools, making the feeder link to Chennestone Primary reasonable.
31. This proposal is therefore intended to deliver a clear transition to Year 3 for the children attending Beauclerc Infant School, the majority of who already transfer to Chennestone.
32. The federated governing body of Beauclerc Infant School and Chennestone Primary School are in support of this proposal.
33. This proposal is also supported by the Headteacher of Hawkedale Infant School on the basis that Hawkedale will be expanding to an all through primary school from September 2017.
34. There was one matter of concern which was expressed by a Diocesan member on Surrey's Admissions Forum with regard to the use of 'nearest school' within admission criteria. This is addressed in paragraphs 21 to 24 of this report.

### **Recommendation 3 – Cranleigh Primary School: re-introduction of admission criteria for Year 3**

35. The number of responses was low but six respondents supported this proposal and one was opposed.
36. For September 2017, it is proposed to reintroduce a Year 3 intake of 30 at Cranleigh Primary School, in addition to its existing intake of 30 at Reception. This is in response to a request from the school following its temporary removal for 2016 so that the school could accommodate a bulge class moving through the school.
37. As a result of the additional intake, the local authority has a duty to determine criteria which confirm how children would be admitted.
38. The criteria that have been proposed are in line with those that already exist for admission to Reception at the school and therefore ensure that there would be consistency in the way children are admitted to each intake.
39. They are also consistent with the admission arrangements that exist for the majority of Surrey's other community and voluntary controlled schools.
40. There was one matter of concern which was expressed by a Diocesan member on Surrey's Admissions Forum with regard to the use of 'nearest school' within admission criteria. This is addressed in paragraphs 21 to 24 of this report.

### **Recommendation 4 - West Ewell Infant School: reduce the Published Admission Number from 90 to 60**

41. The number of responses was low but seven respondents supported this proposal and one was opposed.
42. The Published Admission Number for West Ewell Infant School was reduced from 120 to 90 for 2016 admission following a request by the local authority to the Office of the Schools Adjudicator for an in year variation to the admission arrangements.
43. For September 2017 admission it is proposed to reduce the Reception intake at West Ewell Infant School further, from 90 to 60.
44. West Ewell Infant School is due to become an all through primary school in September 2017. However, without a further reduction in intake, the school would be unable to accommodate the number of children in their Foundation and Key Stage 1 classes, alongside accommodating Key Stage 2 provision as they grow.
45. This is part of a wider reorganisation of school places in Ewell which also sees Danetree Junior School become a primary school in September 2016 and Ewell Grove Infant School become a primary school in September 2017.
46. The published admission numbers at each school have been planned in accordance with the projected number of pupils who will be in need of a school place. This reduction in PAN ensures that there would not be a surplus of places which may have a detrimental impact on another school whilst still providing sufficient school places in the area.

### **Recommendation 5 – Start date to the primary admissions round**

47. Overall 63 respondents supported this proposal whilst 14 were opposed.

48. A total of 68 responses were received from headteachers or school staff members. Of these, 57 were in support (with at least 52 being from the primary sector) and 11 were opposed (with at least 10 being from the primary sector).
49. For 2017 admission, it is intended to publish a later start date for the primary admissions round (Reception and Year 3). Instead of inviting applicants to apply from 1 September 2016 it is proposed to publicise a later date of 31 October 2016, which is the week after the October half term.
50. It has been identified that publishing a later start date would have the following benefits:
- 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 might 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.
51. This proposal was considered by Surrey's Admissions Forum on 26 September 2014 and it received general support.
52. The proposal was originally consulted on for 2016 admission but the decision was deferred following a low response rate to the consultation.
53. The proposal for 2017 was widely distributed to schools for the attention of the headteacher, chair of governors and parent governors and all schools were encouraged to respond.
54. The reasons for supporting the proposal generally echoed the reasons put forward as part of the consultation and which are set out above in paragraph 50.
55. Those who did not support the proposal generally did not do so due to the concern of organising school tours in the second half of the Autumn term, although a number of those in support did not consider this to be an issue.
56. A change in start date to the admissions round would not preclude schools from organising school tours in the first half of term. Literature for parents would still be issued at the start of the Autumn term but this would advise parents to use the first half of the term to do their research and to visit schools.
57. It is not anticipated that this proposal would have any detrimental effect on parents who would still have nearly 11 weeks to complete their application by 15 January (the statutory closing date for primary applications). This timeframe is more in line with that allowed for secondary applicants who are given nearly nine weeks to complete their application by 31 October (the statutory closing date for secondary applications).

58. Although the majority of London local authorities open their primary admissions round at the beginning of September, there are a number of other local authorities which have published a later start to their primary admissions round for 2016, some of which neighbour Surrey:

Brackell Forest	2 November 2015
Buckinghamshire	4 November 2015
Essex	9 November 2015
Hampshire	1 November 2015
Hertfordshire	9 November 2015
Kent	10 November 2015
West Sussex	5 October 2015
Windsor & Maidenhead	2 November 2015

### **Recommendation 6 - Proposed Published Admission Numbers (PAN) for other community and voluntary controlled schools**

59. Whilst admission authorities are required to consult on any decrease to PAN they are not required to consult on proposed increases to PAN. Appendix 1 of Enclosure 1 sets out the proposed admission numbers for all community and voluntary controlled schools for 2017 admission, with changes highlighted in bold.
60. It is intended to increase the PAN for the following schools:
- Beacon Hill School - introduction of Year 3 PAN of 2
  - Cranleigh CofE Primary School – re-introduction of Year 3 PAN of 30
  - Dovers Green School - increase in Reception PAN from 56 to 90
  - Downs Way School – increase in Reception PAN from 45 to 60
  - Godalming Junior - increase in Junior PAN from 58 to 60
  - West Byfleet Junior - increase in Junior PAN from 60 to 90
61. These schools are increasing their intake to either rationalise their class organisation/sizes or to respond to the need to create more school places.
62. Any increase in PAN will help meet parental preference.
63. The School Commissioning team and the schools support these changes.
64. It is proposed that the PAN for all other community and voluntary controlled schools for 2017 should remain as determined for 2016 and this would enable parents to have some historical benchmark by which to make informed decisions about their school preferences.

### **Recommendation 7 – Admission arrangements for which no change is proposed**

65. Overall 26 respondents agreed with the admission arrangements for which no change was proposed and nine were opposed.
66. The local authority has a duty to determine the admission arrangements for all community and voluntary controlled Schools by 28 February each year, even if there are no changes proposed.
67. Consistent admission arrangements that do not change enable parents to have a historical benchmark by which to assess their chances of success in future years and provide some continuity for schools and parents.



68. The admission arrangements for Surrey's community and voluntary controlled schools are generally working well.
69. The admission arrangements enable the majority of pupils to attend their nearest school and in doing so this reduces the need for travel and supports Surrey's sustainability policies.
70. The existing admission arrangements provide for, on average, 85% of pupils to be offered their first preference school and 95% to be offered one of their preference schools.
71. **Use of 'nearest school' in admission criteria** - There was a matter of concern which was expressed by a Diocesan member on Surrey's Admissions Forum with regard to the use of 'nearest school' within admission criteria. This is addressed in paragraphs 21 to 24 of this report.
72. A former governor/chair of governors also expressed concern over the use of 'nearest school' and felt that this criterion was defective as a child who lived nearer a school would get priority over a child for whom the school was nearest but lived further away, affecting those living in country areas. In fact the opposite is the case. Any child who has the school as their nearest school would receive a higher priority than a child who did not have the school as their nearest school but who lived closer. This arrangement supports children living in more rural areas as it ensures that they are not displaced by other children who may live closer to a school but who have another school that is nearer.
73. A parent indicated that schools which take any number of children on faith grounds should be disregarded from the nearest school assessment and that if 'nearest school' is to be used in admission criteria, all schools included in the list of nearest school should be made to use the same criteria in the same way.
74. Whilst there is a duty to enable parents to name a preference for a school and to state their reasons for naming that preference, there is no duty on the local authority to provide a place at a particular type of school. All non-selective state funded schools must provide places for children of all abilities. Whilst some faith schools are oversubscribed by faith applicants, others either are not or choose to offer some of their places without regard to faith. Where this is the case, these schools will be considered in the assessment of nearest school.
75. **Coordinated Admissions scheme** - the Diocesan member on Surrey's Admissions Forum felt that Surrey should make clear how it would decide which school would be offered to a child in the circumstance where no preference school could be offered. There is no duty to publish how such decisions will be made as part of the coordinated admissions scheme. The school that will be offered will be subject to those that have vacancies, the home to school distance, the transport routes and how many other children are without a school place in the area and where they live. Generally the school to be offered will be the nearest with a vacancy but this may not be the case if for example, other children without an offer live closer to the school or the transport route to the school would make an offer unreasonable.
76. **Sibling rule** – One respondent felt that all schools should prioritise siblings who have the school as their nearest, to prevent other local children being deprived of a place. This is an arrangement that has been introduced at a small number of schools but it might not be appropriate for all schools. A balance needs to be drawn between enabling siblings to travel to and study at the same school and supporting families to access a place at a local school.

77. In considering whether such an arrangement should be introduced the following factors would be considered:
- Whether a school has been asked to admit an extra class above PAN and if so in how many year groups, as this can lead to an increase in the number of siblings applying for the school in the future
  - Whether a school historically admits a high number of siblings and whether the sibling numbers have increased following the admission of an extra class
  - The distance that the school traditionally allocates places to and whether all children for whom the school is nearest would normally be offered a place
  - The availability of other schools within the area and the accessibility of those schools
  - The impact on local residents versus the impact on families if tiered sibling criteria are introduced
78. In any case, as any change to the sibling criterion within the admission arrangements for Surrey's community and voluntary controlled schools would constitute a change to the way children were to be admitted, it would not be possible to make such a change without due consultation and consideration of the impact.
79. **St Andrew's CofE Infant School, Farnham** – Five respondents, including the headteacher and chair of governors at the school, felt that Surrey's admission arrangements were deficient because there was no Year 3 provision for children leaving Year 2 at St Andrew's CofE Infant School who may not be eligible for a place in Year 3 at South Farnham School. The Chair of Governors also felt that the catchment for the school was no longer fit for purpose and that the PAN should be reviewed.
80. St Andrew's is currently a named feeder school to South Farnham School at Year 3. Historically, the majority of children at St Andrew's who have applied for a place at South Farnham have been offered a place, although there is no guarantee because St Andrew's shares its feeder link with three other schools. Whilst South Farnham School has changed its admission arrangements for 2016 so that it will assess priority according to the home to school distance to both their infant and junior site, the impact of this change cannot be assessed until the outcome of the applications is known.
81. This is a matter which is currently under review by the local authority and until that review is concluded it is not proposed to make any change to admission arrangements for 2017. If any changes were to be proposed in the future they would be subject to due consultation.
82. **Suggested changes to wording** – Following some suggestions for minor amendments to wording from one of the respondents to the consultation, additional wording has been added to the first paragraph of Section 8 of Enclosure 1 to clarify the approach that will be taken to prioritise applicants when there is oversubscription within any category.

### **Recommendation 8 - Surrey's primary and secondary coordinated admission schemes**

83. The local authority has a duty to determine the primary and secondary coordinated admission schemes that will apply to all schools by 28 February each year, even if there are no changes proposed.
84. The coordinated admission schemes are working well with all schools participating, as they are legally required to.
85. The coordinated schemes provide for all preferences to be named on one application form and for applications to be coordinated to ensure that each child only receives one offer of a place.



86. There are no changes proposed to the coordinated admission schemes other than the change proposed as part of recommendation 5.

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

87. The risks of implementing these changes are low and the majority of local residents are likely to welcome the proposed changes. However, any parents who feel unfairly disadvantaged by the proposals can object to the Office of the Schools' Adjudicator.

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

88. The admission criteria for the majority of community and voluntary controlled schools in Surrey conform to Surrey's standard criteria. The more schools that have the same admission criteria the more the processes can be streamlined and thus present better value for money. However, where required, the admission criteria for some schools vary from Surrey's standard but these can currently be managed within existing resources.

#### **Section 151 Officer Commentary**

89. The Section 151 Officer confirms that the proposed changes to the admission arrangements will be met within existing resources.

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

90. The admission arrangements comply with legislation on School Admissions and the School Admissions Code.
91. The local authority has carried out a consultation on all changes for a period of 6 weeks between 2 November 2015 and 14 December 2015, which is in accordance with statutory requirements.
92. There is a statutory requirement for consultation in this context as set out in The School Admissions (Admission Arrangements and Co-ordination of Admission Arrangements) (England) Regulations 2012. Such consultation involved those directly affected by the changes together with relevant representative groups. The material presented to consultees provided sufficient information to allow for intelligent consideration and response in relation to the proposals and was presented in a way that consultees could understand.
93. In considering this Report, Cabinet must give due regard to the results of the consultation as set out in the reports attached and the response of the Service to the consultation comments and conscientiously take these matters into account when making its final decision.
94. A summary of responses is collated in Enclosure 4 and the local authority has given due regard to those responses in considering the recommendations to put before Cabinet.

#### **Equalities and Diversity**

95. The Equalities Impact Assessment has been completed in full and is attached in Enclosure 5. The adoption of determined admission criteria is a mandatory requirement supported by primary legislation. The policy relating to community and voluntary controlled schools does not discriminate according to age, gender, ethnicity, faith, disability or sexual orientation.

96. Measures have been taken to reference vulnerable groups both in terms of exceptional arrangements within admissions, the SEN process and the in-year fair access protocol. In addition a right of appeal exists for all applicants who are refused a school place.

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

97. The proposed admission arrangements give top priority to children who are Looked After or accommodated by a local authority and to those children who have left care through adoption, a child arrangements order or a special guardianship order.

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

98. The efficient and timely administration of the schools admission process coupled with the equitable distribution of school places in accordance with the School Admission Code and parental preference contribute to the County Council's priority for safeguarding vulnerable children.

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

99. The County Council attaches great importance to being environmentally aware and wishes to show leadership in cutting carbon emissions and tackling climate change.
100. The admission arrangements enable the majority of pupils to attend their nearest school and so reduces travel and supports policies on cutting carbon emissions and tackling climate change.

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

- The September 2017 admissions arrangements as agreed by the Cabinet will be ratified by the full County Council on 9 February 2016.
- The determined admission arrangements will be published on Surrey's website by 15 March 2016 and all consultees will be notified.
- All Surrey schools will also be notified of the determined admission arrangements in the Admissions termly newsletter, issued as part of the Schools Bulletin at the start of the Summer Term 2016.
- The arrangements will be published in the primary and secondary admissions booklets in August 2016, which will be made available to parents online and in hard copy by request in September 2016.
- The information on school admissions will be circulated to the Contact Centre, Surrey County Council Libraries and Early Years.
- Full information on school admissions will also be published on Surrey County Council's website in September 2016.

#### **Contact Officer:**

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Tel: 01483 517689

#### **Consulted:**

Julie Fisher, Deputy Chief Executive and Strategic Director for Children, Schools and Families

Julie Stockdale, Head of School Commissioning

Sarah Baker, Legal and Democratic Services

School Admissions Forum

Headteachers, Chairs of Governors, Parent Governors of all Surrey schools

Early Years establishments in Surrey  
 Diocesan Boards of Education  
 Neighbouring local authorities  
 Out of County own admission authority schools within 3/5 miles radius of the Surrey border  
 Surrey County Councillors, Parish Councils, Local MPs,  
 General public consultation via the website/schools/contact centre

**Annexes:**

- Enclosure 1** Admission arrangements for community & voluntary controlled schools
- Appendix 1** Proposed Published Admission Numbers
- Appendix 2** Schools to be considered as adjoining/shared sites for sibling priority
- Appendix 3** Schools to be considered to admit local children
- Appendix 4** Catchment map for Southfield Park Primary
- Appendix 5** Catchment map for Woodmansterne Primary
- Appendix 6** Catchment map for Tatsfield Primary
- Appendix 7** Catchment map for St Andrew's CofE Controlled Infant
- Enclosure 2** Primary and secondary coordinated schemes
- Enclosure 3** Proposed changes to admission arrangements – consultation document
- Enclosure 4** Outcome of consultation
- Enclosure 5** Equality Impact Assessment

**Sources/background papers:**

School Admissions (Admission Arrangements and Coordination of Admission Arrangements) (England) Regulations 2012

School Admissions and Framework Act 1998

Education Act 2002

School Admissions Code 2014

Cabinet Member for Schools and Learning report and decision – 8 October 2015

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## Admission arrangements for Surrey County Council's community and voluntary controlled schools 2017/18

This document sets out Surrey County Council's admission arrangements for community and voluntary controlled schools in 2017/18. Where changes have been made, text is in bold.

1. The Published Admission Numbers for initial entry to Surrey's community and voluntary controlled schools in September 2017 are set out in APPENDIX 1.
2. Applications for admission at the normal intake will be managed in accordance with Surrey's coordinated schemes on primary and secondary admission. Please see Surrey's coordinated schemes for further details regarding applications, processing, offers, late applications, post-offer and waiting lists.
3. Applications for Reception and applications for a Junior place at schools which have a published admission number for Year 3, must be made by 15 January 2017. Places at Surrey schools will be offered on the basis of the preferences that are shown on the application form. Applicants will be asked to rank up to four primary or Year 3 preferences and these will be considered under an equal preference system.
4. Applications for a secondary school place must be made by 31 October 2016. Places at Surrey secondary schools will be offered on the basis of the preferences that are shown on the application form. Applicants will be asked to rank up to six preferences and these will be considered under an equal preference system.
5. The admission arrangements for 2017/18 for the majority of Surrey's community and voluntary controlled schools are set out in section 7 below. Where there are local variations these are set out by area and by school in section 8.
6. Children with a statement of special educational needs or an education, health and care plan (EHCP) that names a school will be allocated a place before other children are considered. In this way, the number of places available will be reduced by the number of children with a statement that has named the school.
7. Other than for schools listed in section 8, when a community or voluntary controlled school is over-subscribed for any year group, applications for entry in 2017/18 will be ranked in the following order:
  - i) First priority: Looked after and previously looked after children  
See section 9 for further information relating to looked after and previously looked after children.
  - ii) Second priority: Exceptional social/medical need  
See section 10 for further information relating to exceptional social/medical need.
  - iii) Third priority: Children who will have a sibling at the school or at an infant/ junior school which will operate shared sibling priority for admission at the time of the child's admission  
See APPENDIX 2 for infant/junior schools that will operate shared sibling priority for admission for the purpose of this criterion. See section 11 for further information relating to siblings.

If within this category there are more children than places available, any remaining places will be offered to children who meet this criterion on the basis of proximity of the child's home address to the school (please see criterion v).

- iv) Fourth priority: Children for whom the school is the nearest to their home address  
All community and voluntary controlled schools will be considered in the assessment of nearest school. A list of the academies and foundation, trust and voluntary aided schools in Surrey that will be considered in the assessment of nearest school and the out of county schools that will not be considered in the assessment of nearest school can be seen at APPENDIX 3. See section 12 for further information on the definition of nearest school. See section 13 for further information on the definition of home address.

If within this category there are more children than places available, any remaining places will be offered to children who meet this criterion on the basis of proximity of the child's home address to the school (please see criterion v).

- v) Fifth priority: Any other children  
Remaining places will be offered on the basis of nearness to the school measured in a straight line from the address point of the **child's home address**, as set by Ordnance Survey to the nearest official school gate for pupils to use. This is calculated using the admissions team's Geographical Information System. See section 13 for further information on the definition of home address.

Where two or more children share a priority for a place, e.g. where two children live equidistant from a school and only one place remains, Surrey County Council will **use random allocation** to determine which child should be given priority. **See section 14 for further information on tie breakers.**

## 8 Local admission arrangements for September 2017

Unless stipulated otherwise, if any of the following schools are oversubscribed within any category, priority **in that category** will be given to those living closest to the school. Home to school distance will be measured by a straight line from the address point of the **child's home address** as set by Ordnance Survey to the nearest official school gate for pupils to use. This is calculated using the Admission and Transport team's Geographical Information System.

**In considering local admission arrangements, see sections 9 to 14 for more information on:**

- **Looked after and previously looked after children**
- **Exceptional social/medical need**
- **Siblings**
- **Nearest school**
- **Home address**
- **Tie breakers**

### a) Elmbridge

#### i) Hinchley Wood Primary School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Siblings for whom the school is the nearest to their home address
4. Non-siblings for whom the school is the nearest to their home address

5. Other siblings for whom the school is not the nearest to their home address
6. Any other children

ii) Thames Ditton Infant School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Siblings for whom the school is the nearest to their home address
4. Non-siblings for whom the school is the nearest to their home address
5. Other siblings for whom the school is not the nearest to their home address
6. Any other children

iii) Thames Ditton Junior School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Siblings for whom the school is the nearest school to their home address
4. \* Children attending Thames Ditton Infant School for whom the school is the nearest school to their home address
5. Other children for whom the school is the nearest school to their home address
6. Other siblings for whom the school is not the nearest school to their home address
7. \* Other children attending Thames Ditton Infant School for whom the school is not the nearest school to their home address
8. Any other children

\* Criteria 4 and 7 will only apply until 31 August 2017 at which time the child will have left the infant school

b) Epsom & Ewell

i) Auriol Junior School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. \*Children attending The Mead Infant School
4. Siblings not admitted under 3 above
5. Any other children

\* Criterion 3 will only apply until 31 August 2017 at which time the child will have left the infant school

ii) Southfield Park Primary School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Siblings
4. Children living in the defined catchment area of the school (see APPENDIX 4 for catchment map). If the number of children in the defined catchment area is greater than the number of places available at the school, places will be offered to those living the furthest distance from the school, measured in a straight line.
5. Other children for whom the school is their nearest school
6. Any other children

iii) Wallace Fields Infant School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Children who will have a sibling at Wallace Fields Infant School or Wallace Fields Junior School on the date of their admission and for whom the school is the nearest to their home address
4. Non-siblings for whom the school is the nearest to their home address
5. Other children who will have a sibling at Wallace Fields Infant School or Wallace Fields Junior School on the date of their admission and for whom the school is not the nearest to their home address
6. Any other children

iv) Wallace Fields Junior School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Children who will have a sibling at Wallace Fields Infant School or Wallace Fields Junior School on the date of their admission and for whom the school is the nearest to their home address
4. \*Children attending Wallace Fields Infant School for whom the school is the nearest school to their home address
5. Non-siblings for whom the school is the nearest to their home address
6. Other children who will have a sibling at Wallace Fields Infant School or Wallace Fields Junior School on the date of their admission and for whom the school is not the nearest to their home address
7. \*Other children attending Wallace Fields Infant School for whom the school is not the nearest school to their home address
8. Any other children

\* Criteria 4 and 7 will only apply until 31 August 2017 at which time the child will have left the infant school

c) Guildford

i) Walsh C of E Junior School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. \*Children attending Walsh Memorial CofE (Controlled) Infant School
4. Siblings not admitted under 3 above
5. \*Children attending St Paul's CofE Infant School (Tongham)
6. Any other children

\* Criteria 3 and 5 will only apply until 31 August 2017 at which time the child will have left the infant school

ii) Worplesdon Primary School at 7+

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Siblings
4. \*Children attending Wood Street Infant School
5. Children for whom the school is the nearest to their home address
6. Any other children

\* Criterion 4 will only apply until 31 August 2017 at which time the child will have left the infant school



d) Mole Valleyi) St Martin's C of E Primary School at 7+:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Siblings
4. \*Children attending St Michael's CofE (Aided) Infant School
5. Children for whom the school is the nearest to their home address
6. Any other children

\* Criterion 4 will only apply until 31 August 2017 at which time the child will have left the infant school

e) Reigate & Bansteadi) Banstead Community Junior School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. \*Children attending Banstead Infant School
4. Siblings not admitted under 3 above
5. Any other children

\* Criterion 3 will only apply until 31 August 2017 at which time the child will have left the infant school

ii) Earlswood Junior School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. \*Children attending Earlswood Infant School
4. Siblings not admitted under 3 above
5. Children for whom the school is the nearest to their home address
6. Any other children

\* Criterion 3 will only apply until 31 August 2017 at which time the child will have left the infant school

iii) Meath Green Junior

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. \*Children attending Meath Green Infant School
4. Siblings not admitted under 3 above
5. Any other children

\* Criterion 3 will only apply until 31 August 2017 at which time the child will have left the infant school

iv) Reigate Priory School

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Siblings for whom the school is the nearest to their home address
4. Non-siblings for whom the school is the nearest to their home address
5. Other siblings for whom the school is not the nearest to their home address
6. Any other children

v) Woodmansterne Primary School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Siblings
4. Children living in the defined catchment area of the school (see APPENDIX 5 for catchment map).
5. Children for whom the school is nearest to the home address
6. Any other children

f) Runnymede

i) Ottershaw C of E Junior School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. \*Children attending Ottershaw CofE Infant School
4. Siblings not admitted under 3 above
5. Any other children

\* Criterion 3 will only apply until 31 August 2017 at which time the child will have left the infant school

ii) St Ann's Heath Junior School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Siblings
4. \*Children attending Trumps Green Infant School or Meadowcroft Infant School
5. Children for whom St Ann's Heath Junior School is the nearest school with a Junior PAN
6. Any other children

\* Criterion 4 will only apply until 31 August 2017 at which time the child will have left the infant school

g) Spelthorne

i) **Chennestone Primary Community School at 7+**

- 1. Looked after and previously looked after children**
- 2. Exceptional social/medical need**
- 3. Siblings**
- 4. \*Children attending Beauclerc Infant School**
- 5. Children for whom the school is nearest to their home address**
- 6. Any other children**

**\* Criterion 4 will only apply until 31 August 2017 at which time the child will have left the infant school**

h) Surrey Heath

i) Crawley Ridge Junior School:

1. Looked after and previously looked after children
2. Exceptional social/medical need

3. \*Children attending Crawley Ridge Infant School
4. Siblings not admitted under 3 above
5. Any other children

\* Criterion 3 will only apply until 31 August 2017 at which time the child will have left the infant school

i) Tandridge

i) Tatsfield Primary School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Children who had a sibling on roll at the school at the end of the 2013/14 academic year and that sibling will still be expected to be on roll at the school on the date of the child's admission
4. Siblings who live within the catchment area (see APPENDIX 6 for catchment map)
5. Other children who live within the catchment area
6. Siblings who live outside the catchment area
7. Other children who live outside the catchment area

j) Waverley

i) Hale Primary School at 7+:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Siblings
4. \*Children attending Folly Hill Infant School
5. Children for whom the school is the nearest to their home address
6. Any other children

\* Criterion 4 will only apply until 31 August 2017 at which time the child will have left the infant school

ii) Shottermill Junior School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. \*Children attending Shottermill Infant School
4. Siblings not admitted under 3 above
5. Any other children

\* Criterion 3 will only apply until 31 August 2017 at which time the child will have left the infant school

iii) St Andrew's C of E (Controlled) Infant School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Siblings
4. Children living within the catchment area of St Andrew's CofE Infant School (see APPENDIX 7 for catchment map)
5. Any other children

iv) William Cobbett Primary School at 7+:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Siblings
4. \*Children attending a named feeder school. In alphabetical order these are:
  - Badshot Lea Village Infant School
  - Folly Hill Infant School
5. Children for whom the school is the nearest to their home address
6. Any other children

\* Criterion 4 will only apply until 31 August 2017 at which time the child will have left the infant school

k) Woking

i) Knaphill School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. \*Children attending Knaphill Lower School
4. Siblings not admitted under 3 above
5. Any other children

\* Criterion 3 will only apply until 31 August 2017 at which time the child will have left the infant school

ii) West Byfleet Junior School:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. \*Children attending West Byfleet Infant School
4. Siblings not admitted under 3 above
5. Any other children

\* Criterion 3 will only apply until 31 August 2017 at which time the child will have left the infant school

9. Looked after and previously looked after children

Within the admission arrangements for all community and voluntary controlled schools looked after and previously looked after children will receive the top priority for a place. Looked after and previously looked after children will be considered to be:

- children who are registered as being in the care of a local authority or provided with accommodation by a local authority in accordance with Section 22 of the Children Act 1989(a), e.g. fostered or living in a children's home, at the time an application for a school is made; and
- children who have previously been in the care of a local authority or provided with accommodation by a local authority in accordance with Section 22 of the Children Act 1989(a) and who have left that care through adoption, a child arrangements order (in accordance with Section 8 of the Children Act 1989 and as amended by the Children and Families Act 2014) or special guardianship order (in accordance with Section 14A of the Children Act 1989).

Places will be allocated under this criterion when places are first offered at a school and the local authority may also ask schools to admit over their published admission number at other times under this criterion.

#### 10. Exceptional social/medical need

Occasionally there will be a very small number of children for whom exceptional social or medical circumstances apply which will warrant a placement at a particular school. The exceptional social or medical circumstances might relate to either the child or the parent/carer. Supporting evidence from a professional is required such as a doctor and/or consultant for medical cases or a social worker, health visitor, housing officer, the police or probation officer for other social circumstances. This evidence must confirm the circumstances of the case and must set out why the child should attend a particular school and why no other school could meet the child's needs.

Providing evidence does not guarantee that a child will be given priority at a particular school and in each case a decision will be made based on the merits of the case and whether the evidence demonstrates that a placement should be made at one particular school above any other.

Common medical conditions and allergies can usually be supported in all mainstream schools, therefore priority under a school's exceptional medical criterion would not normally be given for these. **Some mainstream schools have units attached which provide specialist provision for children with either a Statement of Special Educational Needs or an Education, Health and Care Plan which names the school. The facilities in these units are not normally available to children in the mainstream school and as such priority under a school's exceptional social or medical criterion would not normally be agreed for a mainstream place on the basis of a specialist unit being attached to the school.**

In addition, routine child minding arrangements would not normally be considered to be an exceptional social reason for placement at a particular school.

We reserve the right to refer medical evidence to our designated medical officer, where necessary, to assist us in making a decision about medical priority for a school place.

Places may be allocated under this criterion when places are first offered at a school and the local authority may also ask schools to admit over their published admission number at other times under this criterion.

#### 11. Siblings for community and voluntary controlled schools

A sibling will be considered to be a brother or sister (that is, another child of the same parents, whether living at the same address or not), a half-brother or half-sister or a step-brother or step-sister or an adoptive or foster sibling, living as part of the same family unit at the same address.

A child will be given sibling priority if they have a sibling on roll at the school concerned and that sibling is still expected to be on roll at that school at the time of the child's admission.

For the initial intake to an infant/junior school, a child will also be given sibling priority

for admission if their sibling is attending an infant/junior school which **operates** shared sibling priority **with the school and that sibling is still expected to be on roll at either school at the time of the child's admission**. See APPENDIX 2 for schools that will operate shared sibling priority for admission in 2017 for the purpose of the sibling criterion. This will apply both at the initial allocation of places and also when prioritising the waiting list. Giving sibling priority has the effect of maximising the opportunity for children in the same family to be educated at the same school or at a school which operates shared sibling priority.

At the initial allocation, when an applicant is applying for a Reception place at an infant school that has both a feeder and sibling link to a junior school and the child has a sibling currently attending Year 2 of the infant school but who will have left by the time the younger child starts, the younger child will be considered under the sibling criterion as part of the initial allocation. This is because, due to the feeder link, they will be expected to still have a sibling at the linked junior school at the time of admission. The schools for which this will apply are as follows:

Bagshot Infant and Connaught Junior (Academy)  
 Crawley Ridge Infant and Crawley Ridge Junior  
 Earlswood Infant and Earlswood Junior  
 The Grange Community Infant and New Haw Community Junior (Academy)  
 Knaphill Lower and Knaphill Junior  
 The Mead Infant and Auriol Junior  
 Meadowcroft Infant and St Ann's Heath Junior  
 Meath Green Infant and Meath Green Junior  
 Mellow CofE Infant and Bushy Hill Junior (Foundation)\*  
 Ottershaw Infant and Ottershaw Junior  
 Shottermill Infant and Shottermill Junior  
 Thames Ditton Infant and Thames Ditton Junior  
 Trumps Green Infant and St Ann's Heath Junior  
 Wallace Fields Infant and Wallace Fields Junior  
 Walsh Memorial CofE Infant and Walsh CofE Junior  
 Warren Mead Infant and Warren Mead Junior (Academy)  
 West Byfleet Infant and West Byfleet Junior

\* Shared sibling priority only applies to Mellow CofE Infant School

For other schools, which have a sibling link but no feeder link, neither child will be treated as a sibling under the sibling criterion until after the offer day. At that time, if a place has been offered to only one child, the waiting list position for the other child will be adjusted to reflect the fact that they are expected to have a sibling in a school which will operate shared sibling priority for admission in 2017. The schools for which this will apply are as follows:

Eastwick Infant and Eastwick Junior

Where a sibling is in Year 11 or Year 12 at a school that has a sixth form at the time of an application for a younger child to start year 7 in September 2017, they will be deemed as being in the school at the time of admission, unless the parent/carer has specifically expressed that they will not be continuing in to the following academic year.

## 12. Nearest school

For the normal intake to a school, the nearest school will be defined as the school closest to the home address with a published admission number for children of the appropriate age-range, as measured by a straight line and which has admitted children without regard to faith or boarding in the initial allocation of places in 2013, 2014 and 2015. Exceptions to this would be:

- where a faith school has changed its admission arrangements and that change has meant that they would be expected to offer places to children who do not demonstrate a commitment to faith in future; and
- **where a new school has opened or an existing school has opened a new phase of education since 2014 and that school does not admit all children with regard to faith.**

The nearest school may be inside or outside the county boundary. Under this criterion all Surrey community and voluntary controlled schools will be considered. A list of the academies and foundation, trust and voluntary aided schools in Surrey that will be considered in the assessment of nearest school and the out of county schools that will not be considered in the assessment of nearest school can be seen at APPENDIX 3.

Any applicant remaining on the waiting list after 1 September 2017 will be considered to be an application for in year admission. After this date, when assessing nearest school, **all schools with the appropriate year group** will be taken in to account.

## 13. Home address

Within the admission arrangements for community and voluntary controlled schools the child's home address excludes any business, relative's or childminder's address and must be the child's normal place of residence. **Where the child is subject to a child arrangements order and that order stipulates that the child will live with one parent/carers more than the other, the address to be used will be the one where the child is expected to live for the majority of the time. For other children, the address to be used will be the address where the child lives the majority of the time. In other cases, where the child spends an equal time between their parents/carers, it will be up to the parent/carers to agree which address to use.** Where a child spends their time equally between their parents/carers and they cannot agree on who should make the application, we will accept an application from the parent/carers who is registered for child benefit. If neither parent is registered for child benefit we will accept the application from the parent/carers whose address is registered with the child's current school or nursery.

We will not generally accept a temporary address if the main carer of the child still possesses a property that has previously been used as a home address, nor will we accept a temporary address if we believe it has been used solely or mainly to obtain a school place when an alternative address is still available to that child. All distances will be measured by the computerised Geographical Information System maintained by Surrey's admissions team.

The address to be used for the initial allocation of places to Reception, Year 3 and Year 7 will be the child's address at the closing date for application. Changes of address may be considered in accordance with Surrey's coordinated scheme if there are exceptional reasons behind the change, such as if a family has just moved to the



area. The address to be used for waiting lists, after the initial allocation, will be the child's current address. Any offer of a place on the basis of address is conditional upon the child living at the appropriate address on the relevant date. Applicants have a responsibility to notify Surrey County Council of any change of address.

14. Tie breaker and the admission of twins, triplets, other multiple births or siblings born in the same academic year

Where two or more children share a priority for a place, e.g. where two children live equidistant from a school and only one place remains, Surrey County Council will **use random allocation** to determine which child should be given priority.

In the case of multiple births, where children have equal priority for a place, Surrey County Council will **use random allocation** to determine which child should be given priority. If after the allocation one or more places can be offered but there are not sufficient places for all of them, wherever it is logistically possible, each child will be offered a place. Where it is not logistically possible to offer each child a place the child(ren) ranked the highest will retain their offer and the applicant will be advised of their right of appeal and informed about waiting lists.

15. Waiting lists

Where there are more children than places available, waiting lists will operate for each year group according to the oversubscription criteria for each school without regard to the date the application was received or when a child's name was added to the waiting list.

Waiting lists for the initial intake to each community and voluntary controlled school will be maintained until the last day of the Summer term 2018 when they will be cancelled. Applicants who wish a child to remain on the waiting list after this date must write to Surrey County Council by 27 July 2018, stating their wish and providing their child's name, date of birth and the name of their child's current school. After 27 July 2018, applicants whose children are not already on the waiting list but who wish them to be so must apply for in-year admission through Surrey County Council. Waiting lists for all year groups will be cancelled at the end of each academic year.

16. In-year admissions

The following applications will be treated as in-year admissions during 2017/18:

- applications for admission to Reception which are received after 1 September 2017;
- for any school which has a published admission number (PAN) for Year 3, applications for admission to Year 3 which are received after 1 September 2017;
- applications for admission to Year 7 which are received after 1 September 2017;
- all other applications for admission to Years 1 to 6 and 8 to 11.

Applications for Surrey's community and voluntary controlled schools must be made to the local authority on Surrey's common application form. Where there are more applications than places available, each application will be ranked in accordance with the published oversubscription criteria for each school.



### 17. Starting school

The community and voluntary controlled infant and primary schools in Surrey have a single intake into Reception. All children whose date of birth falls between 1 September 2012 and 31 August 2013 will be eligible to apply for a full time place in Reception at a Surrey school for September 2017. Applicants can defer their child's entry to Reception until later in the school year, but this will not be agreed beyond the beginning of the term after the child's fifth birthday, nor beyond the beginning of the final term of the academic year for which the offer was made. Applicants may also arrange for their child to start part time until their child reaches statutory school age.

### 18. The admission of children outside of their chronological year group

Applicants may choose to seek a place outside their child's chronological (correct) year group. Decisions will be made on the basis of the circumstances of each case and what is in the best interests of the child concerned.

- Applicants who are applying for their child to have a decelerated entry to school, i.e. to start later than other children in their chronological age group, **should** initially apply for a school place in accordance with the deadlines that apply for their child's chronological age. If, in liaison with the **headteacher**, the local authority agrees for the child to have a decelerated entry to a community or voluntary controlled school **the place cannot be deferred and instead the applicant** will be invited to apply again in the following year for the decelerated cohort
- Applicants who are applying for their child to have an accelerated entry to school, i.e. to start earlier than other children in their chronological age group, must initially apply for a school place at the same time that other families are applying for that cohort. If, in liaison with the **headteacher**, the local authority agrees for the child to have an accelerated entry to a community or voluntary controlled school, the application will be processed. If it is not agreed for the child to have an accelerated entry to a community or voluntary controlled school, **the applicant** will be invited to apply again in the following year for the correct cohort

Applicants must state clearly why they feel admission to a different year group is in the child's best interest and provide what evidence they have to support this. More information on educating children out of their chronological year group and the process for making such requests is available at [www.surreycc.gov.uk/admissions](http://www.surreycc.gov.uk/admissions).

### 19. Nursery admissions

The local authority has delegated the admissions of nursery children to the governing body of community and voluntary controlled schools/nurseries. Applicants wishing to apply for a place must complete the application form and submit it directly to the school or nursery that they wish to apply for in accordance with the dates set by the school.

Each nursery class within community and voluntary controlled infant and primary schools operate one or two part-time sessions of up to 3 hours a day, depending on the school. This means that children might normally attend in the morning or afternoon, although if the school is offering the place more flexibly this could be over a longer period. Children attending a nursery in a community or voluntary controlled

infant or primary school would normally either attend for 5 morning or 5 afternoon sessions per week. Schools which offer part-time sessions of less than 3 hours a day should review their session length each year.

#### Places for two year olds

Some nurseries might admit children after they turn two years old if they are entitled to the free extended provision. Where there are more applications than places available children who are entitled to the free extended provision will be ranked according to the following criteria:

- a) Looked after and previously looked after children
- b) Exceptional social/medical need
- c) Children who will have a sibling attending the nursery or the main school at the time of admission
- d) Any other children

Where any category is oversubscribed, children will be ranked according to the straight line distance that they live from the school with priority being given to children who live closest to the school.

Once such children are placed on roll at a nursery, they will be automatically entitled to take up a three year old place and the number of places available for three year olds will reduce.

#### Places for three year olds

All children will be eligible to be considered for admission to a nursery class in a community or voluntary controlled school or nursery in the term after they turn three years old, although admission will be subject to an application being made and places being available.

When a nursery in a community or voluntary controlled infant or primary school is over-subscribed for a three year old place, applications for entry in 2017/2018 will be ranked according to the following criteria, which will be applied in the first instance to children wishing to take up the free early years provision:

- a) Looked after and previously looked after children
- b) Exceptional social/medical need
- c) Children who will have a sibling attending the nursery or the main school at the time of admission
- d) Children who will turn 4 years old between 1 September 2017 to 31 August 2018 (this is to give priority to older children who will be due to transfer to Reception in the next academic year and hence only have one year left to attend nursery)
- e) Children who will be 3 years old between 1 September 2017 to 31 August 2018 (these children will be able to stay on in nursery for another year in 2018/19 as they will not be due to start Reception until September 2019)

Where any category is oversubscribed, children will be ranked according to the straight line distance that they live from the school with priority being given to children who live closest to the school.

#### Procedures for admission

Each school will endeavour to inform applicants of the outcome of their application by letter, at least one term before admission. A school will only allocate nursery

sessions once it has determined that a place can be offered in accordance with the admission criteria. If an applicant is offered a place they must confirm acceptance directly with the school by the date stipulated in their offer letter.

The final decision with regard to admission and the allocation of morning or afternoon sessions rests with the governing body of the school.

Where a school is oversubscribed it will maintain a waiting list in criteria order.

Admission to a school's nursery does not guarantee admission to the Reception class at that school. Applications for Reception must be made on a separate application and be submitted by the statutory deadline in order to be considered.

Some schools or nurseries may allow parents to pay for extra nursery provision, beyond their free entitlement. However such requests will only be considered once all applications for the free early year's entitlement have been processed.

In addition to nurseries within some community and voluntary controlled infant and primary schools, Surrey also has four stand alone Nursery schools, some with attached Children's Centres, in Chertsey, Dorking, Godalming and Guildford. These may provide a mix of full and part time places. Whilst these schools will also follow the admission criteria set out above, under the social and medical need criterion they may also consider the individual learning need of a child, if it can be demonstrated that no other school can meet the child's learning needs.

## 20. Sixth form admissions

The following community and voluntary controlled schools have sixth forms:

- The Ashcombe School
- Therfield School

### Internal students

Each school will welcome applications from internal students who have attended year 11 of the school during the 2016/17 academic year. Acceptance onto a programme of subjects/courses is subject to a student having achieved the entry requirements set by the school.

### External students

Each school will also accept applications for entry to the sixth form from external applicants. The published admission number for external applicants for entry to Year 12 in September 2017 will be 15 for each school, but more places may be available subject to the take up by internal applicants. Acceptance onto a programme of subjects/courses is subject to a student having achieved the entry requirements, which will be the same as those for internal applicants. Students should refer to each school's Sixth Form prospectus for the individual subject requirements. Individual subjects may be limited in the number of students they can accommodate.

Should applications from suitably qualified external students exceed the number of places available, the following oversubscription criteria will apply:

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Other applicants on the basis of nearness to the school, measured in a straight line from the address point of the **student's address**, as set by Ordnance Survey, to the nearest official school gate for pupils to use. This

is calculated using the Admission and Transport team's Geographical Information System.

21. Home to school transport

Surrey County Council has a Home to School Transport policy that sets out the circumstances that children might qualify for free home to school transport.

Generally, transport will only be considered if a child is under 8 years old and is travelling more than two miles or is over 8 years old and travelling more than three miles to the nearest school with a place. Transport will not generally be provided to a school that is further away if a child would have been offered a place at a nearer school had it been named as a preference on the application form, although exceptions may apply to secondary aged children whose families are on a low income if they are travelling to one of their three nearest schools and to children whose nearest school is out of County but over the statutory walking distance.

Eligibility to transport is not linked to the admission criteria of a school. Some schools give priority to children who are attending a feeder school, but attending a feeder school does not confer an automatic right to transport to a linked school. In considering admission criteria and school preferences it is important that applicants also consider the home to school transport policy so they might take account of the likelihood of receiving free transport to their preferred school before making their application. A full copy of Surrey's Home to School Transport policy is available on Surrey's website at [www.surreycc.gov.uk](http://www.surreycc.gov.uk) or from the Surrey Schools and Childcare Service on 0300 200 1004.

## Admission numbers for Surrey County Council's community and voluntary controlled schools 2017

This document sets out Surrey County Council's Published Admission Numbers (PAN) for community and voluntary controlled schools for September 2017. Where changes have been made text is in bold.

Where a PAN is denoted as 4+ it relates to admission to Reception. Where a PAN is denoted as 7+ it relates to admission to Year 3

### 1. Primary schools

School	PAN
<b>ELMBRIDGE</b>	
Bell Farm Primary	90
Claygate Primary	60
Cranmere Primary	90
Grovelands Primary	60
Hinchley Wood Primary	90
Hurst Park Primary	60
Long Ditton Infant & Nursery	60
Manby Lodge Infant	90
Oatlands	90
The Royal Kent C of E Primary	4+ 30 7+ 2
St Andrew's Cof E Primary	4+ 52 7+ 8
St James C of E Primary	60
Thames Ditton Infant	90
Thames Ditton Junior	90
Walton Oak	60
<b>EPSOM &amp; EWELL</b>	
Auriol Junior	90
Cuddington Community Primary	30
Epsom Primary	60
*#Ewell Grove Infant	60
The Mead Infant	90
Meadow Primary	90
Southfield Park Primary	60
Stamford Green Primary	90
The Vale Primary	30
Wallace Fields Infant	60
Wallace Fields Junior	68
<b>*West Ewell Infant</b>	<b>60</b>
* Agreed to become all through primary schools from September 2017	
# Agreed by the Office of the Schools Adjudicator to reduce PAN from 70 to 60 for 2016	
<b>GUILDFORD</b>	
Ash Grange Primary	30
Guildford Grove Primary	60
Holly Lodge Primary	60
Merrow C of E (Cont) Infant	60
Onslow Infant	90

Pirbright Village Primary	60
Ripley Church of England Primary	28
St Mary's C of E (VC) Infant	30
St Paul's Church of England Infant	30
Shalford Infant	30
Shawfield Primary	30
Stoughton Infant	90
Tillingbourne Junior	90
Walsh Church of England Junior	75
Walsh Memorial C of E (Cont) Infant	60
Wood Street Infant	30
Worplesdon Primary	4+ 60 7+ 30
Wyke Primary	30

### **MOLE VALLEY**

Barnett Wood Infant	52
Charlwood Village Infant	15
The Dawnay	4+ 30 7+ 15
Eastwick Infant	75
Eastwick Junior	90
Fetcham Village Infant	60
The Greville Primary	4+ 60 7+ 60
Leatherhead Trinity	60
North Downs Primary	4+ 60 7+ 4
Oakfield Junior	60
Polesden Lacey Infant	30
Powell-Corderoy Primary	30
St Martin's Church of England (C) Primary	4+ 45 7+ 15
West Ashtead Primary	4+ 30 7+ 30

### **REIGATE & BANSTEAD**

Banstead Community Junior	90
<b>*Dovers Green</b>	<b>90</b>
Earlswood Infant & Nursery	120
Earlswood Junior	120
Epsom Downs Primary	60
Furzefield Primary Community	60
Holmesdale Community Infant	120
Horley Infant	90
Kingswood Primary	30
Langshott Primary	60
Manorfield Primary & Nursery	30
Meath Green Infant	90
Meath Green Junior	90
Merstham Primary	30
Reigate Priory Community Junior	150

St John's Primary	30
Sandcross Primary	4+ 60 7+ 60
Shawley Community Primary	45
Walton on the Hill Primary	30
Warren Mead Infant	70
Woodmansterne Primary	60
Wray Common Primary	60

\* Agreed through Statutory Notice to expand to a PAN of 90 from September 2016

### **RUNNYMEDE**

Darley Dene Primary	30
Englefield Green Infant & Nursery	60
The Grange Community Infant	90
The Hythe Community Primary	60
Manorcroft Primary	60
Meadowcroft Community Infant	30
Ongar Place Primary	30
Ottershaw Infant	60
Ottershaw Junior	60
St Ann's Heath Junior	90
Stepsgates Community	30
Thorpe Lea Primary	30
Trumps Green Infant	60

### **SPELTHORNE**

Ashford Park Primary	90
Beauclerc Infant	40
Buckland Primary	60
Chennestone Primary Community	4+ 30 7+ 40
Clarendon Primary	30
Riverbridge Primary	90
Spelthorne Primary	90
Town Farm Primary	60

### **SURREY HEATH**

Bagshot Infant	60
Crawley Ridge Infant	60
Crawley Ridge Junior	66
Frimley Church of England	90
Heather Ridge Infant	60
Holy Trinity Church of England	60
Lorraine	30
Pine Ridge Infant & Nursery	30
Prior Heath Infant	60
South Camberley Primary & Nursery	120
Valley End Church of England Infant	60
Windlesham Village Infant	60

**TANDRIDGE**

Audley Primary	30
Dormansland Primary	30
<b>*Downs Way</b>	<b>60</b>
Felbridge Primary	30
Hamsey Green Primary	60
Holland Junior	60
Hurst Green	30
Lingfield Primary	60
St Catherine's Primary	30
Tatsfield Primary	30

\* Agreed through Statutory Notice to expand to a PAN of 60 from September 2016

**WAVERLEY**

Badshot Lea Village Infant	45
<b>Beacon Hill Primary</b>	4+ 30 7+ 2
Busbridge Infant	60
<b>Cranleigh CofE Primary</b>	4+ 30 7+ 30
Farncombe CofE Infant & Nursery	50
Folly Hill Infant	30
<b>Godalming Junior</b>	<b>60</b>
Hale Primary	4+ 60 7+ 2
Milford	60
Moss Lane	60
Potters Gate CE Primary	60
St Andrew's C of E (Cont) Infant	40
Shottermill Infant	60
Shottermill Junior	68
William Cobbett Primary	4+ 40 7+ 50
Witley C of E (Cont) Infant	30

**WOKING**

Byfleet Primary	30
Kingfield	30
Knaphill	90
Knaphill Lower	90
Maybury Primary	30
St Mary's C of E (Cont) Primary, Byfleet	60
West Byfleet Infant	90
<b>West Byfleet Junior</b>	<b>90</b>
Westfield Primary	60



## 2. Secondary schools

School

PAN

### GUILDFORD

Ash Manor School	210
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### MOLE VALLEY

The Ashcombe School	240
Therfield School	210

### REIGATE & BANSTEAD

Oakwood School	240
Reigate School	250
The Warwick	180

### WAVERLEY

Broadwater School	120
Glebelands School	180

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## **Community and voluntary controlled schools in Surrey which will operate shared sibling priority for admission in 2017**

### Elmbridge

- Thames Ditton Infant and Thames Ditton Junior

### Epsom & Ewell

- The Mead Infant and Auriol Junior
- Wallace Fields Infant and Wallace Fields Junior

### Guildford

- Merrow C of E Infant and Bushy Hill Junior (Foundation)\*
- Walsh Memorial C of E Infant and Walsh C of E Junior

### Mole Valley

- Eastwick Infant and Eastwick Junior

### Reigate & Banstead

- Banstead Infant (Academy) and Banstead Community Junior
- Earlswood Infant and Earlswood Junior
- Meath Green Infant and Meath Green Junior
- Warren Mead Infant and Warren Mead Junior (Academy)

### Runnymede

- The Grange Community Infant and New Haw Community Junior (Academy)
- Meadowcroft Infant and St Ann's Heath Junior
- Ottershaw Infant and Ottershaw Junior
- Trumps Green Infant and St Ann's Heath Junior

### Surrey Heath

- Bagshot Infant and Connaught Junior (Academy)
- Crawley Ridge Infant and Crawley Ridge Junior

### Waverley

- Shottermill Infant and Shottermill Junior

### Woking

- Knaphill Lower and Knaphill School
- West Byfleet Infant and West Byfleet Junior

\* Shared sibling priority only applies to Merrow CofE Infant School

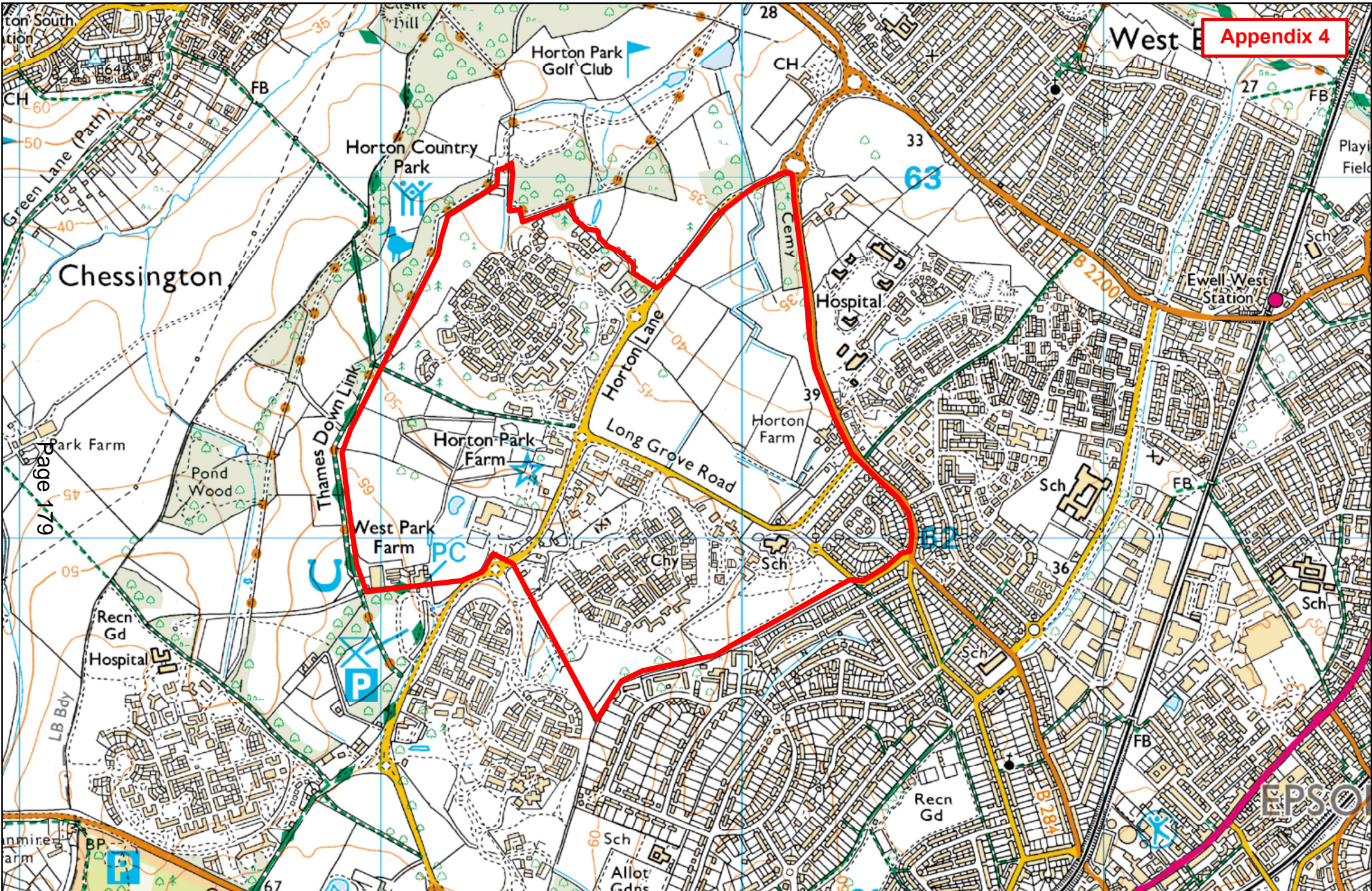
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**Academies and foundation, trust and voluntary aided schools that will be considered in the assessment of nearest school and out of county schools that will not be considered in the assessment of nearest school - 2017/18 admissions**

1.	Academies and foundation, trust and voluntary aided schools in <b>Surrey</b> that will be considered in the assessment of nearest school when applying the admission arrangements for community and voluntary controlled schools are set out below. <b>Community and voluntary controlled schools which convert to academy status and new free schools which open after these arrangements have been determined will be added to this list by default.</b>	
	a) Infant & primary schools – Reception intake	
	<p><u>Elmbridge</u>            Burhill Community Infant School            Chandlers Field Primary School            Cobham Free School            The Orchard School            St Matthew's C of E Infant School</p> <p><u>Epsom &amp; Ewell</u>            Cuddington Croft Primary School            Riverview C of E Primary School            St Martin's C of E Infant School</p> <p><u>Guildford</u>            Boxgrove Primary            Burpham Foundation Primary School            Chilworth C of E Infant School            Clandon C of E Infant School            Peaslake School            Pewley Down Infant School            Puttenham C of E School            The Raleigh School            St Lawrence Primary School            St Nicolas C of E Infant School            Sandfield Primary School            Send C of E First School            Shere C of E Infant School            Weyfield Primary Academy</p> <p><u>Mole Valley</u>            Newdigate C of E Endowed Infant School            St Giles C of E Infant School            St John's C of E Primary School            St Michael's C of E Infant School            St Paul's C of E Primary School            Scott-Broadwood C of E Infant School            Surrey Hills C of E Primary School            The Weald C of E Primary School</p> <p><u>Reigate &amp; Banstead</u>            Banstead Infant School            Lime Tree Primary School            Reigate Parish Church Infant School            Salfords Primary School            St Matthew's C of E Primary School            Tadworth Primary School            Trinity Oaks CofE Primary School</p> <p><u>Runnymede</u>            Christ Church C of E Infant School            Lyne &amp; Longcross C of E School            Pycroft Grange Primary School            Sayes Court School            St Paul's C of E Primary School            Thorpe C of E Infant School</p> <p><u>Spelthorne</u>            Ashford C of E Primary School            The Echelford Primary School            Hawkedale Infant School            Kenyngton Manor Primary School            Laleham C of E Primary School            Littleton C of E Infant School            Saxon Primary School</p>	<p><u>Spelthorne (continued)</u>            Springfield Primary School            Stanwell Fields CofE Primary School            St Nicholas C of E Primary School</p> <p><u>Surrey Heath</u>            Bisley C of E Primary School            Cross Farm Infant School            The Grove Primary School            Lakeside Primary School            Lightwater Village School            Mytchett Primary School            Sandringham School            St Lawrence C of E Primary School</p> <p><u>Tandridge</u>            Burstow Primary School            Godstone Village School            Hillcroft Primary School            Limpsfield C of E Infant School            Marden Lodge Primary            Nutfield C of E Primary            St John's C of E Primary School            St Peter &amp; St Paul C of E Infant School            St Peter's C of E Infant School            St Stephen's C of E Primary School            Warlingham Village Primary            Whyteleafe School            Woodlea School</p> <p><u>Waverley</u>            All Saints C of E Infant School            Bramley C of E Infant School            Ewhurst C of E Infant School            Grayswood C of E Infant School            Green Oak C of E Primary School            Highfield South Farnham School            Loseley Fields Primary School            Park Mead Primary School            South Farnham Primary            St Bartholomew's C of E Primary School            St James's C of E Primary School            St John's C of E Infant School            St Mary's C of E Infant School            St Mary's C of E Primary School            St Peter's C of E Primary School            Wonersh &amp; Shamley Green C of E Infant School</p> <p><u>Woking</u>            Barnsbury Primary School            Beaufort Community Primary School            Broadmere Community Primary            Brookwood Primary School            Goldsworth Primary School            Horsell Village School            New Monument            The Oaktree            Pyrford C of E Primary School            St John's Primary School            Sythwood Primary School</p>

	<p>b) Junior &amp; primary schools – Year 3 intake</p> <p><u>Elmbridge</u> Cleves School Long Ditton St Mary's C of E Junior School St Lawrence C of E Junior School</p> <p><u>Epsom &amp; Ewell</u> Cuddington Croft Primary School Danetree Junior School St Martin's C of E Junior School</p> <p><u>Guildford</u> Bushy Hill Junior School Holy Trinity Junior School Northmead Junior School Queen Eleanor's C of E Junior School St Bede's C of E Junior School</p> <p><u>Mole Valley</u> Surrey Hills C of E Primary School (Westcott site) The Weald C of E Primary School</p> <p><u>Reigate &amp; Banstead</u> Warren Mead Junior Yattendon School</p> <p><u>Runnymede</u> New Haw Junior School St Jude's C of E Junior School</p>	<p><u>Spelthorne</u> Springfield Primary School St Nicholas C of E Primary School</p> <p><u>Surrey Heath</u> Connaught Junior School Cordwalles Junior School Hammond Community Junior School Ravenscote Community Junior School</p> <p><u>Tandridge</u> St John's C of E Primary School St Mary's C of E Junior School</p> <p><u>Waverley</u> Busbridge C of E Junior School The Chandler C of E Junior School Loseley Fields Primary School Park Mead Primary School South Farnham Primary St Bartholomew's C of E Primary School Waverley Abbey C of E School</p> <p><u>Woking</u> The Hermitage School Horsell C of E Junior School</p>
	<p>c) Secondary schools – Year 7 intake</p> <p><u>Elmbridge</u> Cobham Free School Esher CofE High School Heathside School Hinchley Wood School Rydens School</p> <p><u>Epsom &amp; Ewell</u> Blenheim High School Epsom &amp; Ewell High School Glyn Technology School (Boys) Rosebery School (Girls)</p> <p><u>Guildford</u> Christ's College George Abbot Guildford County School Howard of Effingham School Kings College</p> <p><u>Mole Valley</u> The Priory St Andrew's Catholic Secondary School</p> <p><u>Reigate &amp; Banstead</u> The Beacon</p> <p><u>Runnymede</u> Fullbrook School Jubilee International High School The Magna Carta School</p>	<p><u>Spelthorne</u> Bishop Wand Church of England School The Matthew Arnold School Sunbury Manor School Thamesmead School Thomas Knyvett College</p> <p><u>Surrey Heath</u> Collingwood College Kings International College Tomlinscote School</p> <p><u>Tandridge</u> De Stafford School Oxted School Warlingham School</p> <p><u>Waverley</u> Farnham Heath End Rodborough Weydon School Woolmer Hill</p> <p><u>Woking</u> Hoe Valley Free School The Bishop David Brown School The Winston Churchill School Woking High School</p>
2.	<p>Out of county comprehensive schools that will <u>not</u> be considered in the assessment of nearest school when applying the admission arrangements for community and voluntary controlled schools are as follows:</p> <ul style="list-style-type: none"> <li>• Camelsdale Primary School – West Sussex County Council</li> <li>• The Wavell School – Hampshire County Council</li> <li>• Charters School – Royal Borough of Windsor &amp; Maidenhead</li> </ul> <p>Historically, no Surrey child has been eligible for a place at these schools on distance. As such, to consider either school as a nearest school for a Surrey child would cause disadvantage to that child's application for their nearest Surrey school.</p>	





**Southfield Park Primary Catchment Area**



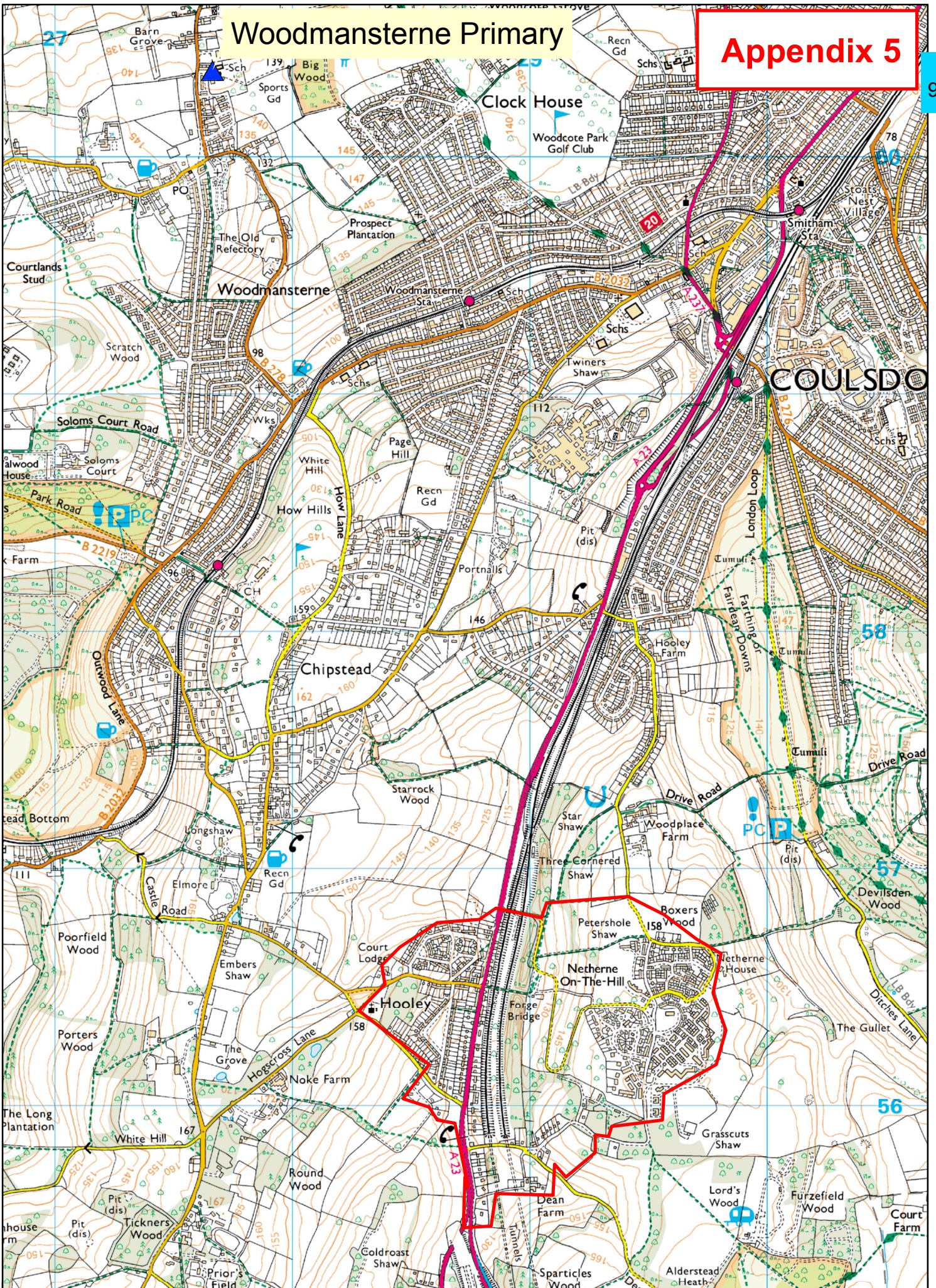


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# Woodmansterne Primary

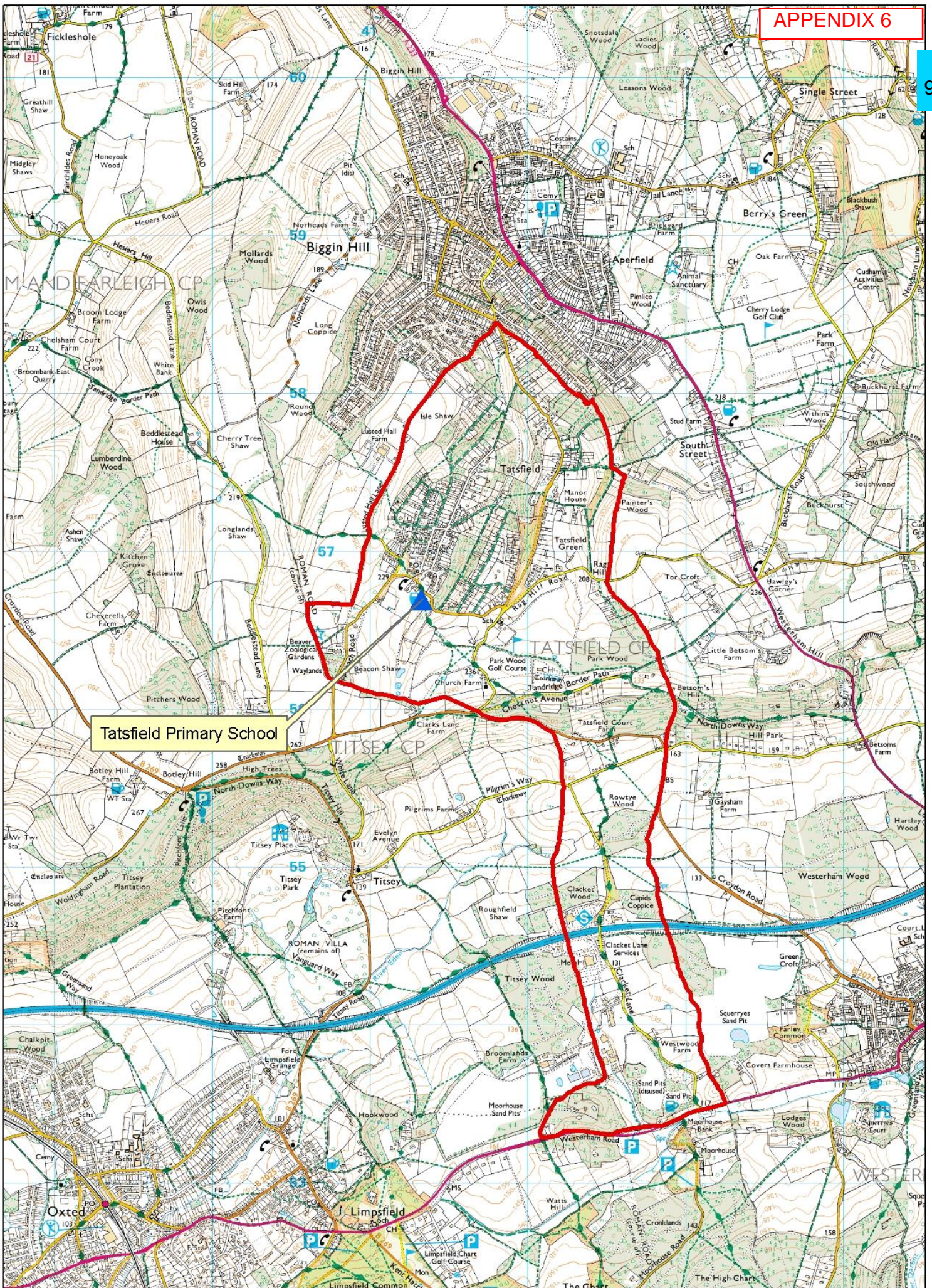
# Appendix 5





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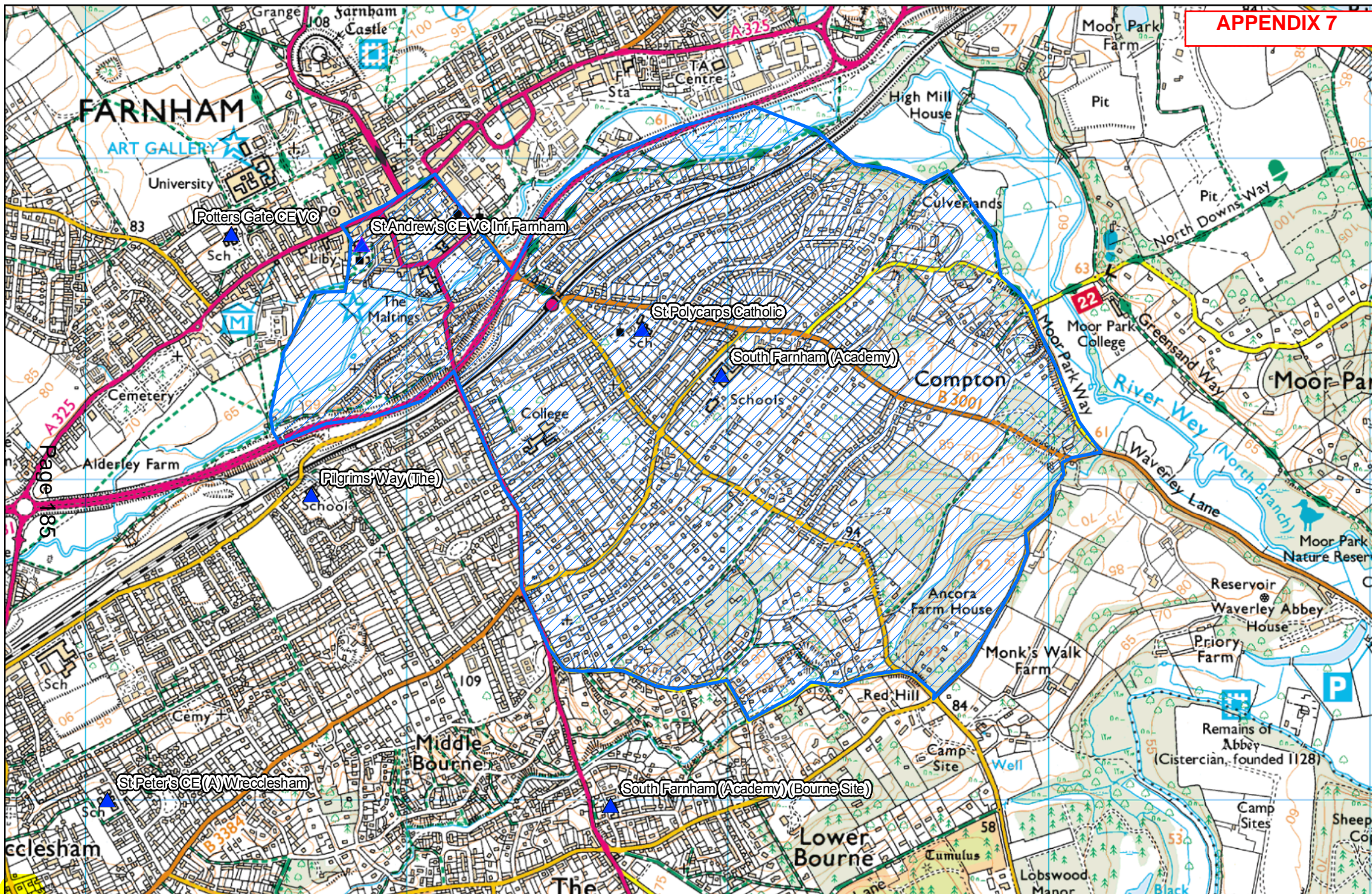


Tatsfield Primary School



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### St Andrew's Infant School Catchment Area





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## Surrey County Council

### Coordinated schemes for admission to primary and secondary school for 2017/18

#### Contents

Page 2: Coordinated scheme for admission to primary school for **2017/18**

Page 8: Coordinated scheme for admission to secondary school for **2017/18**

## Coordinated scheme for admission to primary school (Reception and Year 3) for 2017/18

### Applications

1. Surrey's admissions and transport team will distribute information leaflets on admissions early in September **2016**. These will be available in all Surrey primary schools. The leaflet will refer parents to the Surrey County Council website [www.surreycc.gov.uk/admissions](http://www.surreycc.gov.uk/admissions) via which parents will be able to access the admissions information and apply online from **31 October 2016**. Alternatively, they can obtain a primary school admissions booklet and a paper preference form by ringing the Surrey Schools and Childcare Service on 0300 200 1004.
2. All parents living in Surrey must only complete Surrey's online application form or a Surrey paper form which will be available from **31 October 2016**. Parents living outside Surrey must use their home local authority's form to apply for a place at a Surrey school. Parents living inside Surrey can apply for a school in another local authority on Surrey's online or paper form. Along with all other local authorities, Surrey operates an equal preference system. Surrey's application form invites parents to express a preference for up to four maintained primary schools or academies within and/or outside of Surrey. This enables Surrey County Council to offer a place at the highest possible ranked school for which the applicant meets the admission criteria.
3. In accordance with the School Admissions Code, the order of preference given on the application form will not be revealed to a school within the area of Surrey. However, where a parent resident in Surrey expresses a preference for a school in the area of another local authority, the order of preference for that local authority's school will be revealed to that local authority in order that it can determine the highest ranked preference in cases where a child is eligible for a place at more than one school in that local authority's area.
4. The closing date for all applications (either online or paper) will be 15 January **2017**. Changes to ranked preferences and applications received after the closing date will not be accepted unless they are covered by paragraphs in this scheme which relate to late applications and changes of preference. If a parent completes more than one application stating different school preferences, Surrey's admissions and transport team will accept the form submitted on the latest date before the closing date. If the date is the same, Surrey's admissions and transport team will contact the parents to ask them to confirm their ranked preferences.
5. Schools that are their own admission authority must not use any other application form but may use a supplementary form if they need to request additional information that is required to apply their admission criteria. Surrey County Council's website and Surrey's primary school admissions booklet will indicate which schools require a supplementary form. Supplementary forms can be accessed via the website or can be obtained from each school. All supplementary forms should be returned to the school by the date specified by the school but in any case no later than the national closing date of 15 January **2017**. The supplementary form should clearly indicate where it is to be returned. Where supplementary forms are used by admission authorities within Surrey, the admissions and transport team will seek to ensure that these only collect information which is required by the published oversubscription criteria, in accordance with the School Admissions Code. Page 188



6. Where a school in Surrey receives a supplementary form, Surrey's admissions and transport team will not consider it to be a valid application unless the parent/carer has also listed the school on their home local authority's common application form.
7. It is recommended that any paper preference forms handed in to schools should be sent to Surrey's admissions and transport team immediately.
8. Surrey's admissions and transport team will confirm the status of any resident child for whom it receives a common application form stating s/he is a looked after or previously looked after child and will provide evidence to the maintaining local authority in respect of a preference for a school in its area by **3 February 2017**.
9. Surrey's admissions and transport team will advise a maintaining local authority of the reason for any preference expressed for a school not in its area and will forward any supporting documentation to the maintaining local authority by **3 February 2017**.
10. Surrey County Council participates in the Pan London Coordinated Admission Scheme. Surrey's admissions and transport team will upload application data relating to preferences for schools in other participating local authorities, which have been expressed within the terms of Surrey's scheme, to the Pan London Register by **6 February 2017**. Alternative arrangements will be made to forward applications and supporting information to non-participating local authorities.
11. Surrey County Council will participate in the Pan London application data checking exercise scheduled between **17 and 23 February 2017**.

## Processing

12. By **10 February 2017**, Surrey's admissions and transport team will have assessed the level of preferences for each school and will send all admission authority schools a list of their preferences so that they can apply their admission criteria.
13. By **6 March 2017** all schools which are their own admission authority will have applied their admission criteria and will provide Surrey's admissions and transport team with a list of all applicants in rank order. This will enable Surrey to offer places to ensure that under the terms of the coordinated scheme each applicant is offered the highest possible ranked preference. Surrey County Council will expect schools to adhere to their published admission number unless there are exceptional circumstances such as if this would not enable Surrey to fulfil its statutory duty where the demand for places exceeds the number of places available.
14. Between **16 and 24 March 2017** Surrey's admissions and transport team will send and receive electronic files with all coordinating local authorities, in order to achieve a single offer.

## Offers

15. Surrey's admissions and transport team will identify the school place to be offered and communicate information as necessary to other local authorities by **31 March 2017**. In instances where more than one school could make an offer of a place to a child, Surrey's admissions and transport team will offer a place at the school which the parent had ranked highest on the application form. Where Surrey is unable to offer a place at any of the preferred schools the admissions and transport team will offer a place at an

alternative community or voluntary controlled school with places or by arrangement with an academy or voluntary aided, foundation or trust school with places.

16. Surrey's admissions and transport team will not make an additional offer between the end of the iterative process and **18 April 2017** which may impact on an offer being made by another participating local authority.
17. Notwithstanding paragraph 16, if an error is identified within the allocation of places at a Surrey school, the admissions and transport team will attempt to manually resolve the allocation to correct the error. Where this impacts on another local authority (either as a home or maintaining local authority) Surrey's admissions and transport team will liaise with that local authority to attempt to resolve the correct offer and any multiple offers which might occur. However, if another local authority is unable to resolve a multiple offer, or if the impact is too far reaching, Surrey's admissions and transport team will accept that the applicant(s) affected might receive a multiple offer.
18. Surrey's admissions and transport team will participate in the Pan London offer data checking exercise scheduled between **27 March** and **10 April 2017**.
19. Surrey's admissions and transport team will send a file to the E-Admissions portal with outcomes for all resident applicants who have applied online no later than **12 April 2017**.
20. By **18 April 2017** lists of children being allocated places will be sent to primary schools for their information.
21. On **18 April 2017** an outcome will be sent by Surrey's admissions and transport team to all parents who have completed a Surrey application form. Where a first preference has not been met a letter will be sent by first class post which will refer parents to Surrey's website or the contact centre for further advice. Parents will be asked to confirm whether or not they wish to accept any school place offered. **UNDER NO CIRCUMSTANCES MUST ANY SCHOOL WRITE TO OR MAKE ANY OTHER CONTACT WITH PARENTS TO MAKE AN OFFER OF A PLACE, OR TAKE ANY ACTION TO INFORM THEM THAT A PLACE WILL OR WILL NOT BE OFFERED BEFORE 18 APRIL 2017.**

## **Late Applications and changes of preference**

22. It is recognised that applications will be received after the closing date and that some parents will wish to change their preferences e.g. if a family is new to the area or has moved house. Such applications must still be dealt with and this section deals with applications received in these circumstances.

### **Applications and changes of preference received after the closing date but before 18 April 2017**

23. Some late applications will be treated as late for good reason. These will generally relate to applications from families who are new to the area where it could not reasonably have been expected that an application could have been made by the closing date. Applicants must be able to provide recent proof of ownership or tenancy of a Surrey property (completion or signed tenancy agreement). Other cases might relate to a single parent family where the parent has been ill or where there has been a recent bereavement of a close relative. These cases will be considered individually on their merits.

- 24.** The latest date that an application can be accepted as late for good reason is **10 February 2017**. If an application is deemed late for good reason and all supporting information is received by this date it will be passed to any admission authority named for consideration alongside all applications received on time.
- 25.** Where applications which have been accepted as late for good reason contain preferences for schools in other local authorities the admissions and transport team will forward the details to maintaining local authorities as they are received.
- 26.** Where an applicant lives out of county, Surrey will accept late applications which are considered to be on time within the terms of the home local authority's scheme up to **10 February 2017**.
- 27.** Where an applicant moves from one home local authority to Surrey after submitting an on time application under the terms of the former home local authority's scheme, Surrey will accept the application as on time up to **10 February 2017**, on the basis that an on time application already exists within the system.
- 28.** Late applications from parents where it could reasonably have been expected that an application could have been made by the closing date and those received after **10 February 2017** will be considered as late. These applications will not be processed until after all on time applications have been considered.
- 29.** Some parents may wish to change a preference after the closing date due to a change of circumstances. Surrey's admissions and transport team will accept changes to preferences after the closing date only where there is good reason, such as a house move or other significant change of circumstance, which makes the original preference no longer practical. Any such request for a change of preference must be supported by documentary evidence and must be received by **10 February 2017**. Any changes of preference received after **10 February 2017** will not be considered until all on time applications have been dealt with.

#### **Applications and changes of preference received between 18 April 2017 and 31 August 2017**

- 30.** Applications will continue to be received after the **18 April 2017**. Only those preferences expressed on the application form will be valid. Where the school is its own admission authority the application data will be sent to them requesting an outcome for the preference within 14 days. Once the outcome is known for each preference Surrey's admissions and transport team will issue the outcome letter to the parent.
- 31.** Where the stated preference is for a school in a neighbouring authority the application form will be passed to that authority requesting an outcome for the preference within 14 days. Once the outcome is known for each preference Surrey's admissions and transport team will issue the outcome letter to the parent.
- 32.** After **18 April 2017** some parents may wish to change a preference or order of preference due to a change of circumstances. Surrey's admissions and transport team will accept changes to preferences or order of preferences after the **18 April 2017**. Parents may also name additional preferences after the offer day of **18 April 2017**.
- 33.** The coordination scheme will end on 31 August **2017**. Applications received after 31 August **2017** will be considered in line with Surrey's in year admissions procedures.

## Post Offer

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- 34.** Surrey's admissions and transport team will request that resident applicants accept or decline the offer of a place by **2 May 2017**, or within two weeks of the date of any subsequent offer.
- 35.** If they do not respond by this date Surrey's admissions and transport team will issue a reminder. If the parent still does not respond the admissions and transport team or the school, where it is its own admission authority, will make every reasonable effort to contact the parent to find out whether or not they wish to accept the place. Only where the parent fails to respond and the admissions and transport team or school, where it is its own admission authority, can demonstrate that every reasonable effort has been made to contact the parent, will the offer of a place be withdrawn.
- 36.** Where an applicant resident in Surrey accepts or declines a place in a Surrey school by **2 May 2017**, Surrey's admissions and transport team will forward the information to the school by **9 May 2017**.
- 37.** Where an applicant resident in Surrey accepts or declines a place in a school maintained by another local authority by **2 May 2017**, Surrey's admissions and transport team will forward the information to the maintaining local authority by **9 May 2017**. Where such information is received from applicants after **2 May 2017**, Surrey's admissions and transport team will pass it on to the maintaining local authority as it is received.
- 38.** Where an acceptance or decline is received for a Surrey school in respect of an applicant resident outside Surrey, Surrey's admissions and transport team will forward the information to the school as it is received.
- 39.** When acting as a maintaining local authority, Surrey will inform the home local authority, where different, of an offer that can be made for a maintained school or academy in Surrey, in order that the home local authority can offer the place.
- 40.** When acting as a maintaining local authority, Surrey and the admission authorities within it will not inform an applicant resident in another local authority that a place can be offered.
- 41.** When acting as a home local authority, Surrey will offer a place at a maintained school or academy in the area of another local authority, provided that the school is ranked higher on the common application form than any school already offered.
- 42.** When acting as a home local authority, when Surrey is informed by a maintaining local authority of an offer which can be made to an applicant resident in Surrey which is ranked lower on the common application form than any school already offered, it will inform the maintaining local authority that the offer will not be made.
- 43.** When acting as a home local authority, when Surrey has agreed to a change of preference order for good reason, it will inform any maintaining local authority affected by the change.
- 44.** When acting as a maintaining local authority, Surrey will inform the home local authority, where different, of any change to an applicant's offer status as soon as it occurs.

45. When acting as a maintaining local authority, Surrey will accept new applications (including additional preferences) from home local authorities for maintained schools and academies in its area.

## Waiting Lists

46. Where a child does not receive an offer of their first preference school, their name will be placed on the waiting list for each school in Surrey that is named as a higher preference school to the one they have been offered, in accordance with the policy of each admission authority. Parents will be advised that if they want to go on the waiting list for an out of county preference school that they should contact the school or the maintaining local authority for the school to establish their policy on waiting lists.
47. Details of pupils who have not been offered a higher preference school will be shared with the admission authority for each Surrey school by **19 April 2017**.
48. Each admission authority will operate waiting lists so that it is clear which child will be eligible for the next offer of a place should a vacancy arise. The waiting list order will be determined by the admission criteria of the school. However all offers must be made by the home local authority. Admission authorities are encouraged to share waiting list information confidentially with other local schools to support effective planning of school places.
49. Schools within Surrey will not inform any applicant that a place can be offered in advance of such notification being sent by the home local authority.
50. Waiting lists for each school will be held until **at least** the end of the Autumn term after which some schools may cancel their waiting lists and in those cases parents may apply in writing to remain on the list if they wish to. **Details of how waiting lists for each school will be managed will be set out in the admission arrangements that apply to each school.**

## Coordinated scheme for admission to secondary school 2017/18

### Applications

1. Surrey's admissions and transport team will distribute information leaflets on admissions early in September **2016**. These will be distributed to all children in Year 6 in Surrey maintained schools who are resident in Surrey. The leaflet will refer parents to the Surrey County Council website [www.surreycc.gov.uk/admissions](http://www.surreycc.gov.uk/admissions) via which parents will be able to access the admissions information and apply online from 1 September 2015. Alternatively, they can obtain a secondary school admissions booklet and a paper preference form by ringing the Surrey Schools and Childcare Service on 0300 200 1004.
2. All parents living in Surrey must only complete Surrey's online application form or a Surrey paper form which will be available from 1 September **2016**. Parents living outside Surrey must use their home local authority's form to apply for a place at a Surrey school. Parents living inside Surrey can apply for a school in another local authority on Surrey's online or paper form. Along with all other local authorities, Surrey operates an equal preference system. Surrey's application form **for Year 7** invites parents to express a preference for up to six maintained secondary schools or academies within and/or outside of Surrey (and any city technology college that has agreed to participate in their local authority's qualifying scheme). **Surrey's application form for Year 10 invites parents to express a preference for up to three university technical colleges within and/or outside of Surrey.** These enable Surrey County Council to offer a place at the highest possible ranked school for which the applicant meets the admission criteria.
3. In accordance with the School Admissions Code, the order of preference given on the application form will not be revealed to a school within the area of Surrey. However, where a parent resident in Surrey expresses a preference for a school in the area of another local authority, the order of preference for that local authority's school will be revealed to that local authority in order that it can determine the highest ranked preference in cases where a child is eligible for a place at more than one school in that local authority's area.
4. The closing date for all applications (either online or paper) will be 31 October **2016** but parents will be encouraged to return their form by **21 October 2016**, which is the Friday that schools break up for the autumn half term. Changes to ranked preferences and applications received after the closing date will not be accepted unless they are covered by the paragraphs in this scheme which relate to late applications and changes of preference. If a parent completes more than one application stating different school preferences, Surrey's admissions and transport team will accept the form submitted on the latest date before the closing date. If the date is the same, Surrey's admissions and transport team will contact the parents to ask them to confirm their ranked preferences.
5. Schools that are their own admission authority must not use any other application form but may use a supplementary form if they need to request additional information that is required to apply their admission criteria. Surrey County Council's website and the secondary school admissions booklet will indicate which schools require a supplementary form. Supplementary forms can be accessed via the website or can be obtained from each school. All supplementary forms should be returned to the school by the date specified by the school. **Page 104** case no later than the national closing



date of 31 October **2016**. Surrey County Council will publish information that will encourage applicants to submit their supplementary form by **21 October 2016** (i.e. the Friday before half term). The supplementary form should clearly indicate where it is to be returned. Where supplementary forms are used by admission authorities within Surrey, the admissions and transport team will seek to ensure that these only collect additional information which is required by the published oversubscription criteria in accordance with the School Admissions Code.

6. Where a school in Surrey receives a supplementary form, Surrey's admissions and transport team will not consider it to be a valid application unless the parent/carer has also listed the school on their home local authority's common application form.
7. Surrey's admissions and transport team will confirm the status of any resident child for whom it receives a common application form stating s/he is a looked after or previously looked after child and will provide evidence to the maintaining local authority in respect of a preference for a school in its area by **11 November 2016**.
8. Surrey's admissions and transport team will advise a maintaining local authority of the reason for any preference expressed for a school not in its area and will forward any supporting documentation to the maintaining local authority by **11 November 2016**.
9. Surrey County Council participates in the Pan London Coordinated Admission Scheme. Surrey's admissions and transport team will upload application data relating to preferences for schools in other participating local authorities, which have been expressed within the terms of Surrey's scheme, to the Pan London Register by **11 November 2016**. Alternative arrangements will be made to forward applications and supporting information to non-participating local authorities.
10. Surrey County Council will participate in the Pan London application data checking exercise scheduled between **13 December 2016** and **3 January 2017**.

## Processing

11. By **7 December 2016**, Surrey's admissions and transport team will have assessed the level of preferences for each school and will send all admission authority schools a list of their preferences so that they can apply their admission criteria.
12. By **9 January 2017** all schools which are their own admission authority will have applied their admission criteria and will provide Surrey's admissions and transport team with a list of all applicants in rank order. This will enable Surrey to offer places to ensure that under the terms of the coordinated scheme each applicant is offered the highest possible ranked preference. Surrey County Council will expect schools to adhere to their published admission number unless there are exceptional circumstances such as if this would not enable the local authority to fulfil its statutory duty where the demand for places exceeds the number of places available.
13. Between **3 and 16 February 2017** Surrey's admissions and transport team will send and receive electronic files with all coordinating local authorities, in order to achieve a single offer.



## Offers

14. Surrey's admissions and transport team will identify the school place to be offered and communicate information as necessary to other local authorities by **16 February 2017**. In instances where more than one school could make an offer of a place to a child, Surrey's admissions and transport team will offer a place at the school which the parent had ranked highest on the application form. Where Surrey is unable to offer a place at any of the preferred schools the admissions and transport team will offer a place at an alternative community or voluntary controlled school with places or by arrangement with an academy or voluntary aided, foundation or trust school with places.
15. Surrey's admissions and transport team will not make an additional offer between the end of the iterative process and **1 March 2017** which may impact on an offer being made by another participating local authority.
16. Notwithstanding paragraph 15, if an error is identified within the allocation of places at a Surrey school, the admissions and transport team will attempt to manually resolve the allocation to correct the error. Where this impacts on another local authority (either as a home or maintaining local authority) Surrey's admissions and transport team will liaise with that local authority to attempt to resolve the correct offer and any multiple offers which might occur. However, if another local authority is unable to resolve a multiple offer, or if the impact is too far reaching, Surrey's admissions and transport team will accept that the applicant(s) affected might receive a multiple offer.
17. Surrey's admissions and transport team will participate in the Pan London offer data checking exercise scheduled between **17 and 23 February 2017**.
18. Surrey's admissions and transport team will send a file to the E-Admissions portal with outcomes for all resident applicants who have applied online no later than **24 February 2017**.
19. By **1 March 2017**, lists of children being allocated places will be sent to secondary schools for their information.
20. On **1 March 2017** an outcome will be sent by Surrey's admissions and transport team to all parents who have completed a Surrey application form. Where a first preference has not been met a letter will be sent by first class post which will refer parents to Surrey's website or the Contact Centre for further advice. Parents will be asked to confirm whether or not they wish to accept any school place offered. **UNDER NO CIRCUMSTANCES MUST ANY SCHOOL WRITE TO OR MAKE ANY OTHER CONTACT WITH PARENTS TO MAKE AN OFFER OF A PLACE, OR TAKE ANY ACTION TO INFORM THEM THAT A PLACE WILL OR WILL NOT BE OFFERED BEFORE 1 MARCH 2017.**

## Late Applications and changes of preference

21. It is recognised that applications will be received after the closing date and that some parents will wish to change their preference e.g. if a family is new to the area or has moved house. Such applications must still be dealt with and this section deals with applications received in these circumstances.

### **Applications and changes of preference received after the closing date but before 1 March 2017**

- 22.** Some late applications will be treated as late for good reason. These will generally relate to applications from families who are new to the area where it could not reasonably have been expected that an application could have been made by the closing date. Applicants must be able to provide recent proof of ownership or tenancy of a Surrey property (completion or signed tenancy agreement). Other cases might relate to a single parent family where the parent has been ill or where there has been a recent bereavement of a close relative. These cases will be considered individually on their merits.
- 23.** The latest date that an application can be accepted as late for good reason is **12 December 2016**. If an application is deemed late for good reason and all supporting information is received by this date it will be passed to any admission authority named for consideration alongside all applications received on time.
- 24.** Where applications which have been accepted as late for good reason contain preferences for schools in other local authorities the admissions and transport team will forward the details to maintaining local authorities as they are received.
- 25.** Where an applicant lives out of county, Surrey will accept late applications which are considered to be on time within the terms of the home local authority's scheme.
- 26.** The latest date for the upload to the Pan London Register of late applications which are considered to be on time is **12 December 2016**.
- 27.** Where an applicant moves from one participating home local authority to another after submitting an on time application under the terms of the former home local authority's scheme, the new home local authority will accept the application as on time up to **12 December 2016**, on the basis that an on time application already exists within the Pan London system. Applicants moving to or from non-participating Pan London local authorities will be managed on a case by case basis.
- 28.** Late applications from parents where it could reasonably have been expected that an application could have been made by the closing date and those received after **12 December 2016** will be considered as late. These applications will not be processed until after all on time applications have been considered.
- 29.** Some parents may wish to change a preference after the closing date due to a change of circumstances. Surrey's admissions and transport team will accept changes to preferences after the closing date only where there is good reason, such as a house move or other significant change of circumstance, which makes the original preference no longer practical. Any such request for a change of preference must be supported by documentary evidence and must be received by **12 December 2016**. Any changes of preference received after **12 December 2016** will not be considered until all on time applications have been dealt with.

### **Applications and changes of preference received between 1 March 2017 and 31 August 2017**

- 30.** Applications will continue to be received after the **1 March 2017**. Only those preferences expressed on the application form will be valid. Where the school is its own admission authority the application data will be sent to them requesting an outcome for the preference within 14 days. Once the outcome is known for each preference Surrey's admissions and transport team will issue the outcome letter to the parent.
- 31.** Where the stated preference is for a school in a neighbouring authority the application form will be passed to that authority **Page 197** an outcome for the preference within 14

days. Once the outcome is known for each preference Surrey's admissions and transport team will issue the outcome letter to the parent.

32. After **1 March 2017** some parents may wish to change a preference or order of preferences due to a change of circumstances. Surrey's admissions and transport team will accept changes to preferences or order of preferences after the **1 March 2017**. Parents may also name additional preferences after the offer day of **1 March 2017**.
33. The coordination scheme will end on **31 August 2017**. Applications received after **31 August 2017** will be considered in line with Surrey's in year admissions procedures.

## Post Offer

34. Surrey's admissions and transport team will request that resident applicants accept or decline the offer of a place by **15 March 2017**, or within two weeks of the date of any subsequent offer.
35. If they do not respond by this date Surrey's admissions and transport team will issue a reminder. If the parent still does not respond the admissions and transport team or the school, where it is its own admission authority, will make every reasonable effort to contact the parent to find out whether or not they wish to accept the place. Only where the parent fails to respond and the admissions and transport team or school, where it is its own admission authority, can demonstrate that every reasonable effort has been made to contact the parent, will the offer of a place be withdrawn.
36. Where an applicant resident in Surrey accepts or declines a place in a Surrey school by **15 March 2017**, Surrey's admissions and transport team will forward the information to the school by **22 March 2017**.
37. Where an applicant resident in Surrey accepts or declines a place in a school maintained by another local authority by **15 March 2017**, Surrey's admissions and transport team will forward the information to the maintaining local authority by **22 March 2017**. Where such information is received from applicants after **15 March 2017**, Surrey's admissions and transport team will pass it on to the maintaining local authority as it is received.
38. Where an acceptance or decline is received for a Surrey school in respect of an applicant resident outside Surrey, Surrey's admissions and transport team will forward the information to the school as it is received.
39. When acting as a maintaining local authority, Surrey will inform the home local authority, where different, of an offer that can be made for a maintained school or academy in Surrey, in order that the home local authority can offer the place.
40. When acting as a maintaining local authority, Surrey and the admission authorities within it will not inform an applicant resident in another local authority that a place can be offered.
41. When acting as a home local authority, Surrey will offer a place at a maintained school or academy in the area of another local authority, provided that the school is ranked higher on the common application form than any school already offered.
42. When acting as a home local authority, when Surrey is informed by a maintaining local authority of an offer which can be made to an applicant resident in Surrey which is

ranked lower on the common application form than any school already offered, it will inform the maintaining local authority that the offer will not be made.

43. When acting as a home local authority, when Surrey has agreed to a change of preference order for good reason, it will inform any maintaining local authority affected by the change.
44. When acting as a maintaining local authority, Surrey will inform the home local authority, where different, of any change to an applicant's offer status as soon as it occurs.
45. When acting as a maintaining local authority, Surrey will accept new applications (including additional preferences) from home local authorities for maintained schools and academies in its area.

## Waiting Lists

46. Where a child does not receive an offer of their first preference school, their name will be placed on the waiting list for Surrey schools that are named as a higher preference school to the one they have been offered, in accordance with the policy of each admission authority. Parents will be advised that if they want to go on the waiting list for any out of county preference school that they should contact the school or the maintaining local authority for the school to establish their policy on waiting lists.
47. Details of pupils who have not been offered a higher preference school will be shared with the admission authority of each Surrey school by **2 March 2017**.
48. Each admission authority will operate waiting lists so that it is clear which child will be eligible for the next offer of a place should a vacancy arise. The waiting list order will be determined by the admission criteria of the school. However all offers must be made by the home local authority. Admission authorities are encouraged to share waiting list information confidentially with other local schools to support effective planning of school places.
49. Schools within Surrey will not inform any applicant that a place can be offered from a waiting list in advance of such notification being sent by the home local authority.
50. Waiting lists for each school will be held until **at least** the end of the Autumn term after which some schools may cancel their waiting lists and in those cases parents may apply in writing to remain on the list if they wish to. **Details of how waiting lists for each school will be managed will be set out in the admission arrangements that apply to each school.**

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# Surrey County Council

## Proposed admission arrangements for community and voluntary controlled schools September 2017

### Introduction

Surrey County Council is consulting on:

- the admission arrangements for all community and voluntary controlled schools for September 2017
- proposed changes to admission arrangements for some community and voluntary controlled schools for September 2017
- a proposed change to Surrey's coordinated scheme for primary admissions

Where changes are proposed, further details are set out in this document.

A copy of the proposed admission arrangements for all community and voluntary controlled schools, along with the coordinated schemes and an equality impact assessment, are set out in the following documents, with changes highlighted in bold:

Enclosure 1	Admission arrangements for community & voluntary controlled schools
APPENDIX 1	Published admission numbers
APPENDIX 2	Schools to operate shared sibling priority
APPENDIX 3	Schools to be considered to admit local children
APPENDIX 4	Catchment map for Southfield Park Primary School
APPENDIX 5	Catchment map for Woodmansterne Primary School
APPENDIX 6	Catchment map for Tatsfield Primary School
APPENDIX 7	Catchment map for St Andrew's CofE Controlled Infant School
Enclosure 2	Primary and secondary coordinated schemes
Enclosure 3	Equality impact assessment

### What changes are being proposed?

#### 1. Beacon Hill Primary School – Waverley

For September 2017, the local authority intends to introduce a Year 3 intake of 2 for Beacon Hill Primary School, in addition to its existing intake of 30 at Reception. Whilst this additional intake is not subject to consultation, the local authority must consult on the admission criteria that it proposes to introduce for this intake.

It is therefore proposed to introduce admission criteria for Year 3 in 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

These criteria are in line with those that already exist for admission to Reception at the school and therefore ensure that there is consistency in the way children are admitted to each intake.

## 2. Chennestone Primary School – Spelthorne

It is proposed to introduce a feeder link for Chennestone Primary School for children at Beauclerc Infant School so that the admission criteria would be 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

Chennestone Primary School currently admits 30 children in to Reception and a further 40 children in to Year 3. It is federated with Beauclerc Infant School which has a Reception PAN of 40. The majority of children at Beauclerc Infant School currently transfer to Chennestone Primary School and this number has been on the increase over the past three years:

2015	32 pupils (80%)
2014	29 pupils (72.5%)
2013	25 pupils (63%)
2012	21 pupils (52.5%)

The next highest feeder school to Chennestone Primary School is Hawkedale Infant School, which has a Reception PAN of 30. Over the past three years the following number of pupils have transferred from Hawkedale Infants to Chennestone Primary at Year 3:

2015	7 pupils (23%)
2014	7 pupils (23%)
2013	11 pupils (37%)
2012	9 pupils (30%)

Many of the children from Hawkedale Infant School who do not transfer to Chennestone Primary are offered a place at Springfield Primary School which has a Reception PAN of 30 and a Year 3 PAN of 30.

However, it has been agreed for Hawkedale Infant School to become an all through primary school from September 2017 and to expand Springfield Primary to two Forms of Entry (FE) and to remove its Junior intake. In this way, with the exception of children attending Beauclerc, all children in the area will be attending all through primary schools.

This proposal is intended to deliver a clear transition to Year 3 for the children attending Beauclerc Infant School.

## 3. Cranleigh Primary School - Waverley

For September 2017, the local authority intends to reintroduce a Year 3 intake of 30 for Cranleigh Primary School, in addition to its existing intake of 30 at Reception. Whilst this additional intake is not subject to consultation, the local authority must consult on the admission criteria that it proposes to introduce for this intake.

It is therefore proposed to introduce admission criteria for Year 3 in 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

These criteria are in line with those that already exist for admission to Reception at the school and therefore ensure that there is consistency in the way children are admitted to each intake.

#### 4. West Ewell Infant School – Epsom & Ewell

The PAN for West Ewell Infant School was reduced from 120 to 90 for 2016 admission following a request to the Office of the Schools Adjudicator for an in year variation to the admission arrangements. However for September 2017 admission it is proposed to reduce the Reception intake at West Ewell Infant School further, from 90 to 60.

West Ewell Infant School is due to become an all through primary school in September 2017. However, without a further reduction in intake, the school would be unable to accommodate the number of children in their Foundation and Key Stage 1 classes, alongside accommodating Key Stage 2 provision as they grow.

#### 5. Start date to primary admissions round

For 2017 admission, it is proposed to publish a later start date for the primary admissions round (Reception and Year 3). Instead of inviting applicants to apply from 1 September 2016 it is proposed to publicise a later date of 31 October 2016, which is the week after the October half term.

It has been identified that publishing a later start date would have the following benefits:

- 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 might 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

Although the majority of London local authorities open their primary admissions round at the beginning of September there are a number of other local authorities which have published a later start to their primary admissions round for 2016:

Bracknell Forest	2 November 2015
Buckinghamshire	4 November 2015
Essex	9 November 2015
Hampshire	1 November 2015
Hertfordshire	9 November 2015
Kent	10 November 2015
West Sussex	5 October 2015
Windsor & Maidenhead	2 November 2015

It is not anticipated that this proposal would have any detrimental effect on applicants who would still have nearly eleven weeks to complete their application by 15 January (the statutory closing date for primary applications). This timeframe is more in line with that allowed for secondary applicants, who are given nearly nine weeks to complete their application by 31 October (the statutory closing date for secondary applications).

## **How can you respond to the consultation?**

The consultation on the admission arrangements for community and voluntary controlled schools and these proposed changes will run from Monday 2 November 2015 to Monday 14 December 2015. If you would like to take part please complete an online response form available at [Surreysays](http://Surreysays) ([www.surreysays.co.uk](http://www.surreysays.co.uk)). Alternatively if you would prefer to respond on a paper form, please telephone the Surrey Schools and Childcare Service on 0300 200 1004 to request a copy. Please note that only response forms which are fully completed with the respondent's name and address will be accepted.

## **What happens next?**

After the closing date, responses will be collated and presented to the County Council's decision making Cabinet on 2 February 2016. It will decide whether or not to proceed with the proposed changes as well as determining the admission arrangements for all community and voluntary controlled schools for which no changes are proposed. Cabinet's decision will then need to be ratified by the full County Council on 9 February 2016. Once determined the final admission arrangements for all community and voluntary controlled schools will be placed on Surrey's website at [www.surreycc.gov.uk/admissions](http://www.surreycc.gov.uk/admissions).

# Consultation on Surrey's admission arrangements for community and voluntary controlled schools and coordinated schemes for September 2017

## Outcome of consultation

### Response to consultation

- By the closing date, 57 individual responses had been submitted online and a further 31 responses were received by email. A further two responses were received by email after the closing date and these were accepted.
- The 90 responses were from:
 

Admissions forum member	1
Clerk to governing body	1
Headteacher/Deputy Headteacher	41
Parent	16
Parish/Town Council member	1
School governor	4
School staff member	25
Other	1
<b>Total</b>	<b>90</b>
- A summary of the responses to questions within the consultation that were received from all sources is set out below in Table A.

**Table A - Summary of responses to admission consultation for September 2017**

Question Number	Proposal	Document	Agree	Disagree
1	Beacon Hill Primary School – admission criteria for Year 3	Enclosure 1	7	3
2	Chennestone Primary School - introduction of feeder link at Year 3 for children at Beauclerc Infant	Enclosure 1	15	1
3	Cranleigh Primary School – admission criteria for Year 3	Enclosure 1	6	1
4	West Ewell Infant School – reduction of PAN from 90 to 60	Enclosure 1 Appendix 1	7	1
5	Start date to the primary admissions round	Enclosure 2	63	14
6	Admission arrangements for which no change was proposed	Enclosure 1 and its appendices	26	9

### Analysis of responses to questions within the 2017 admission consultation

- Beacon Hill Primary School: introduction of admission criteria for Year 3** - Overall, seven respondents agreed with this proposal whilst three were opposed to it.
- Of the seven respondents who agreed with the proposal six were headteachers and one was a parent. None indicated that they would be affected by the proposal.
- Of the three respondents who were opposed to the proposal one was a headteacher, one was a parent and one was a Diocesan member on Surrey's Admissions Forum.

7. The parent who was opposed to this proposal indicated that they would be affected and commented that with the increase in class sizes, 'the quality of teaching will deteriorate and my child's development will suffer'.
8. The Diocesan member on Surrey's Admissions Forum indicated that they felt that the criterion for children 'for whom the school is the nearest to their home address' aligned with the definition on page 10 was discriminatory, at least against Catholic schools. They also indicated that this criterion included a conditional element which would be against the School Admissions Code.
9. **Chennestone Primary School: introduction of a new criterion for Year 3 to give priority for children attending Beauclerc Infant School** – Overall, fifteen respondents agreed with this proposal whilst one was opposed to it.
10. Of the fifteen respondents who agreed with the proposal seven were parents, five were headteachers and three were school staff members. Six of the parents indicated that they would be affected by the proposal. One of the parents declared themselves to be a governor of the school.
11. Reasons given for agreeing with the proposal were as follows:
- The two schools are closely aligned and the same teaching styles and ethos are applied across them both
  - It can be very upsetting and disruptive to friendships and schooling if a child does not gain entry to Chennestone from Beauclerc
  - Demand at Chennestone is high and 'we have been looking to move away from the area due to a lack of other acceptable options'
  - Children are already familiar with Chennestone and have an expectation that they will go there
  - Schools are closely linked and are run by the same headteacher so it seems a natural step
  - Beauclerc and Chennestone are made to feel like one school but there is always a level of uncertainty as to whether they will get a Year 3 place
12. The respondent who was opposed to the proposal was a Diocesan member on Surrey's Admissions Forum. The reason given for not supporting the proposal was that they felt that the criterion for children 'for whom the school is the nearest to their home address' aligned with the definition on page 10 was discriminatory, at least against Catholic schools. They also indicated that this criterion included a conditional element which would be against the School Admissions Code.
13. **Cranleigh Primary School: re-introduction of admission criteria for Year 3** - Overall, six respondents agreed with this proposal and one was opposed to it.
14. Of the six respondents who agreed with the proposal all were headteachers. One of those was a headteacher of an infant school who indicated that they had acted as a feeder school to Cranleigh Primary School and that the reintroduction of criteria for Year 3 would mean that the school would once again be able to accommodate some of their pupils.
15. The respondent who was opposed to the proposal was a Diocesan member on Surrey's Admissions Forum. The reason given for not supporting the proposal was that they felt that the criterion for children 'for whom the school is the nearest to their home address' aligned with the definition on page 10 was discriminatory, at least against Catholic schools. They also indicated that this criterion included a conditional element which would be against the School Admissions Code.
16. **West Ewell Infant School: reduce the Published Admission Number from 90 to 60** - Overall, seven respondents agreed with this proposal whilst one was opposed to it.
17. Of the seven respondents who agreed with the proposal six were headteachers and one was a former governor/chair of governors. One headteacher declared that they would be affected by the proposal.
18. Only one respondent indicated a reason for supporting the proposal and that was to align with the local intake at other schools.

19. The respondent who was opposed to the proposal was a parent who indicated that they did not agree with reducing the intake of schools due to the shortage of schools.
20. **Start date to the primary admissions round** - Overall, 63 respondents agreed with this proposal and 14 were opposed to it.
21. Of the 63 respondents who agreed with the proposal 33 were headteachers, 24 were school staff members and six were parents.
22. Of the 33 headteachers and 24 school staff who supported the proposal, 52 were from a school in the primary sector and three were from a secondary sector. Two respondents did not declare the school they were from.
23. Reasons given for agreeing with the proposal were as follows:
- 11 weeks is ample time for parents to apply
  - It will be better for primary schools to focus on induction of new children during the first half of term
  - This makes sense and works with our current arrangements as parent tours do not start until after half term
  - A shorter application period is a sensible idea
  - Most open evenings are held in mid/late October. Parents may complete forms before attending and then change their minds
  - It gives more time for parents to look round prospective schools and make more informed decisions
  - It will help organisation in primary schools and would free up precious time in September/October for other tasks
  - New parents often find the process confusing
  - Allows Surrey admissions to sort all late and in year admissions before 31 October
  - Falls in line with Hampshire
  - Will ease the workflow at the beginning of term when we receive a lot of requests to visit the school
  - Will take pressure off parents in thinking they have to apply quickly
  - The first half of the Autumn term is very busy. We would be able to focus more on secondary transfers and then Reception in the second half of term
  - We can still spread out our dates over the Autumn term whether the online system is live or not
  - Enable the Admissions team to answer questions more effectively and for parents to be clearer on separate deadlines
  - Where parents have to make both a primary and secondary application it will enable them to focus on each application better
24. Of the 14 respondents who were opposed to the proposal six were headteachers, five were school staff members and three were parents.
25. Of the six headteachers and five school staff members who were opposed to the proposal, 10 were from a school in the primary sector and one did not declare the school they were from.
26. Reasons given for opposing the proposal were as follows:
- Many parents have already decided what school they want to apply to, especially if a sibling and like to complete the process at the start of the school year
  - It may compound requests for school tours in to the second half of the Autumn term which is already a very busy time of year
  - It's positive to allow parents to get their application in early and to allow parents to change preference if required
  - This may be problematic for schools as they will not be able to accommodate tours in December
  - Likely to condense the interest for visits to a very small window after half term
  - It would be stressful for parents who already feel there is a rush to get applications in
  - Parents may forget to apply if the date is changed

- It would make more sense to close the application window earlier and keep existing opening time the same
- It will lead to confusion if other London boroughs still open on 1 September
- If it needs to be implemented parents need to be notified that they can still approach schools for tours in the early autumn term

27. **Admission arrangements for which no change was proposed** - Overall, 26 respondents agreed with the admission arrangements for which no change was proposed and nine were opposed.

28. Of the 26 respondents who agreed with the admission arrangements for which no change was proposed, 18 were headteachers, four were school staff members, two were parents, one was a school governor and one was from a Town Council.

29. Of the nine respondents who were opposed to the admission arrangements for which no change was proposed, four were parents, two were headteachers, one was a Diocesan member on Surrey's Admissions Forum, one was a former governor/chair of governors and one was an existing Chair of Governors. Their comments were as follows:

- **Use of 'nearest school' in admission criteria** - the Diocesan member on Surrey's Admissions Forum indicated that they felt that the criterion for children 'for whom the school is the nearest to their home address' aligned with the definition on page 10 was discriminatory, at least against Catholic schools. They also indicated that this criterion included a conditional element which would be against the School Admissions Code.

A former governor/chair of governors indicated that the nearest school criterion was defective because a child who lived nearer a school would get priority over a child for whom the school was nearest but lived further away, affecting those living in country areas.

One parent indicated that schools which take any number of children on faith grounds should be disregarded from the nearest school assessment on the basis that such an arrangement unfairly prejudices children from other faiths or atheists. They also commented that if 'nearest school' is to be used in admission criteria, all schools included in the list of nearest school should be made to use the same criteria in the same way.

- **Coordinated Admissions scheme** - the Diocesan member on Surrey's Admissions Forum also noted that paragraph 14 of Surrey's primary coordinated scheme and paragraph 15 of Surrey's secondary coordinated scheme indicated that, where no preference school could be offered, Surrey Admissions would offer a place at an alternative community or voluntary controlled school with places or by arrangement with an academy or foundation, trust or voluntary aided school but does not detail how this will be done or what procedure will be followed. They suggested that this needs to be made clear. They also commented that the consultation limited respondents to comment on the specific questions and did not contain a general comment area, lacked comprehensiveness and was not user friendly.
- **Sibling rule** – a headteacher indicated that 'sibling for whom the school is the closest school' should be a criterion for all schools to prevent siblings depriving local children of a place.
- **St Andrew's CofE Infant School, Farnham** – three parents and both the headteacher and Chair of Governors of the school indicated that Surrey's admission arrangements were deficient because there was no Year 3 provision for children leaving Year 2 at St Andrew's CofE Infant School who may not be eligible for a place in Year 3 at South Farnham School.

The Chair of Governors of St Andrew's also indicated that the catchment for the school was no longer fit for purpose and that the PAN should be reviewed.

- **Suggested changes to wording** - A former governor/chair of governors suggested some minor amendments to wording in paragraphs 6 and 8 in Enclosure 1.



# Addressing Inequalities

## Equalities Impact Assessment



## Surrey County Council Equality Impact Assessment Template

### Stage one – initial screening

<b>What is being assessed?</b>	<b>Admission arrangements for community and voluntary controlled schools 2017</b>
<b>Service</b>	<b>Admissions and Transport</b>
<b>Name of assessor/s</b>	<b>Claire Potier</b>
<b>Head of service</b>	<b>Julie Stockdale</b>
<b>Date</b>	<b>6 January 2016</b>
<b>Is this a new or existing function or policy?</b>	<b>Existing policy under review</b>

**Write a brief description of your service, policy or function. It is important to focus on the service or policy the project aims to review or improve.**

The policies being considered under this EIA set out the processes and criteria for admitting children to community and voluntary controlled schools and how Surrey County Council will coordinate admission applications and outcomes within the County Council and across County borders. In accordance with the School Admissions Code, these policies include processes and criteria that are fair, objective and transparent.

**Indicate for each equality group whether there may be a positive impact, negative impact, or no impact.**

<b>Equality Group</b>	<b>Positive</b>	<b>Negative</b>	<b>No impact</b>	<b>Reason</b>
<b>Age</b>	X			<ul style="list-style-type: none"> <li>• Parents of 4 year olds can ask for their child to defer entry or start Reception full / part-time</li> <li>• Requests from the parents of summer born children for their child to be admitted to Reception in the year after they turn five will</li> </ul>

				<p>be considered on a case by case basis</p> <ul style="list-style-type: none"> <li>Older applicants will be prioritised for admission to a three year old nursery place as they will have less time to spend in nursery</li> </ul>
Gender Reassignment			X	
Disability	X			<p>Provision is made for SEN children to be admitted to school</p> <p>Provisions made within the policy for priority to be given to medical need</p>
Sex			X	
Religion and belief	X			Provision made within the admissions timetable for faith schools to rank their applicants
Pregnancy and maternity			X	
Race			X	
Sexual orientation			X	
Carers	X			Potential for child carers to claim for social priority for a school place based on need
Other equality issues – please state	X			<p>Children in care and children who have left care through adoption, a child arrangement order or special guardianship order, receive top priority for a school place by law</p> <p>A translation service is on offer for parents who might find language a barrier to understanding the literature and Surrey’s Schools and Childcare service acts as a Choice Advice service to help parents understand the process</p>

<b>HR and workforce issues</b>			<b>X</b>	
<b>Human Rights implications if relevant</b>			<b>X</b>	

**If you find a negative impact on any equality group you will need to complete stage one and move on to stage two and carry out a full EIA.**

**A full EIA will also need to be carried out if this is a high profile or major policy that will either effect many people or have a severe effect on some people.**

<b>Is a full EIA required?</b>	<b>Yes (go to stage two) X</b>	<b>No</b>
<b>If no briefly summarise reasons why you have reached this conclusion, the evidence for this and the nature of any stakeholder verification of your conclusion.</b>		
<b>Briefly describe any positive impacts identified that have resulted in improved access or services</b>		

**For screenings only:**

<b>Review date</b>	
<b>Person responsible for review</b>	
<b>Head of Service signed off</b>	
<b>Date completed</b>	

- Signed off electronic version to be kept in your team for review
- Electronic copy to be forwarded to Equality and Diversity Manager for publishing

## Introduction and background

Using the information from your screening please describe your service or function. This should include:

- The aims and scope of the EIA
- The main beneficiaries or users
- The main equality, accessibility, social exclusion issues and barriers, and the equality groups they relate to (not all assessments will encounter issues relating to every strand)

The policies being considered under this EIA set out the processes and criteria for admitting children to community and voluntary controlled schools and how Surrey County Council will coordinate admission applications and outcomes within the County Council and across County borders. These are statutory policies required by legislation and, in accordance with the School Admissions Code, these policies include processes and criteria that are fair, objective and transparent and that comply with equalities legislation and the Human Rights Act.

The main users of the policies will be parents applying for Surrey schools, all Surrey state-funded schools and neighbouring local authorities.

The admission policy allows for SEN children to be admitted ahead of other applicants. SEN admissions fall outside the scope of admissions legislation.

The admission criteria make provision for looked after children and children who have left care through adoption, a child arrangements order or special guardianship order, as a top priority for admission. The second criteria for admission allows for children who have a social or medical need for a place at a particular school to be given priority. This might include a child who has a disability or a parent with a disability, or a child who has caring responsibilities for a parent.

Most children start school in the year after they turn 4 years old but all children must be in school in the term after they turn 5 years old. By law the admission arrangements for entry to Reception allow for a parent of a 4 year old to defer their entry until later in the school year or to ask that their child start school part time. In addition, parents of summer born children may ask for their child to be admitted out of cohort in the following year and these cases are considered on an individual basis according to the circumstances and what is in the best interests of the child. However, by law, these applicants would have to reapply for a place in the following year.

The arrangements for admission to a three year old nursery place allow nurseries to give a higher priority to older children who might have less time to spend in nursery. The proposed admission arrangements for a two year old nursery place provide for a fair allocation of places to children who are entitled to the extended nursery provision.

The policies and application procedure are widely publicised on Surrey County Council's website, in print and through publicity posters throughout the

County and the closing dates are broadcast on local radio. Parents are encouraged to apply online and leaflets are sent out widely setting out how parents can apply and how they might obtain a paper copy of the application form. Schools act as a support and advisory point for parents and primary schools are asked to target parents of children in their nursery to make sure they apply for a Reception place. Primary schools are also asked to check the applications made to ensure that all children who are approaching Year 7 transition have made an application. Online application numbers are high at over 96%, which demonstrates that most parents have the access and ability to apply online. However paper forms are readily available for parents who do not have the access or ability to apply online to ensure that these parents have equal access to school places. There is no evidence that would indicate that these families are not currently accessing the service.

The County Council also employs a dedicated translation service for all written material and the Contact Centre is used to support parents who might have difficulty in understanding and applying the policy.

**Now describe how this fits into 'the bigger picture' including other council or local plans and priorities.**

Surrey County Council acts as admission authority for community and voluntary controlled schools, whilst the governing body of each school acts as the admission authority for academies and foundation, trust and voluntary aided schools. The admission arrangements for all schools must be determined by 28 February each year and the arrangements and processes to determine which children will be admitted must be lawful and comply with the School Admissions Code.

Under the Coordination regulations each local authority must coordinate applications for children living in their area and must publish schemes setting out how it will do this.

The over-arching aspect of admission arrangements and coordinated schemes is that they must be fair and objective, give every parent the opportunity to apply for schools that they want for their child, provide parents with clear information and provide support to parents who find it hardest to understand the system.

## **Evidence gathering and fact-finding**

**What evidence is available to support your views above? Please include a summary of the available evidence including identifying where there are gaps to be included in the action plan.**

**Remember to consider accessibility alongside the equality groups**

Over 96% of parents applied online in 2015 and paper forms were readily available to parents who could not or chose not to apply online

As part of the normal intake to schools in 2015, 76 places were offered at community and voluntary controlled schools to children in care or children who had left care through adoption, a child arrangements order or a special guardianship order.

As part of the normal intake to schools in 2015, 20 places were offered at

community and voluntary controlled schools on exceptional grounds (social/medical need).

Sources of evidence may include:

- Service monitoring reports including equality monitoring data
- User feedback
- Population data – census, Mosaic
- Complaints data
- Published research, local or national.
- Feedback from consultations and focus groups
- Feedback from individuals or organisations representing the interests of key target groups
- Evidence from partner organisations, other council departments, district or borough councils and other local authorities

#### **How have stakeholders been involved in this assessment? Who are they, and what is their view?**

Schools which have changes being proposed have been consulted on the changes. All community and voluntary controlled schools have been sent confirmation of the published admission number that was to be proposed and were offered the opportunity to query it if they felt it was incorrect or if they had anticipated a change.

The consultation was the opportunity to engage with parents and the wider school community. As part of the consultation process the proposed admission arrangements and coordinated schemes were widely publicised both on the County Council website and in schools and nurseries. All forms of responses were accepted including the standard response form, online responses and any other relevant correspondence.

A total of 90 responses were received to the consultation of which 57 were completed online and 33 were received by email.

Of the online responses, 26 (45.6%) respondents completed the equality monitoring form. Of those completing a monitoring form:

#### **Age**

38% (10) of respondents were aged 18 – 49

58% (15) of respondents were aged 50 – 64

4% (1) of respondents were aged over 65

#### **Race**

92% (24) of respondents described themselves as White - British

4% (1) of respondents described themselves as White – any other

4% (1) of respondents described themselves as Chinese

#### **Disability**

No respondents indicated that they had a disability, condition or impairment

#### **Gender**

81% (21) of respondents were female

15% (4) of respondents were male

4% (1) gave no response

**Faith**

11% (3) of respondents indicated that they had no religious or faith group  
 85% (22) of respondents indicated that they were of Christian faith  
 4% (1) of respondents would rather not answer

**Sexual Orientation**

73% (19) of respondents stated that they were heterosexual  
 4% (1) of respondents stated that they were bisexual  
 23% (6) of respondents stated that they would rather not answer

**Marital status**

19% (5) of respondents stated that they were divorced  
 69% (18) of respondents stated that they were married  
 4% (1) of respondents stated that they were widowed  
 4% (1) of respondents stated that they were living with a partner  
 4% (1) of respondents stated that they would rather not say

**Analysis and assessment**

**Given the available information, what is the actual or likely impact on minority, disadvantaged, vulnerable and socially excluded groups? Is this impact positive or negative or a mixture of both? (Refer to the EIA guidance for full list of issues to consider when making your analysis)**

Based on the assessment of the policies and the evidence, these policies will have an overall positive equality impact.

**What can be done to reduce the effects of any negative impacts? Where negative impact cannot be completely diminished, can this be justified, and is it lawful?**

No evidence of any negative impact.

**Where there are positive impacts, what changes have been or will be made, who are the beneficiaries and how have they benefited?**

**Recommendations**

**Please summarise the main recommendations arising from the assessment. If it is impossible to diminish negative impacts to an acceptable or even lawful level the recommendation should be that the proposal or the relevant part of it should not proceed.**

**Action Plan – actions needed to implement the EIA recommendations**

Issue	Action	Expected outcome	Who	Deadline for action



- Actions should have SMART Targets
- Actions should be reported to the Directorate Equality Group (DEG) and incorporated into the Equality and Diversity Action Plan, Service Plans and/or personal objectives of key staff.

Date taken to Directorate Equality Group for challenge and feedback	
Review date	
Person responsible for review	Claire Potier
Head of Service signed off	Julie Stockdale
Date completed	6 January 2016
Date forwarded to EIA coordinator for publishing	

- **Signed off electronic version to be kept in your team for review**
- **Electronic copy to be forwarded to your service EIA coordinator to forward for publishing on the external website**

**EIA publishing checklist**

- Plain English – will your EIA make sense to the public?
- Acronyms – check that you have explained any specialist names or terminology
- Evidence – will your evidence stand up to scrutiny; can you justify your conclusions?
- Stakeholders and verification – have you included a range of views and perspectives to back up your analysis?
- Gaps and information – have you identified any gaps in services or information that need to be addressed in the action plan?
- Legal framework – have you identified any potential discrimination and included actions to address it?
- Success stories – have you included any positive impacts that have resulted in change for the better?
- Action plan – is your action plan SMART? Have you informed the relevant people to ensure the action plan is carried out?
- Review – have you included a review date and a named person to carry it out?
- Challenge – has your EIA been taken to your DEG for challenge
- Signing off – has your Head of Service signed off your EIA?
- Basics – have you signed and dated your EIA and named it for publishing?

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**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 2 FEBRUARY 2016**

**REPORT OF: JOHN FUREY, CABINET MEMBER FOR HIGHWAYS,  
TRANSPORT AND FLOODING**

**LEAD OFFICER: JASON RUSSELL, ASSISTANT DIRECTOR HIGHWAYS AND  
TRANSPORT**

**SUBJECT: KIER CONTRACT EXTENSION AND VARIATION**



**SUMMARY OF ISSUE:**

Surrey County Council's Highways and Transport core maintenance contract is with Kier. The contract was set up in 2011 for an initial term of 6 years with options to extend by up to 4 years by means of 2 plus 2 year extensions. The initial term of the contract will terminate in April 2017.

This paper outlines the recommendation to Cabinet to approve a decision to extend the contract with Kier to its full term 31 March 2021.

**RECOMMENDATIONS:**

It is recommended that:

1. Cabinet approves the contract extension commitments and associated contract modifications agreed with Kier and approves the extension of the highway maintenance contract to its full term - 31 March 2021, and
2. Highways and Transport develop proposals to accommodate the increased revenue cost within the budget from 2017/18, in line with paragraph 24 of this report.

**REASON FOR RECOMMENDATIONS:**

Extending the Kier contract to its full term is the optimum commercial option at the current time. A value for money and market analysis exercise demonstrates that the current contract price is competitive and remains below Retail Price Index (RPIX) and tender price inflation. Although there is a revenue cost increase, extending the contract is the best value for the council. It is performing well, extending it will bring social and other benefits and the alternative carries significant financial and performance risks.

The option of retendering the contract has been considered as part of the decision making process but there is strong evidence to suggest that this is likely to result in a significant cost increase to Surrey in the current market. Increasing demand in a consolidated highway and construction sector fuelled by major infrastructure projects like HS2 and Crossrail (TFL), alongside a £50bn investment through Highways England in the strategic road network, has created a supplier led market which is enabling large contractors to command higher profit levels. The value for money analysis has also taken into account the additional cost to Surrey of re-procuring and mobilising a new highways contract, which would be around £1.2m - £1.8m.

Surrey has worked with Kier to develop an extension agreement for the remainder of the contract which delivers greater strategic alignment, value for money and improved services for residents. This includes an increase in the safety defect lump sums, to reflect the actual cost of this service, and the introduction of an annual cap on defects. The increased costs and transfer of risk will be balanced by an equivalent reduction in the costs of Capital schemes so that the economic balance of the contract is not altered. In addition, Kier will be providing additional social value through a number of initiatives, which are detailed in this report.

All these commitments will be enshrined in the Kier contract extension agreement. Although there is no significant change to the scope of the contract, there are a number of formal modifications required to the contract to deliver the commitments agreed.

## **DETAILS**

### **Contract background**

1. Surrey County Council's Highways and Transport core maintenance contract is with Kier. The contract was originally awarded to May Gurney but was transferred to Kier following their acquisition of May Gurney in July 2013. The contract was set up for an initial term of 6 years with options to extend by up to 4 years by means of 2 plus 2 year extensions. The initial term of the contract will terminate in April 2017.
2. The recommendation to extend the contract to its full term has been informed by an assessment of; whether the contractual criteria for extension have been satisfied; whether Kier are able to meet the future requirements of the service; whether the Kier contract has delivered value for money to date; and the alternative options in the current market conditions.

### **Contract scope and criteria**

3. There are five contractual extension criteria which need to be satisfied. These cover overall programme delivery, contract price stability, performance against

standards, user and customer feedback. A comprehensive assessment of all the criteria was undertaken and scrutinised through the contract management governance arrangements, which included representation from the Council's Procurement and Finance service. All five criteria were met.

4. In order to assess whether the Kier contract is able to meet the service's future requirements a contract scope review was undertaken. The review was informed by the contract features required to deliver Highway and Transport's new five year strategic business plan for 2016-2021 and Kier's vision for the remainder of the contract.

#### **Kier contract extension commitments**

5. The contract scope review established that although there were no fundamental changes to the contract scope, there were opportunities to improve the commercial, business and strategic relationship with Kier as part of the extension agreement. As a result Kier have agreed to incorporate a number of operational and strategic contractual commitments.
6. The operational commitments will improve value for money in the delivery of planned works, while ensuring that Kier deliver Surrey Highways and Transport's strategic goals and improve the overall efficiency and effectiveness of the contract. These commitments include the implementation of a new joint procurement strategy and intelligence based procurement department for all capital works which will create future saving opportunities for Surrey through the supply chain. The strategic commitments agreed with Kier are longer term programmes and expected to deliver approximately £5m in capital savings to Surrey Highways and Transport over the remainder of the contract. They will create tangible social benefit and economic growth to local communities and include:
  - The development and implementation of a new integrated business operating model to deliver efficiencies via process, systems and organisational improvements.
  - The development of a business case with the Department of Education and Surrey to open a new regional construction academy to support the regional skills shortage.
  - The operation of a social educational enterprise "Eduprise" organisation to support pre apprentice traineeships and aid young people not in education, employment or training (NEETs) to gain local employment.
  - The retendering of all existing sub contracts for planned capital works on an open book basis. In order to improve the quality and level of customer service provided by sub contractors a new performance regime will also be introduced.
7. A new contract performance management framework, aligned to the delivery of the Council's corporate goals of well being, resident experience and economic prosperity goals will be introduced to ensure the contract extension benefits are realised.

## **CONSULTATION**

8. Consultation was undertaken with internal stakeholders including Legal, Finance and Procurement.
9. Consultation on the decision was also undertaken with councillors via a Highways and Transport Member Reference Group. The group completed an extensive review of the Kier contract which looked at overall delivery, performance and communication with customers and Members. The group's findings are captured in their report to the Economic Prosperity, Environment and Highways Board on the 10 December 2015. The Member report concluded that although there are areas for improvement, overall Kier have demonstrated value for money and their commitment to the partnership. Examples of this include:
  - The successful delivery of the capital road maintenance programme Project Horizon to a high quality and standard.
  - The development and implementation of the new Works Manager IT system which delivers operational efficiencies including improvements to scheduling via route optimisation tools.
  - The implementation of a new safety defect process which operates on a 'milk round' basis, meaning defects are identified and repaired more quickly and efficiently through team integration.

The Group support a decision to extend the contract to its full term, subject to the inclusion of contractual conditions to address the issues identified. All these conditions are covered in the operational and strategic commitments agreed with Kier.

## **RISK MANAGEMENT AND IMPLICATIONS:**

10. As part of the contract extension officers have agreed new liability clause for the repair of road safety defects. This is to reflect the increasing threat of flooding and severe weather and to better define the cost impact. Under the revised conditions, Kier will now be responsible for repairing all road defects to an annual capped volume of 52,500, with SCC agreeing to repair a further 20,000 defects through a targeted capital investment programme, which will be funded within the existing Highways and Transport capital programme. The details of the capital programme will be reflected in the new Asset Management Strategy which is expected to go to Cabinet for approval in Spring 2016.
11. The revised conditions thus enable Surrey Highways to permanently repair approximately 72,500 defects per year. Based upon historical analysis this represents the anticipated annual amount of road defects for an "average" year (April to March). However, there is a risk that this annual volume would be exceeded in times of severe flooding or snow. Using data from previous severe flooding this could increase annual defects to approximately 100,000 for that specific year and a corresponding increase in staff/traffic management costs. The revised contract conditions makes it explicit that this direct cost of severe weather and repairing a potential additional 30,000 defects is an SCC risk, which previous experience suggests could result in an additional expenditure of up to £5m depending on the severity of the weather event. In the past Central

Government have provided some emergency financial assistance, following severe weather events but this cannot be guaranteed going forward.

12. This risk amount is aligned to the additional expenditure SCC has previously incurred to mitigate impact of severe weather on the road network. For example, in 2012/13 the council invested £5m from reserves to recover from severe snow and a further £5m (part funded from Central Government) was invested in 2013/14 to mitigate the impacts of severe flooding. However, the new capped liability removes any ambiguity between SCC and Kier and makes it explicit on when the cost risk transfers from Kier to SCC.
13. Following discussions with finance officers, it has been agreed that it be recognised as a financial risk rather than built into Medium Term Financial Plan because it is not possible to predict the frequency or severity of a severe weather event, and instead the council's budget should represent a "typical" year. In addition to manage this risk better the service will also introduce a new safety defect strategy aimed at reducing the number of defects over the remainder of the contract to enable a lower revenue funding requirement from 2021. This will be done via preventative capital and jet patching programmes to improve the overall condition of the network.
14. Whilst going out to market with Kier to retender existing subcontracts creates saving and value for money opportunities, there is risk that this might lead to increased costs in some contracts. This risk will be managed via the implementation of a shared procurement strategy which will include a joint procurement team comprising Kier and Surrey staff working collaboratively to achieve cost savings. Kier Group is a large construction and services organisation and brings substantial procurement capability to Surrey. The joint procurement strategy will be based on developing longer term programmes; this will enable the Council to leverage Kier's wider contracts and position in the market to gain more competitive discounts, applying the same procurement principles used in the Council's 5 year capital road investment programme, Project Horizon.
15. There are potentially further financial and reputational risks to the Council if the service does not extend the Kier contract to its full term. Surrey Highways and Transport terminated its previous contracts with Ringway and Carillion early. The service has made good progress improving its reputation in the sector over the last few years. However, early termination of another major highway maintenance contract is likely to have a negative impact on Surrey's reputation as a client organisation and this could increase contract prices.

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

16. A comprehensive value for money assessment and market research analysis demonstrates that the current contract price is competitive and remains below RPIX and tender price inflation. Increasing demand in a consolidated highway and construction sector has created a supplier led market creating the potential for large contractors to command higher profit levels. The Government's £50bn spending plans for the strategic road network, between 2015 and 2021 along with national infrastructure projects like Crossrail and HS2 are contributing to driving up industry costs. Forecast analysis indicates that tender pricing will continue to increase and accelerate above RPIX from 2015 -2021. Therefore, retendering the contract in the current market climate is likely to result in significant cost increase to Surrey.



17. The value for money assessment also needs to consider the costs of re procuring and mobilising a new highways contract, which previous experience suggests would be expected to be between £1.2m - £1.8m.
18. Remaining with the Kier contract is therefore considered to be the optimum commercial option at the current time.
19. The proposed contract extension includes a number of adjustments to costs and risks:
  - Increased revenue lump sum payments for activities including safety defect repairs, accident & emergencies, and winter maintenance to more accurately reflect the actual cost of routine maintenance
  - Kier's liability to repair safety defects would be capped at 52,500 defects, transferring volume risk to SCC. As outlined in paragraph 14 this could equate to an additional cost of up to £5m depending upon impact of any severe weather event
  - Reductions to overhead payments across revenue and capital works
20. These changes are not expected to result in any significant change to the overall contract cost. However the contract adjustments would result in a transfer of costs between revenue and capital, with a corresponding reduction in the cost of capital equal to an increase in revenue budget of approximately £2.2m resulting in a cost neutral financial position. The capital savings will be reinvested to help relieve revenue pressures.
21. As outlined in paragraph 8, the revised contract agreement and move to longer term programmes also enables Surrey Highways to realise further opportunity to secure further savings in the capital investment programme of approximately £5m.
22. Additional income and/or savings will be required from 2017/18 in order to offset the additional revenue cost associated with the proposed extension. A number of savings options are currently being considered, and the intention is that the increased revenue costs will be managed within the service's budget.

<b>Section 151 – Officer Commentary</b>
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23. The value for money assessment which supports the decision to extend the Kier highway maintenance contract included a review of contract costs and an analysis of inflation and tender prices within the wider construction market, and concluded that to date the contract has provided value to the council. The alternative option of retendering the contract would expose the council to risks associated with higher market inflationary pressures, and also to procurement and contract mobilisation costs.
24. The financial impacts of proceeding with the contract extension are outlined in the body of the report and summarised in the report. Although overall costs are expected to remain broadly balanced, costs would be rebalanced across contract activities leading to an increased revenue cost estimated at £2.2m, offset by a reduced capital cost, which will need to be accommodated within existing budgets. In addition the proposed extension introduces changes to the allocation of risk, including the introduction of a limit to the number of safety

defects that will be treated before additional cost is incurred, as detailed in paragraphs 10 to 12.

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

25. The Council is subject to public procurement law and cannot vary a contract so that it becomes substantially different to that which was the subject of the original invitation to tender. If a contract becomes so materially different to the original so that the initial award would have encouraged or allowed other bidders to be considered for the award, or might have resulted in a different result, then that would amount to a breach of EU procurement law. The Public Contracts Regulations 2015 (PCRs 2015) which came into force in February 2015 codified much of the case law in this area.
26. There are always risks attached to modifying or varying of a contract where the changes proposed do not fit neatly within the modifications allowed by the PCRs 2015. The Council has considered the modifications proposed, including the increase in value over the period of the Contract, in the light of the provisions of the PCRs 2015. From the careful consideration and analysis undertaken by the Council and with the benefit of assistance from external legal advisers, the Council considers that the contract award outcome would have been the same if those changes had been notified to the marketplace when the original OJEU notice was published, with the contract awarded to the same contractor. Nevertheless to mitigate the risk of a challenge to the modifications proposed in the contract extension, the Council published a voluntary ex ante transparency (VEAT) notice in OJEU on the 26 December 2015. If Cabinet approves the extension of the contract with the modifications proposed, the Council will only affect the extension after the requisite time for a challenge has elapsed to mitigate the risk of the contract extension being declared ineffective.

#### **Equalities and Diversity**

27. A full Equality Impact Assessment was undertaken as part of the original procurement exercise. As there are no significant changes to the contract scope and the contract extension modifications do not negatively impact residents or staff it has been determined that a further Equality Impact Assessment is not required.

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

28. Subject to Cabinet approval the contract extension agreement will be executed by the end of June 2016. The decision to extend the contract with Kier to its full term including the changes and implications will be formally communicated to all Members by the Assistant Director for Highways and Transport.

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#### **Contact Officer:**

Jason Russell, Assistant Director, Highways and Transport, Tel: 020 8541 7395

#### **Consulted:**

Highways & Transport Member Reference Group

**Background Papers**

Highways & Transport Member Reference Group Report to Economic Prosperity,  
Environment & Highways Board - December 2015

Procurement Services – Contract Modification Analysis report - December 2015

Core Group- Kier contract extension report - 9 November 2015

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**SURREY COUNTY COUNCIL****CABINET****DATE: 2 FEBRUARY 2016****REPORT OF: MR JOHN FUREY, CABINET MEMBER FOR HIGHWAYS, TRANSPORT AND FLOODING****REPORT OF: MR RICHARD WALSH, CABINET MEMBER FOR LOCALITIES AND COMMUNITY WELLBEING****LEAD OFFICER: TREVOR PUGH STRATEGIC DIRECTOR OF ENVIRONMENT AND INFRASTRUCTURE****SUBJECT: PRUDENTIAL RIDE LONDON-SURREY 100 AND CLASSIC (PRLS)****SUMMARY OF ISSUE:**

At the Cabinet meeting on the 25 November 2014 there was the decision to allow officers to progress the planning for PRLS to agree the feasibility of future events, but that a further paper would be brought back to the Cabinet for cycling events from 2018 onwards to gain Cabinet approval.

The Prudential Ride London-Surrey 100 and Classic events (the event) are part of the wider Prudential Ride London festival and largely follow the Olympic road cycling race route making them a key part of the Olympic legacy. The Prudential Ride London-Surrey 100 is an annual mass participation event for amateur cyclists and the Prudential Ride London-Surrey Classic is an elite race of 150 professional riders.

The event is seen as a key aspect of the County's Olympic Legacy and the event route is designed to follow as closely as possible the event routes for the Olympic Road race and time trial.

**RECOMMENDATIONS:**

It is recommended that Cabinet:

1. Agrees to host the Prudential Ride London-Surrey 100 and Classic across same route as in 2015 for the 2018 and 2019 events. (Note: the agreement is in place for 2016 and 2017)
2. Approves in principle, subject to the event continuing to be fully supported by the Mayor of London, the request from London/Surrey Cycle Partnership (the event organiser) for them to establish new route for a 46 mile event for 2016.
3. Delegates authority to the Strategic Director for Environment and Infrastructure, in consultation with the Cabinet Member for Localities and Community Wellbeing and the Cabinet Member for Highways, Transport and Flooding to agree any changes that may be required prior to the 2018 and 2019 events taking place.

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## **REASON FOR RECOMMENDATIONS:**

**Recommendation 1** – The recommendation has been made to allow for the detailed plan for the 2018 and 2019 events to be started, the map of the route for the London-Surrey 100 and Classic is attached to this report as Annex 1.

The event has received good feedback from those who were surveyed on the event day and has received national and international awards. Concerns remain as to the impact of the event on communities on the route particularly in the Leith Hill area that the event organiser will continue to address.

**Recommendation 2** – As a response to the Cabinet Member’s direction to ensure that where possible roads are reopened as early as possible, the event organiser has put forward the proposal of the 46 mile route.

The benefits of the proposal are seen as:

- Allowing the earlier road reopening on the western section of the route
- The shorter route is likely to support the strategic objective of encouraging new cyclists to take part in the event
- The shorter route is aimed at opening the event to new demographic groups who would be more likely to take part in the shorter event

The detailed proposal document is attached to this report as Annex 2.

**Recommendation 3** - The delegation will ensure that there is continued strategic and elected Member oversight of the event arrangements during the detailed planning phases of the event plan and that changes can be made to the event arrangements in a proactive manner to ensure the needs of residents, participants and spectators continue to be met.

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## **BACKGROUND**

1. The events in Surrey took place on 2 August 2015 were considered a great success. Over 25,000 people participated in the Ride London-Surrey 100, demonstrating a real commitment to undertaking the challenge and raising funds for over 400 charities.
2. The delivery partner for the festival is the London & Surrey Cycling Partnership (LSCP). The delivery partner plans and delivers the festival’s events in conjunction with a wide group of stakeholders.
3. The event organiser delivers the event on a not for profit basis. Income comes from sponsorship, marketing, advertising, entry fees, TV rights etc and after costs 100 per cent of its surplus is handed to The London Marathon Charitable Trust, which then awards grants to recreational and sporting projects in Surrey and other areas where London Marathon Events Limited events are staged. Through association with the event Surrey sporting and recreational charities are able to bid for grants from this Trust. The current grants award to Surrey are contained in table 1.

**Table 1 - Annual total grant award to Surrey Sporting and Recreational Charities**

Year	Grants from	Amount
2013	Charitable Trust grants:	£385,000
2013	QEII Field Challenge Surrey:	£242,000
2014	Charitable Trust grants:	£375,000
2015	Charitable Trust grants applications in progress	
<b>Total</b>		<b>£1,002,000</b>

4. The event also aims to provide charities with the opportunity to generate income through sponsorship and allocations of charity rider spaces in the event. To date the income generated by national charities is £29m, (2013 - £7 million, 2014 - £10 million, 2015 - £12 million)
5. The event has been awarded 7 national and international awards including,
  - European Sport Tourism Event of the Year (2014)
  - BT Sport Industry Awards: Participation Event of the Year (2013 and 2014)
  - UK Event Awards: Large Event of the Year (2013) and Sports Event of the Year (2013 and 2014)
  - UK Cycling Event of the Year in the Total Women's Cycling readers' awards
6. Prior to the events, the County Council and its partners worked closely with the event organiser to ensure that concerns expressed through engagement with residents following the previous events were properly addressed.
7. As a result, there have been continuous improvements to the event to allow better access for residents. For example, the use of rolling road closures to reopen the roads on the west of the event route after the mass participation event, reduced the full road closure period and allow improved access for residents.
8. To facilitate this, an extensive debrief process is being undertaken to learn and improve all aspects of the delivery and management of the RideLondon-Surrey 100 and Classic events in Surrey. To date feedback has been received through meetings and submissions from the following:
  - Surrey County Council
  - Borough and District councils
  - Local resident/ parish councils / businesses
  - RideLondon helpdesk
  - Direct from residents
  - LSCP staff and contractors
  - Media articles
9. The main concerns from residents and Parish Councils include:
  - Access on and across the route
  - Wishing the route to move to a different area each year

- 
- Gaining the business benefits for local business
  - Removal of the event infrastructure following to event
10. Feedback is being reviewed by the event organisers and adjustments made wherever possible. On approval by Cabinet, the route and recommendations contained in this report will be shared with the elected representatives of communities on the proposed route including Parish, District, Borough and County Councillors.
  11. As indicated above, extensive engagement with local communities will continue to ensure they are aware of the impact of the events and it is minimised as much as possible. A countywide communications campaign will also be undertaken across Surrey to make sure awareness is high.
  12. In addition the event organiser will identify and implement further ways to support local businesses to gain benefit from the events and keep the negative impacts to a minimum. This will include visits to businesses to discuss their concerns and identify the best ways to help.
  13. The event organiser is proposing an additional 46 mile route. This shortened route will divert riders at Hampton Court Bridge and send riders on to the Scilly Isles along Hampton Court Way to rejoin the event, this in effect creates a 46 mile route for an new event for a new group of participants.
  14. The proposed 46 event route will lead to road closures for different communities to previous years on the Hampton Court Way that will need to be addressed. The event organiser will be working to ensure that access will be provided although this will need to be managed to ensure the safety of residents and the event participants.
  15. Given the impact the proposed route has on residents in the Elmbridge Borough Council area there has been a briefing to Council officers involved in the planning for the event. Elmbridge Borough Council have given in principle agreement for the 46 mile route and the continued joint working will focus on ensuring that detailed planning and communication to residents is in place to ensure that there is mitigation for the planned closures.

#### **COMMUNITY ENGAGEMENT:**

16. During the delivery of the previous events the event organiser, supported by County, Borough and District Officers undertook a programme of engagement events with those communities on the event route. This included:
  - Engagement session with County, Borough, District, Town and Parish Councillors on the event route.
  - Attendance at Local Committees on the route to assess community feedback
  - One to one sessions with key councillors to establish community arrangements.
  - Newsletters with information regarding the event delivery information allowing residents to plan their activities on the event day.
17. It is planned to continue the engagement with residents as part of the event planning for the 2016 and future events. There will be a focus on providing



information to residents to allow for them to plan their journeys on event days and engagement with businesses to allow them to maximise the benefits bought with the expected increase in footfall.

#### **CONSULTATION:**

18. There has been consultation with senior officers from the Borough and District Council on the event route and Surrey Police through the meeting of the Surrey Major Event Board. There has also been consultation with the Strategic Director for Environment and Infrastructure, the Cabinet Member for Localities and Community Wellbeing and the Cabinet Member for Highways, Transport and Flooding to ensure that there is on-going support for the delivery of the event.
19. On agreement with Cabinet the detailed planning for the events in 2018 and 2019 will be progressed. This will include maintaining the governance and planning structures that have supported previous events. The event organiser will continue to engage with residents and business living on the route to ensure that they are able to plan their activities on the event day.

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

20. The event organiser will oversee the operational and strategic risks relating to the event.

<b>Risk</b>	<b>Mitigating Actions</b>
There is a delay in an emergency or critical service reaching a patient.	All Surrey Emergency Services and representatives for the critical services (Health and Social Care) are involved in the event planning process.
Failure to ensure the long term community support for the event leading to loss of public support.	<p>Consultation with the communities and residents groups will be a key priority for the event organiser in developing the plans for the 2016 events.</p> <p>The event organiser will work closely with communities on the route to minimise and mitigate impacts of the road closures.</p> <p>Resident views were sought regarding major cycling events during the Cycling Strategy Consultation in 2013.</p>

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

21. The Prudential RideLondon-Surrey 100 and Classic have been established as Surrey's Olympic legacy events. The County Council and partners will support event planning with officer time to review plans and arrangements put in place by the event organiser. All costs with the exception of officer time are borne by the event organiser.

The commitment of officer time will include the scrutiny of the event plans and ensuring that Surrey Council services to the community continue on the event day. The fire service response on the event day will be made using the existing resources and unlike the Olympic there is no requirement for appliances or officers to be deployed outside of the routine provision to the community.

#### **SECTION 151 OFFICER COMMENTARY**

22. The event organiser will be expected to pay for all costs in relation to the events, for example road closures and diversions, with the exception of officer time. Exceptions to this principle will require the approval of Cabinet.

#### **LEGAL IMPLICATIONS – MONITORING OFFICER**

23. The general power of competence created by the Localism Act 2011 enables the Council to promote and support sporting events in the County and across borders such as this event and to devote officers' time to act accordingly.
24. The Council has the power to make "Special Event Orders" under sections 16A and 16B of the Road Traffic Regulation Act 1984, restricting or prohibiting traffic on the road for the purposes of facilitating a relevant event, having satisfied itself that it is not reasonably practicable for the event to be held otherwise than on a road. The event proposed here is a relevant event. This power is delegated to relevant highways officers, and is subject to them "informing the Chairman of the Local Committee (local members also informed)". Any such decisions should be taken in accordance with the "Framework for co-ordinating and approving events on Surrey's Highways". Additional traffic regulation orders may need to be made to other roads to facilitate the safety of the public during the events.
25. Additionally as "The Surrey Classic" is a road race, it is governed by the provisions of the Road Traffic Act 1988 and The Cycling Racing on Highways Regulations 1960. The effect of this is that racing on the highway is permitted, subject to compliance with various requirements in the regulations and subject to the organiser giving the police notice in writing of various particulars with respect to the race. It is an offence otherwise to promote or take part in a race or trial of speed on a public way between cycles.
26. It is important to ensure that the route proceeds along highways that permit cycling and cycle racing e.g. not including public footpaths.
27. The public sector equality duty (Section 149 of the Equality Act 2010) applies to the decision to be made by Cabinet in this report. There is a requirement when deciding upon the recommendations 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 and diversity paragraph of the report.

#### **EQUALITIES AND DIVERSITY**

28. An Equalities Impact Assessment (EIA) has been carried out as part of the development of the Surrey Cycling Strategy which applies to the Prudential Ride London-Surrey 100 and Classic and this EIA is attached to this report as Annex 4.

<p><b>Key Impacts (positive and/or negative) on people with protected characteristics</b></p>	<p><b>Positive impacts:</b></p> <p>Reduced pollution affecting participants and spectators as a result of road closures.</p> <p>The event as a whole is a weekend festival of cycling that has specific events planned for vulnerable groups such as hand cyclists and young people</p> <p><b>Negative impacts:</b></p> <p>Vulnerable groups (such as elderly needing care, children in care, disabled people and pregnant women) and their carers and medical support need to have access to closed roads as and when required.</p> <p>Safe pedestrian access needs to be maintained, especially important in areas of high spectator density.</p> <p>Older people are less likely to have Internet access and could therefore be excluded from online information.</p> <p>Language may present a barrier to minority ethnic groups in accessing information on cycling routes, training and safety etc.</p> <p>Potential disruption to people wishing to get their place of worship.</p>
<p><b>Changes made to the proposal as a result of the EIA</b></p>	<p>We have ensured that equalities issues are considered through the event planning process, including:</p> <p>Review of access and critical care issues from the 2016 event.</p> <p>Extensive consultation by the event organisers prior to the event including specific consideration of access requirements of vulnerable groups.</p> <p>Measures to reduce road closure times and to improve access arrangements on event day.</p>
<p><b>Key mitigating actions planned to address any outstanding negative impacts</b></p>	<p>Early consultation with local communities as the basis for developing plans.</p> <p>Improved communication is putting in place for the 2016 event, in a variety of formats.</p>
<p><b>Potential negative</b></p>	<p>There are no negative impacts that cannot be</p>

<b>impacts that cannot be mitigated</b>	mitigated.
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29. Once a decision has been made by Cabinet regarding the recommendation contained in this report the event organiser will be in a position to progress with the detailed planning for the agreed routes. As part of this planning the event organiser will undertake a detailed EIA which will take into account the impacts of the event at the specific times of day that the event will be running.
30. The EIA and mitigation measures will be managed by the event organiser in consultation with officers from the emergency services, borough, district and county councils through the established Detailed Planning Group. Oversight of the arrangements will be through the Surrey Major Event Board and if agreed, the delegation outlined in recommendation 3.

### **CORPORATE PARENTING/LOOKED AFTER CHILDREN IMPLICATIONS**

31. The event takes place at a weekend during the summer holidays, therefore reducing the impacts on Children's Services in general.
32. As in 2015, discussions with Children's Services will take place as part of the event planning process. Required access to Children's Residential Homes and Looked After Children in the community will be maintained as required throughout the event.

### **SAFEGUARDING RESPONSIBILITIES FOR CHILDREN AND ADULTS IMPLICATIONS**

33. Road closures could have access implications for vulnerable groups and their carers. The event organisers are reviewing reported access issues and putting in place emergency and critical service access arrangements. There will also be extensive engagement and communication with local residents about the road closures and access arrangements.

### **PUBLIC HEALTH IMPLICATIONS**

34. The Surrey Health and Wellbeing Strategy identifies physical activity as an important element of tackling and preventing ill-health.
35. The Surrey Health and Wellbeing Strategy (June 2013) identified development of a preventative approach as a key priority, including the importance of increasing levels of physical activity amongst the Surrey population. Currently only 12% of the adult population in Surrey does the recommended level of physical activity.
36. Health providers and the Hospital Trust in the event area are part of the event planning group. Through working with the event organiser the needs of the organisations and residents using services during the event times will be catered for alongside the arrangements for other emergency and critical services.
37. The Cycling Strategy consultation revealed 23% of respondents were inspired to take up cycling as a result of the major events.

<b>WHAT HAPPENS NEXT:</b>
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38. Once agreed the planning for the event will be progressed by:

- Once agreed the decisions from Cabinet will be shared with Borough and District Officers to progress engagement with elected Members
- The decision of Cabinet will be shared with London partners and the event organiser at the next board meeting
- Following the delivery of the 2017 event the planning will continue for subsequent years
- A report will be taken to the Resident Experience Board

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**Contact Officer:**

Ian Good - Head of Emergency Management – Tel: 020 8541 9168.

**Consulted:**

Surrey Major Event Board  
 Elmbridge Borough Council  
 Guildford Borough Council  
 Woking Borough Council  
 Mole Valley District Council

**Annexes:**

Annex 1- Map of Proposed Route London-Surrey 100 and Classic for 2018-19  
 Annex 2 - Prudential Ride London – 46, proposal Document provided by the event organiser  
 Annex 3 - Feedback for Prudential Ride London-Surrey 100 and classic (PRLS) 2015  
 Annex 4 – Equality Impact Assessment – Framework for Major Events

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**RIDELONDON-SURREY**  
 ROUTE MAP  
 SUNDAY 31 JULY 2016  
 v1.0 - 21 OCTOBER 2015

Annex 1- Map of Proposed Route London-Surrey 100 and Classic for 2018-19



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**LONDON MARATHON**  
EVENTS 

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**RIDE LONDON** 

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**46 Mile Event  
Proposal**

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**31<sup>st</sup> July 2016**

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Kevin Nash | V0.1 | 15<sup>th</sup> October 2015

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Ref.	Appendix Title	Version		Author
01	46 Mile Event route map	V1.0	19.10.2015	Kevin Nash
02	-	-	-	-

## Overview

From feedback received from residents, places of worship and businesses within Surrey the County Council have asked that LSCP explore all possible options to minimise the road closure period around the RideLondon event from the learnings identified from the 2015 event.

In 2013, the first year of the event, the roads remained closed between the amateur ride and the professional race, 2014 saw the introduction of a rolling closure for the professional event between Hampton Court Bridge and Abinger Hammer in order to provide greater access.

As the 2014 Traffic Management Plan was deemed more appropriate and successful in terms of road closures and openings this was refined and largely repeated in 2015.

Further potential to make the road reopening more efficient is deemed possible through the refined management of the tail end of the amateur cycle event (RideLondon-Surrey 100).

The use of Short Route 1 (Abinger Hammer) and Short Route 2 (Burford Bridge) in both 2014 and 2015 have proven the value of offering a reduced distance for riders; either as per the event plan (optional then made mandatory) or when contingency circumstances demand such as adverse weather, event incidents etc.

Exploring other options to provide Short Routes has potential to condense the latter stages of the event and facilitate a more expedient road reopening.

## **Road Re-opening**

The road re-openings for the RideLondon-Surrey 100 in both 2014 and 2015 between Hampton Court Bridge and Abinger Hammer were planned and scheduled to follow in close proximity to the last of the mass participation riders based on a minimum average speed of the last wave of riders to depart the start at Queen Elizabeth Olympic Park (QEOP).

The roads are then closed again under a rolling closure by a police escort for the professional race later in the afternoon on this section.

As 2014 event was run on the short contingency route in less than ideal weather conditions, data and feedback is neither useful nor available from the event across the planned 100 mile event route.

A full set of rider data and traffic management data across the entire event footprint was collected in 2015 and has enabled further review of the event delivery plan.

Following on from the request made by SCC, analysis of the 2015 event data and feedback from event staff has been considered and it is taken on board that the tail of end event should be managed more effectively due to the small number of riders involved.

## **2015 Data Review**

From reviewing the 2015 data from it is viewed that the tail-end end of the event has large sections of road closure remaining in situ for very few riders over a considerable period of time (see graphs below). This can be seen as inefficient use of road space and options can be considered to manage the tail end of the event.

Slow rider speeds were predicted to be 13mph as a minimum average but the riders mostly (99.8%) arrived at Hampton Court managing 14mph, practically all riders had arrived by 10:50.

## **Short Routes**

The large distance between Hampton Court (mile 26) and the first Short Route option (mile 52) at Abinger Hammer of 26 miles means that any delayed or slow riders i.e. those arriving later than 10:50 at Hampton Court will have a magnified time delay in their arrival time and be spread across a greater time period at Newlands Corner which is the first large hill and the next key timing data point.

In 2015 using the 14mph average to Hampton Court means that a 20 minute delay to re-opening from Hampton Court equated to a 50 minute delay at Newlands Corner.

Although more riders fall outside the cut-off time at Newlands Corner by providing an earlier Short Route option at Hampton Court Bridge several things can be achieved:

- Providing an earlier optional route to those riders that feel unable to complete the current minimum distance of 86 miles gives a viable and managed option. It can be assumed that the majority of riders experiencing 'fitness' difficulties on the 100 mile ride after 26 miles will take the Short Route option by choice and not feel compelled to 'ride on' regardless.
- Provide an absolute and definitive route for all those slow riders falling outside the cut-off time, i.e. all those passing after 10:50 with a mandatory divert to route back in to London at Scilly Isles.



- Enable better management of those riders riding just ahead of the cut-off time as there will be fewer of them spread across a much shorter and more manageable distance.

Naturally there is a reduction in the rate of riders passing any particular point across the route as the final cohort of riders passes by. Stronger communication to riders prior to the event, on the road, at drink stops and by the sweep team will reduce the number of riders that will fall behind the set cut-off times.

The existing sweep process will manage those participants that fall behind the cut-off time beyond the cut-off at Hampton Court Bridge.

The proposal is to have 3 Short Route options:

- Short Route 1 = Hampton Court Bridge to Scilly Isles (46miles)
- Short Route 2 = Abinger Hammer to Wotton (92 miles)
- Short Route 3 = Burford Bridge to Givons Grove (94 miles)
- Short Routes 2 + 3 (86 miles)

### **Rider Management**

Unlike running events riders cannot be asked to move to the pavement to ride as this is illegal. There is also a commitment from all stakeholders that this should be a traffic free environment for event participants and options to re-open the roads around the final riders are not available. It would also carry inherent safety risks as the message to both participant and vehicle driver is confused.

Although a management plan and sweep process is enforced on the day at the tail end of the event this is implemented with a varying degree of success as the tail is spread over a large area and may involve several hundred riders.

There is also a dynamic element to the event flow as was seen in 2014 when severe flooding in Kingston delayed large numbers of participants arriving in Surrey. The use of Short Routes as the contingency routes enabled the event period and road closure period to remain the same but participants were only permitted to use an 86 mile route.

In 2015 the final riders in the event were still spread out across a significant time period (see charts below).

### **Rider Speeds**

Riders departing the Queen Elizabeth Olympic Park (QEOP) in the 100 mile event in 2014 and 2015 were required to average a minimum speed to Ripley and then 10mph to Newlands Corner, both in Surrey.

Seeding the participants allows riders with a faster predicted time to leave the start first followed by progressively slower riders. This enables the event to spread safely across the event footprint with a density appropriate for the route, especially once the smaller roads are experienced.

Due to the variable ability of the later riders leaving QEOP, after 26 miles many riders were already observed to start to fall behind the required schedule. This delay is then amplified as fatigue increases and speed reduces due to both distance and time cycled increase then again is exaggerated by the appearance of the hills of Surrey.

From Ripley the roads have a gentle incline prior to the steeper climbs in the Surrey Hills. By the time riders are at Newlands Corner many riders (96 in 2015) are behind the required schedule, subsequently it took 48 minutes for last 96 riders to pass Newlands Corner all beyond the cut-off time.

The first Short Route option is at Abinger Hammer, beyond Newlands Corner, where riders are then diverted so that they effectively miss Leith Hill and are integrated back in to the predicted event timings. This is then repeated at Burford Bridge. Once riders are beyond this point there are no further short route options available in the last 25 miles back to The Mall.

After 3 years of experience and data from the riders it is apparent that riders failing to make Hampton Court by the desired time do not catch up and are lagging behind the predicted / required time schedule. Many of these riders will need to use Short Route 1 or Short Route 2 and quite possibly both in order to complete the event.

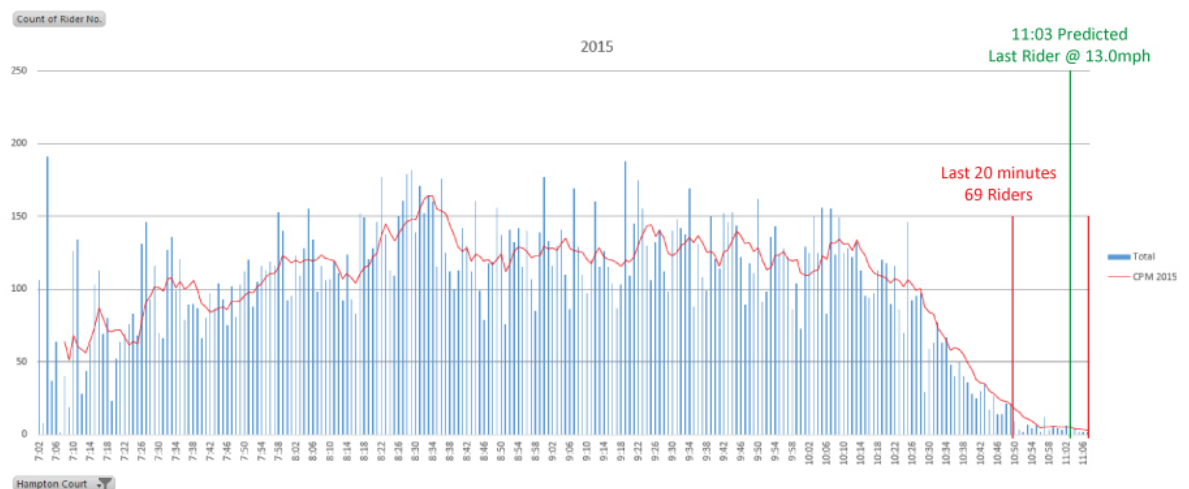
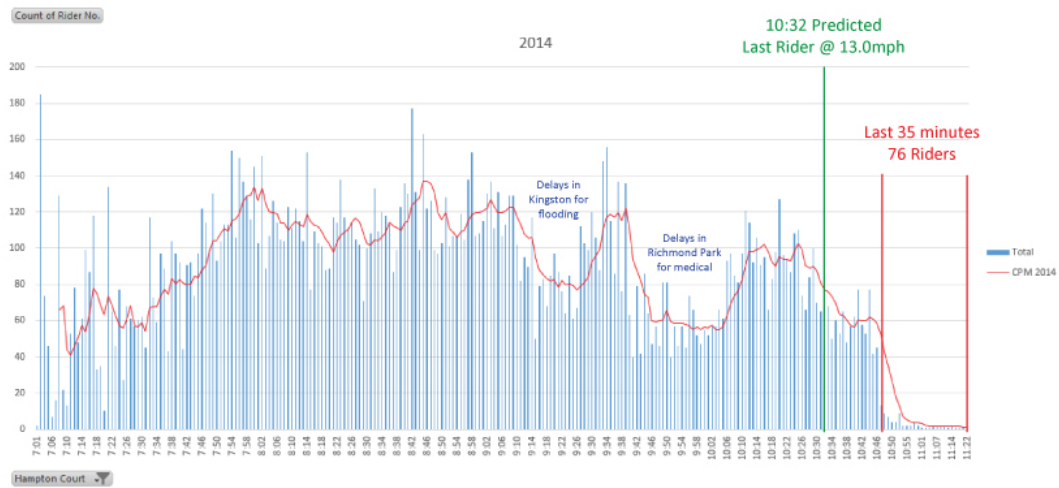
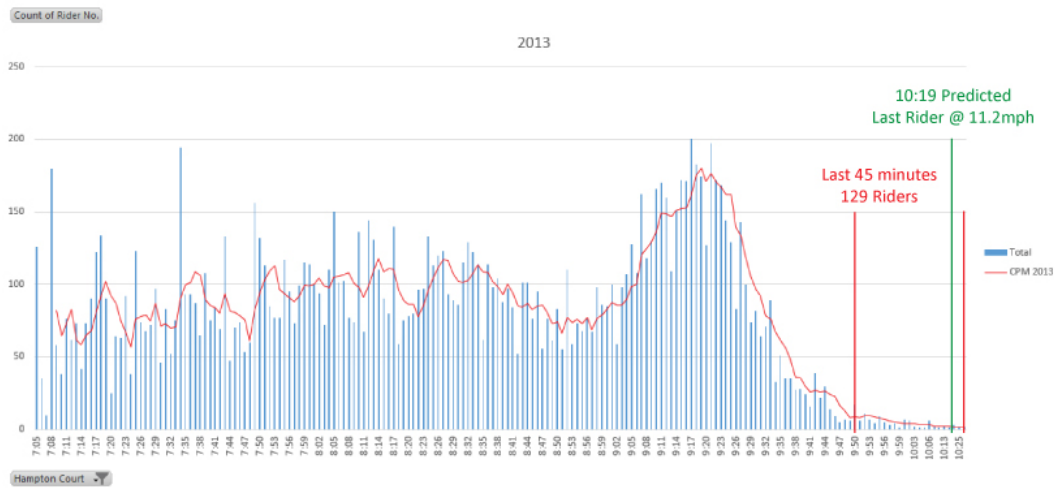
It is recognised that in order to maintain the planned event timings and make provision for earlier road reopening between Hampton Court Bridge and Abinger Hammer an early Short Route option is required.

This will address some of the concerns of SCC regarding the re-opening of the roads between these locations, as these roads form the primary options for vehicular movements away from the more permanent closures installed for the eastern side of the event route within Surrey.

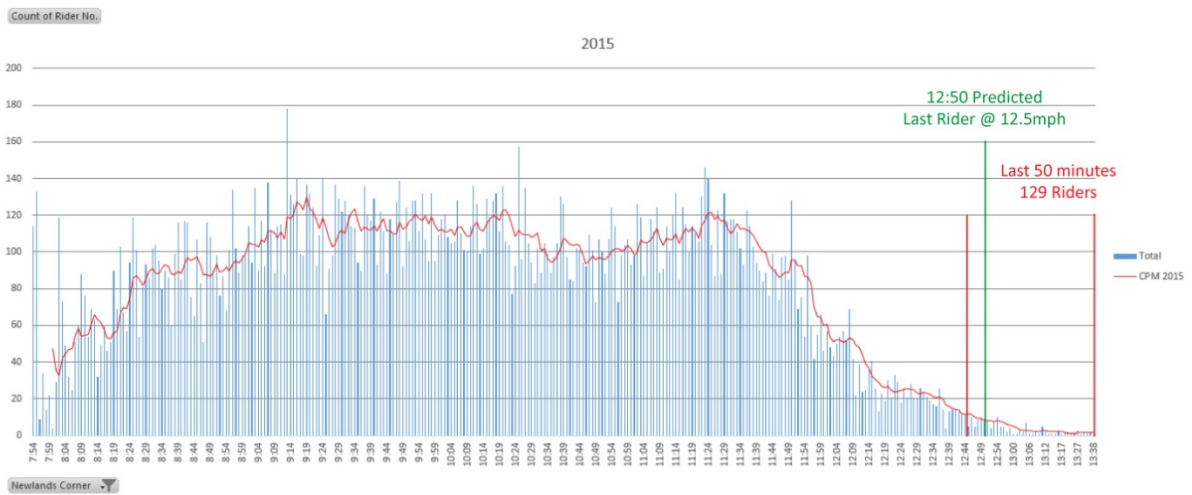
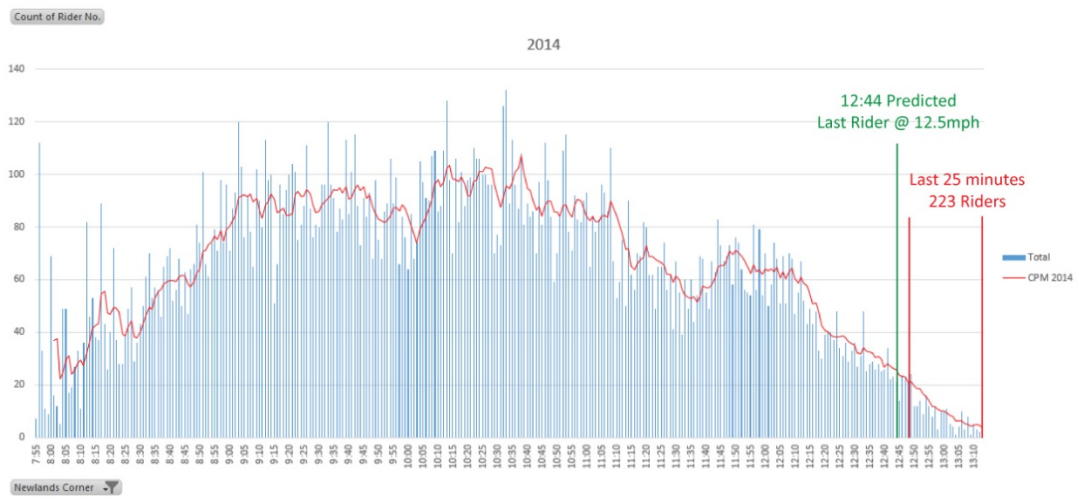
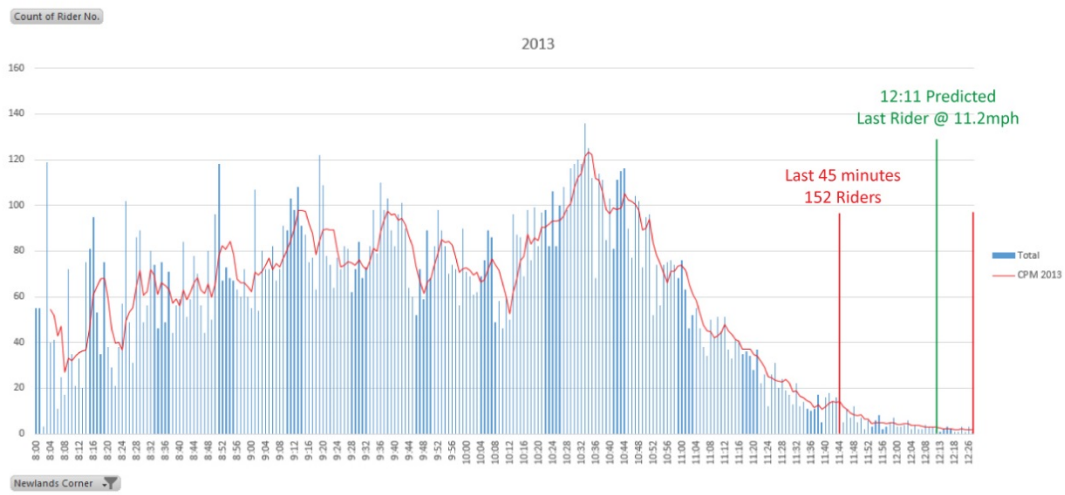
The least disruptive opportunity for a Short Route in terms of road network and the least impact on communities is to divert these riders at Hampton Court Bridge and send them on to the Scilly Isles along Hampton Court Way to rejoin the event, this in effect creates a 46 mile route for these participants.

Hampton Court Way has been a contingency route for the event since 2013 although never used as such, the traffic management plan caters for a closure and has been included in the legal orders for all three editions of the event.

### Rider flow data: Hampton Court 2013-15



### Rider flow data: Newlands Corner 2013-15



## **46 Mile Event**

The inclusion of an early Short Route at Hampton Court Bridge creates a 46 mile route which would be available for a defined period of time and could be utilised to offer a more accessible and inclusive event option to participants, thus increasing participation without extending the closure periods from Hampton Court Bridge onwards or overloading the route in the smaller hilly lanes in the Surrey Hills.

To absorb the tail end of the event would require a c.1 hour closure of Hampton Court Way at a minimum, by extending this to 2 hours a further cohort of riders can be given the opportunity to participate in the event over a shorter distance.

The use of a route from Hampton Court Bridge to Scilly Isles (1.7 miles) using Hampton Court Way has some further impact on the community of Thames Ditton in Elmbridge. It is fortunate that Hampton Court Way lends itself to a manageable short term closure with access options for the majority of residents within an affected area.

LSCP believes that a balance between a short closure period and guaranteed vehicle access across the event will alleviate the impact for the vast majority of residents.

### **Key Times**

LSCP would seek to close the length of Hampton Court Way to all traffic between 10:00 and 12:00.

- **Hampton Court Way closes to traffic from 10:00**
  - 10:20 - First riders on 46 Mile route at Hampton Court
  - 10:50 - 46 Mile route mandatory for all participants
  - 11:35 - Last riders at the Scilly Isles
- **Hampton Court Way re-opens to traffic by 12:00**

Maintaining access across Hampton Court Way at all times at Embercourt Road allows the resident access to and from the vast majority of Thames Ditton by vehicle, special arrangements will need to be made for those areas that are temporarily landlocked for c. 2hrs.

Due to the volume and predicted speed of the cyclists using the route the vehicle crossing at Embercourt Road can flow under CSAS stewarding throughout the period. The riders can be slowed and stopped as necessary.

## **Community Engagement**

The Borough needs to be informed of the proposal and permission sought from the local Highway Authority. A briefing of the local councillors would also be necessary to make sure that access issues are addressed.

A full and bespoke communications package for Thames Ditton residents would need to inform residents and businesses about the event and closures on the day.

The current event EqIA will be reviewed to make sure no further groups are adversely affected.

## **Access**

Local access to some key locations such as the train stations (Hampton Court and Thames Ditton), places of worship, sports grounds and healthcare facilities needs to be considered. Engagement with community groups, resident groups and local councillors will provide LSCP with the necessary information to help people plan in advance of the day.

A bespoke Community Access Plan would be created similar to those already in existence for those communities that require more detailed local information about how to navigate the road closures.

With the potential for up to 4000 riders passing by there is an opportunity for a community fundraising drinks stop in the area around Weston Green.

Station access at Thames Ditton and Hampton Court needs to be considered for the trains that run between 10:00 and 12:00. Southwest Trains are already a key stakeholder and will be advised of the proposals at the earliest opportunity.

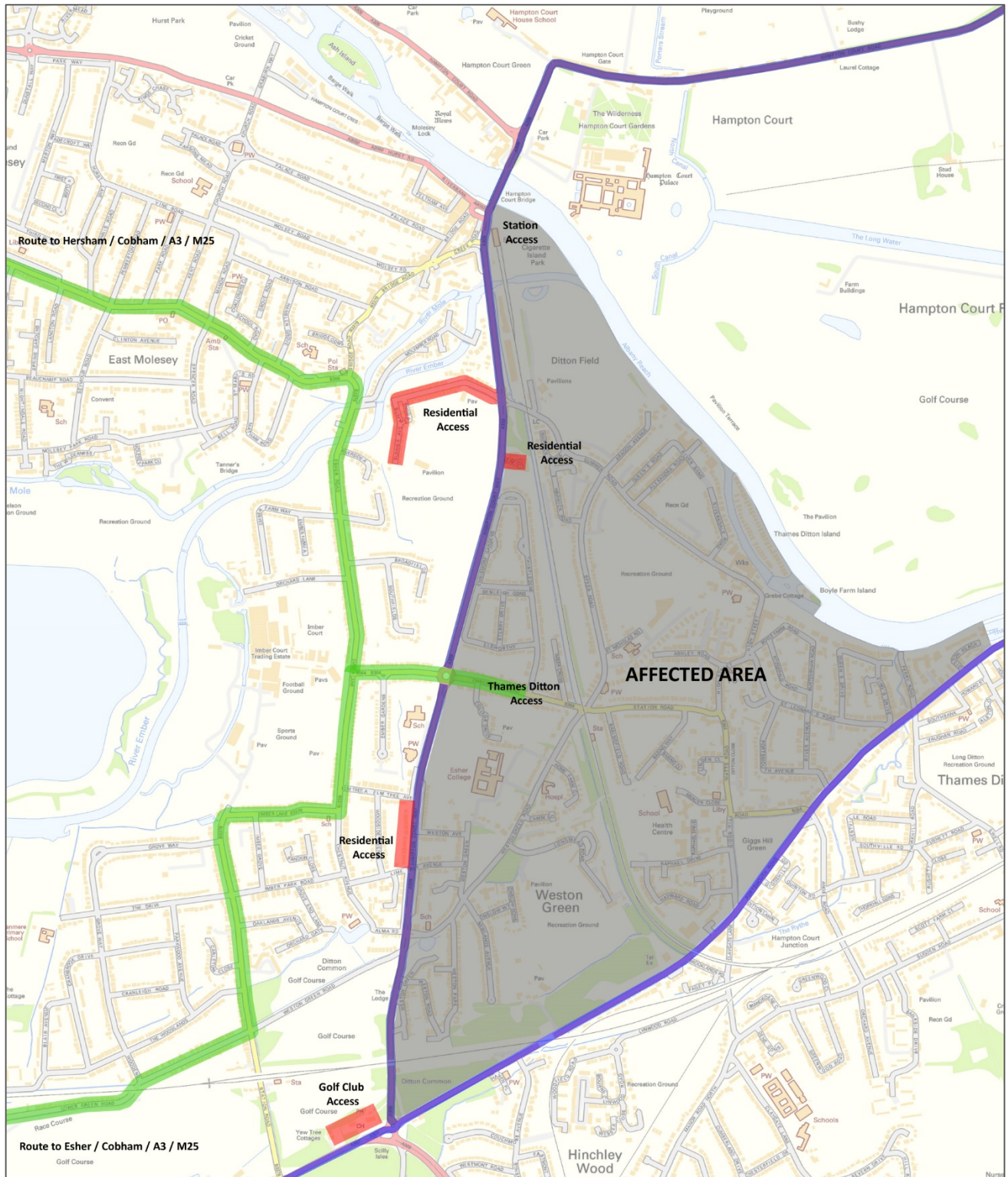
The current work done with health care providers will be extended to ensure information is readily available.

## **Notes**

The Hampton Court Station area is scheduled for re-development in the coming year.



Thames Ditton Access



- Green – Key access routes
- Purple – Event route
- Red – Landlocked areas
- Grey – Affected area for targeted communications

## Summary

- The Surrey Hills section of the route from Abinger Hammer to Box Hill has a finite capacity of 27,500 riders when released from the start over a 3hr period. The time the riders are on the 100 mile route cannot be increased due to the Classic race timings.
- The required average speed from QEOP to Hampton Court should be increased from 13mph to 14mph.
- Last actual rider departure on the 100 in 2015 is at 08:55 on chip time, this should be maintained
- 46 Mile Event riders depart QEOP between 09:00 to 09:30
- The full diversion on to the 46 mile route is implemented at 10:50
- The first 46 Mile Event riders are predicted to reach Hampton Court Bridge by 10:20
- Removal of event infrastructure and road reopening processes can commence at 10:50 from Hampton Court Bridge along Hurst Road, which is far sooner than previously managed and absolute in timing.
- Sweep and final vehicles proceed to Abinger Hammer with “Lanterne Rouge” team to encourage riders and manage a smaller set of slower / slowing riders thus allowing roads to Abinger Hammer to re-open on schedule.
- To provide for a more inclusive event the opportunity presented by the new short route should be used positively and productively to encourage up to 4000 new participants of all abilities in the event.
- LSCP will formally request a road closure for a 2hr period from the local highway authority in consultation with the local borough.

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## Feedback for Prudential Ride London-Surrey 100 and classic (PRLS) 2015

### Complaints to Surrey County Council

In 2015 Surrey County Council received 10 complaints from residents that were attributed the Prudential Ride London-Surrey that were dealt with as stage one complaints. The complaints mainly related to residents disagreeing with the decision to close the road for this event.

In 2014 the number of complaints was 16 and in 2013 there were 42 complaints.

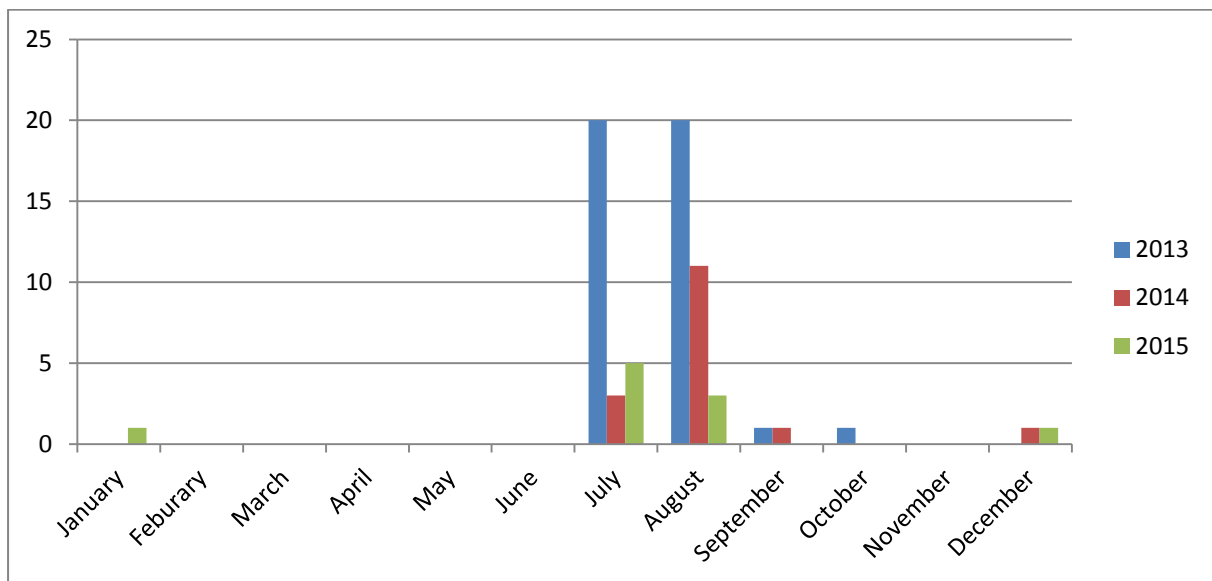


Figure 1 - PRLS complaints 2013-2015

### Spectator and Participant Feedback

As part of the review Transport for London undertook a survey with a representative sample of participants and spectators in Surrey for the 2015 event which showed that 89% who rated the experience, felt that the event was a positive experience and 86% stated they were likely to watch the event in 2016. Most spectators (89%) thought hosting the events had been positive for the local area.

The positive outcomes highlighted by spectators included were that

- 82% of Surrey spectators were Surrey residents and 18% visitors.
- There were two main reason for attending - 41% were supporting someone who was cycling in the 100 and 40% were there for a fun day out.
- Overall satisfaction with the event was very good and it scored highest (4.51 out of 5) for its appeal to all ages.
- 89% said hosting the event enhanced the image of Surrey as a visitor destination.
- 89% felt it was a positive experience for local families and communities.

- 64% were aware that the event meant grant funding was available for local communities.
- 86% were likely to watch again next year and 85% would recommend it to others.
- 59% of visitors said they were more likely to come back for a day or a weekend.
- 30% thought that attending would make them cycle more.
- 51% thought that the children attending with them would cycle more.

The positive outcomes from participants included,

- 43% had a better perception of Surrey after taking part - this was primarily because of a better appreciation of the county's sights, beauty, history, architecture and countryside.
- 66% of non Surrey residents said they were more likely to visit for a day trip or weekend.
- 55% of Surrey participants thought their participation in the 100 would make them cycle more.
- 55% of Surrey participants thought their participation in the 100 had inspired others in their lives to cycle more.
- 10% of Surrey participants had bought a new bike with an average spend of £950.
- 64% of Surrey participants had bought new bike equipment.

## 1. Topic of assessment

<b>EIA title:</b>	Framework for Major Events
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<b>EIA author:</b>	Surriya Subramaniam
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## 2. Approval

	Name	Date approved
<b>Approved by<sup>1</sup></b>		

## 3. Quality control

<b>Version number</b>	1.0	<b>EIA completed</b>	
<b>Date saved</b>	03/12/13	<b>EIA published</b>	

## 4. EIA team

Name	Job title (if applicable)	Organisation	Role
Surriya Subramaniam	Business Development Manager	Surrey County Council	Project coordinator for the Events process
Lesley Harding	Sustainability Group Manager	Surrey County Council	Project director for the Surrey Cycling Strategy

<sup>1</sup> Refer to earlier guidance for details on getting approval for your EIA.



# EQUALITY IMPACT ASSESSMENT

## 5. Explaining the matter being assessed

<b>What policy, function or service is being introduced or reviewed?</b>	A new framework for coordinating and approving events on Surrey’s highway is being introduced for closing roads for major events under s16A of the Road Traffic Regulation Act.
<b>What proposals are you assessing?</b>	This Equalities Impact Assessment considers the effect of closing roads for sporting and community events.
<b>Who is affected by the proposals outlined above?</b>	<p>The proposals could potentially affect anyone living or travelling in Surrey.</p> <ul style="list-style-type: none"> <li>• Road users including motorists, cyclists, pedestrians, equestrians</li> <li>• Other users of the countryside and off road paths e.g. walkers</li> <li>• Participants in major sporting events</li> <li>• Event organisers</li> <li>• Residents living on or near to popular event routes</li> <li>• Businesses needing to make deliveries, or organise staff to get to work.</li> </ul> <p>The above includes all of the groups with protected characteristics.</p>

## 6. Sources of information

<b>Engagement carried out</b>
<p>Engagement carried out includes:</p> <ul style="list-style-type: none"> <li>• Surrey Access Forum Chairs Meeting on 10 April</li> <li>• Disability Alliance Network South West Surrey, 11 September</li> <li>• Disability Alliance Network East Surrey, 16 September</li> <li>• Disability Alliance Network North Surrey, 17 September</li> <li>• Public consultation, 9 September – 1 November 2013</li> </ul>
<b>Data used</b>
<p>Feedback and analysis from previous closed road events including, Olympic Road Race, Olympic Time Trial and Prudential RideLondon-Surrey 100 and Classic, Tour of Britain.</p>

## 7. Impact of the new/amended policy, service or function

# EQUALITY IMPACT ASSESSMENT

## 7. Impact of the proposals on residents and service users with protected characteristics

Protected characteristic <sup>2</sup>	Potential positive impacts	Potential negative impacts	Evidence
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 257</p> <p><b>Age</b></p>	<ul style="list-style-type: none"> <li>• Reduced pollution affecting young and elderly participants and spectators</li> <li>• Safer environment for older or younger people wanting to take part in events.</li> </ul>	<p>Access issues for elderly and young pedestrians</p> <p>Road closures reduce access to services by vulnerable older and younger people who are under the care of Surrey County Council.</p> <p>Information about road closures may not be in an accessible format e.g. if only available online.</p>	<p>Experience from previous closed road events has concentrated on ensuring that vulnerable people have access to essential services.</p>
<p><b>Disability</b></p>	<ul style="list-style-type: none"> <li>• Reduced pollution affecting disabled participants and spectators</li> <li>• Safer environment for disabled people wanting to take part in events.</li> </ul>	<p>Road closures can:</p> <ul style="list-style-type: none"> <li>• Prevent access to services for disabled people</li> <li>• Create access issues for disabled pedestrians</li> <li>• Reduce access to services by vulnerable disabled people who are under the care of Surrey County Council.</li> <li>• Prevent access for disabled spectators</li> </ul> <p>Information about road closures may not be in an accessible format.</p>	<p>Feedback on cycling issues for disabled people from meetings with the Surrey Coalition of the Disabled and Disability Access Networks for North, South West and East Surrey.</p> <p>Issues relating to major events based on previous experience (e.g. 2012 Olympics, Tour of Britain).</p>

<sup>2</sup> More information on the definitions of these groups can be found [here](#).





# EQUALITY IMPACT ASSESSMENT

<b>Gender reassignment</b>	No impacts anticipated	No impacts anticipated	
<b>Pregnancy and maternity</b>	<ul style="list-style-type: none"> <li>Reduced pollution affecting pregnant participants and spectators</li> <li>Safer environment for pregnant women wanting to take part in events.</li> </ul>	Access issues created by road closures could cause problems for pregnant women getting to hospital or doctors appointments or midwives getting to homebirths/home visits.	Analysis based on staff knowledge and experience of previous major events (e.g. 2012 Olympics and Tour of Britain)
<b>Race</b>	No impacts anticipated	Potential language barrier issue with provision of information about forthcoming events.	Not encountered as an issue during research, but should be monitored to understand potential issues.
<b>Religion and belief</b>	No impacts anticipated	Difficulty accessing places of worship.	Impact of major events based on previous experience (e.g. 2012 Olympics and Tour of Britain)
<b>Gender</b>	Safer conditions for female participants who tend to be less confident cycling in traffic.	No impacts anticipated	Not encountered as an issue during research
<b>Sexual orientation</b>	No impacts anticipated	No impacts anticipated	Not encountered as an issue during research
<b>Marriage and civil partnerships</b>	No impacts anticipated	No impacts anticipated	Not encountered as an issue during research
<b>Carers<sup>3</sup></b>	No impacts anticipated	Access issues created by road closures. Potential problems for carers reaching the person they look after.	Impact of major events based on previous experience (e.g. 2012 Olympics and Tour of Britain)

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<sup>3</sup> Carers are not a protected characteristic under the Public Sector Equality Duty, however we need to consider the potential impact on this group to ensure that there is no associative discrimination (i.e. discrimination against them because they are associated with people with protected characteristics). The definition of carers developed by Carers UK is that 'carers look after family, partners or friends in need of help because they are ill, frail or have a disability. The care they provide is unpaid. This includes adults looking after other adults, parent carers looking after disabled children and young carers under 18 years of age.'

# EQUALITY IMPACT ASSESSMENT

# EQUALITY IMPACT ASSESSMENT

## 8. Amendments to the proposals

Change	Reason for change
The proposals outlined in section 5 have not changed as a result of this assessment – equalities issues were considered from the first major road race event (The London Surrey Classic) in 2011.	<ul style="list-style-type: none"> <li>• Closed road events are part of the business continuity arrangements of Adult Social Care, Children’s Services, NHS and other essential services.</li> <li>• Where there is potential for a negative impact, the effect will be dependent on mitigation that can be put in place by the event organiser.</li> <li>• Where there are conflicting needs between different members of the same or different protected groups, decisions may need to be taken on a case-by-case basis.</li> </ul>

## 9. Action plan

Potential impact (positive or negative)	Action needed to maximise positive impact or mitigate negative impact	By when	Owner
<b>Negative:</b> Difficult access for pedestrians	Ensure that there is sufficient stewarding in the event management plans, and also marshals to allow pedestrian crossings.	Ongoing	Surrey County Council, districts / boroughs Surrey Police, Safety Advisory Group
<b>Positive:</b> Reduced pollution affecting participants and spectators	Monitor	Ongoing	Surrey county,
<b>Positive:</b> Safer environment for participants.	Monitor casualty rates of participants, and ensure that event planners take into consideration appropriateness of route for elderly, young and disabled participants.	Ongoing	Surrey County Council, districts / boroughs Surrey Police, Safety Advisory Group
<b>Negative:</b> Access issues	Essential services have current business continuity plans in place. Event organisers have provision for access on and across closed roads to allow access for essential services.	Ongoing - review of each event management plan	Surrey County Council, Safety Advisory Group, Districts and Boroughs.

# EQUALITY IMPACT ASSESSMENT

<p><b>Negative:</b> Difficulty accessing places of worship</p>	<p>Places of worship are engaged early and information about events is provided early to allow planning of alternative access arrangements.</p>	<p>Ongoing - review of each event management plan</p>	<p>Surrey County Council, Safety Advisory Group, Districts and Boroughs.</p>
<p><b>Negative:</b> Access issues created by road closures. Potential problems for carers reaching the person they look after.</p>	<p>Care groups are encouraged to have business continuity plans. Event organisers provide early information to care providers. Access plans are devised by event organiser to allow access on the route or across the route where necessary.</p>	<p>Ongoing - review of each event management plan</p>	<p>Surrey County Council, Safety Advisory Group, Districts and Boroughs.</p>
<p><b>Negative:</b> Access to event information</p>	<p>Older people are less likely to have Internet access and could therefore be excluded from online information. Event organisers will be encouraged to use multiple channels to reach target groups.</p> <p>Language may present a barrier to minority ethnic groups in accessing information on events, therefore different languages should be made available on request.</p>	<p>Ongoing - review of each event communication plan</p>	<p>Surrey County Council, Safety Advisory Group, Districts and Boroughs.</p>

## 10. Potential negative impacts that cannot be mitigated

Potential negative impact	Protected characteristic(s) that could be affected
There are no potential impacts that cannot be mitigated	Not applicable

## 11. Summary of key impacts and actions

<p><b>Information and engagement underpinning equalities analysis</b></p>	<p>Our analysis is underpinned by engagement and information including:</p> <ul style="list-style-type: none"> <li>• Meetings with Surrey Access Forum, Disability Alliance Networks (East, South West and North)</li> </ul>
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# EQUALITY IMPACT ASSESSMENT

	<p>Surrey)</p> <ul style="list-style-type: none"> <li>• Public consultation</li> <li>• Experience from previous events</li> </ul>
<p><b>Key impacts (positive and/or negative) on people with protected characteristics</b></p>	<p>The greatest impact of the process for closing is the access issue that will be caused. This will be the case for the majority of Surrey residents including those in protected groups. There are specific positive impacts as follows:</p> <ul style="list-style-type: none"> <li>• Reduced pollution affecting disabled participants and spectators</li> <li>• Safer environment for disabled people wanting to take part in events.</li> </ul> <p>Negative impacts relate to access issues:</p> <ul style="list-style-type: none"> <li>• Vulnerable groups (such as elderly needing care, children in care, disabled people and pregnant women) and their carers and medical support need to have access to closed roads as and when required.</li> <li>• Safe pedestrian access needs to be maintained, especially important in areas of high spectator density.</li> <li>• Older people are less likely to have Internet access and could therefore be excluded from online information.</li> <li>• Language may present a barrier to minority ethnic groups in accessing information on cycling routes, training and safety etc.</li> <li>• Road closures in relation to major events will impact on groups of people reliant on access to services such as day centres, social services or personal care. This includes a vulnerable adults and children who are under our care. It may also be disruptive to people wishing to get their place of worship.</li> <li>•</li> </ul>
<p><b>Changes you have made to the proposal as a result of the EIA</b></p>	<p>We have ensured that equalities issues are considered in every part of the process. For example:</p> <ul style="list-style-type: none"> <li>• Consultation by event organisers prior to road closures is essential and must meet the needs of older, younger and disabled people.</li> <li>• The Safety Advisory Group will advise event organisers on the needs of any vulnerable groups..</li> </ul>
<p><b>Key mitigating actions planned to address any outstanding negative impacts</b></p>	<p>To mitigate the negative impacts outlined above:</p> <ul style="list-style-type: none"> <li>• Event organisers will be advised by relevant essential services about ensuring access for vulnerable older, young and disabled residents.</li> <li>• Business continuity plans are in place for essential services to ensure that staff can carry on the service despite access issues.</li> </ul>
<p><b>Potential negative impacts that cannot be mitigated</b></p>	<p>There are no negative impacts that cannot be mitigated.</p>

**SURREY COUNTY COUNCIL****CABINET****DATE: 2 FEBRUARY 2016****REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE****LEAD OFFICER: ANN CHARLTON, DIRECTOR OF LEGAL DEMOCRATIC AND CULTURAL SERVICES****SUBJECT: ORBIS PUBLIC LAW: ESTABLISHMENT OF SHARED LEGAL SERVICE****SUMMARY OF ISSUE:**

To seek approval for the creation of a shared legal service between Brighton & Hove City Council, East Sussex County Council, Surrey County Council and West Sussex County Council.

**RECOMMENDATIONS:**

It is recommended that Cabinet:

1. Approves the creation of a Legal Services partnership arrangement with Brighton & Hove City Council and East and West Sussex County Councils to be known as Orbis Public Law, with effect from 1 April 2016.
2. Agrees to the establishment of a Joint Committee as the governing body for Orbis Public Law to oversee the discharge of the Council's Legal Services function.
3. Approves the attached Terms of Reference for the Joint Committee and the appointment of the Cabinet Member for Business Services and Resident Experience to that Committee.
4. Agrees that officers develop a Business Case for a Limited Company (which would be jointly owned by the four authorities) as the vehicle for an Alternative Business Structure (ABS), in a form approved by the Solicitors' Regulation Authority and if appropriate present this to Cabinet for approval in due course.
5. Delegates authority to the Director of Legal, Democratic and Cultural Services, in consultation with the Leader of the Council and the Cabinet Member for Business Services and Resident Experience to take any action necessary or incidental to the implementation of the above including an Inter Authority Agreement between the partner authorities.

**REASON FOR RECOMMENDATIONS:**

Developing a single shared service will benefit residents and contribute to corporate priorities by enabling a reduction in the overall cost of legal services through economies of scale and reducing duplication. At the same time it will increase

resilience and flexibility, allowing the partners to reduce reliance on external suppliers and to develop areas of excellence and expertise.

The creation of an ABS would widen opportunities to generate more external income to further reduce the costs of services to partner councils.

#### **DETAILS:**

1. SCC has a long-standing strategy which recognises that developing partnerships is key to delivering benefits to residents, ensuring resilience and achieving efficiencies. In March 2015 Cabinet agreed to the creation of a business services partnership with East Sussex County Council (ESCC), bringing together a number of business functions under the governance of a Joint Committee. Pursuant to that decision a proposal for a legal services partnership under the umbrella of the wider Orbis partnership was developed between the two councils.
2. In the autumn of 2015 Brighton & Hove City Council (BHCC), and West Sussex County Council (WSCC) joined the discussions and the respective legal teams have worked together to develop a proposal for a single legal service shared by this wider group of authorities and available to the wider public sector. The business case which sets out the an options analysis and further detail of the proposal is attached as Appendix 1 to this report.
3. SCC's Legal Services has an annual budget of £3.5 million and generates income of about £0.3million. The net budget for the four constituent authorities is £9.4m; with an additional spend of £2 million on advocacy and specialist advice. Together the legal services bring in around £1.5million of external income each year. The combined workforce across the prospective partnership is an estimated 230 staff including 130 solicitors.
4. All four authorities are facing increasing demand and financial challenges which frequently require specialist legal support to address. Fewer resources mean that it is harder to recruit and retain lawyers and specialist staff. Individually each authority has limited resilience. Each of the legal teams carries out some external work for other public bodies. This brings in extra revenue and helps to keep the cost of the service down for Councils. However, opportunities are hard to maximise when resources are stretched.
5. By working in partnership as part of Orbis Public Law and delivering its vision of "a single, resilient, sustainable cost effective legal service with a public service ethos with an ability and ambition to grow", the Council would have access to a sustainable service, providing support to public facing services and to the wider Orbis business services partnership, together contributing to the Council's strategic goals of wellbeing, economic prosperity and resident experience.
6. By working in partnership, the four Councils will be able to realise savings in excess of those achievable in isolation, whilst still delivering a good service to each authority. Savings would be delivered through economies of scale, sharing of resources (such as a Law library), reducing external spend on advocacy and specialist advice, streamlining management and right-sizing the team. Set up costs for the shared service will be met from existing budgets.
7. Orbis Public Law aims to achieve a saving of 10% of net operating costs of each of the constituent councils by 2019/20. The business case details how this

might be achieved through increased income and streamlining senior management across the four councils. Detailed figures will be examined as part of a due diligence exercise and the financial arrangements agreed before entering into the partnership. Decisions required in relation to investment, cost apportionment and savings, will build on the principles established by the wider Orbis partnership and will be set out in an Inter Authority Agreement which will underpin the arrangement between the Councils.

8. Orbis Public Law would mirror the governance arrangements of the wider Orbis partnership and operate a shared service under a Joint Committee. Members would still have control over arrangements and staff would remain employed by their existing Council. Some changes would be necessary to accommodate those additional partners which are not part of the business service partnership. Proposed terms of reference are attached as Appendix 2.
9. A key part of the proposal is the ability to trade and generate external income. All the councils in the partnership currently generate some income from legal work, but there are limitations on this because, unlike other services within the wider Orbis partnership, the provision of legal services is restricted and regulated by law. Some legal services may only be provided by solicitors, and solicitors employed outside of a legal practice are subject to restrictions relating to the people and organisations to which they may offer those services. Since the introduction of the Legal Services Act 2007 it has been possible for law firms to be owned by non-lawyers and non-legal businesses; these are known as 'Alternative Business Structures' or 'ABS'. An ABS is a limited company subject to normal company regulations with an additional requirement that they are licensed and regulated by the Solicitors' Regulation Authority to conduct legal business. It is proposed to develop a business case for an ABS to work alongside Orbis Public Law through which legal services could be provided for public bodies beyond the core service provided to the councils.

#### **CONSULTATION:**

10. Consultation has taken place with the relevant members, chief executives and leadership teams of each council. An SCC staff forum has met on a regular basis throughout the process and has been able to question senior legal services managers about the proposal. A number of joint sessions with ESCC and BCCC staff have been held and specialist joint change management sessions have been attended by a range of staff. UNISON representatives have been informed and consulted.

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

11. Creating a partnership by simultaneously bringing together four Legal Services of this size is unprecedented. Establishing the partnership and implementing the organisational, process and technology changes required to deliver the Vision and achieve target savings may impact on the provision of services to each Council – both in terms of supporting 'Business as Usual' activities and providing strategic advisory support for wider transformational change within each Council. The partnership will work with each Council to develop a high-level timetable of change to minimise any adverse impact. The partners have appointed a project manager to ensure that initial changes are made in a coordinated and timely way.

12. To fully deliver the benefits (including financial benefits) of a single integrated service, each partner legal services must be on the same IT operating platform. Any delay in integrating IT will result in consequent delay to the integration of the operational management of the shared service and may put the achievement of saving targets at risk. In preparation for the partnership ESCC legal services have already adopted the Norwel case management and time recording system used by SCC legal. During 2016 SCC legal services needs to migrate to a Microsoft product for email and calendar so that the case management system (which relies on email) can be used in the same way by all partners. BHCC and WSCC will need to migrate to the same systems. The project has an IT work stream to manage this transition
13. The organisational, process and technology changes required, together with concerns about job security as changes to management are made, may have an adverse impact on staff morale and increase turnover. The partners will ensure that communication, consultation and engagement remain a priority for the programme. Staff will be involved in developing the organisational design which will help to emphasise that the single service will lead to enhanced opportunities for staff and a strengthening of internal skills
14. There is a risk that demand will increase as other service transform and other unforeseen significant changes may impacts upon the services that are required to be delivered by the single legal service. Governance and funding arrangements will need to recognise that this may the case.

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

15. The Business Case appended to this report is built upon the proposed partnership arrangement delivering cost savings to the councils in excess of the savings achievable in isolation. It anticipated that these will deliver nearly £1m million per annum by the end of the first three years of partnership working. The details of the financial and practical arrangements will be addressed as part of the due diligence exercise before entering into an the inter-authority agreement
16. It is anticipated that any set up costs for the initial partnership can be met within existing budgets. A further costed business case will be developed in connection with the ABS proposal.

#### **Section 151 Officer Commentary**

17. The Section 151 Officer confirms that the proposed partnership will be based upon the financial and governance principles established by the Orbis partnership for business services. The Business Case demonstrates that the proposed partnership relationship will deliver cost savings to the partners by reducing reliance on external providers, reducing management and developing sources of income. These savings will rely upon investment in technology in order for the partners to work together in a seamless manner. For SCC this will mean reliance upon planned changes to the underlying email system, and as such this is already provided in existing budgets.
18. The activities of the partnership will be responsive to each council's strategies and priorities, and to structural changes including those driven by legislative requirements. The financial arrangements will ensure that the methodology adopted to determine the appropriate apportionment of costs will need to be fair

and transparent; take into account changes in demand and will require the development of management information to support the mechanism

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

19. The proposals in the report are within the legal powers of the Council and the joint committee model builds upon the existing governance arrangements of the wider Orbis partnership. The Council is also empowered to set up and jointly own a company and an ABS may be necessary in order to comply with legal requirements and to enable Orbis Public Law to continue to provide legal advice and representation to public bodies across the larger geographical area.

#### **Equalities and Diversity**

20. There are no identified equalities implications from the creation of the proposed partnership and extended Joint Committee. There may however, be equality implications of decisions that the Joint Committee as more detailed organisational changes are proposed and implemented.
21. The potential implications for the following council priorities and policy areas have been considered:

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	A strengthened legal services will be able to provide sustainable support to Children Schools and Families and Corporate Parenting Board.
Safeguarding responsibilities for vulnerable children and adults	A strengthened legal services will be able to provide sustainable support both to Children Schools and Families and to Adult Social Care and to Safeguarding Boards.
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:**

22. Subject to approval from the Cabinet detailed governance arrangements will be agreed. The partnership will start to operate with effect from 1 April 2016 and a joint management structure will be developed

#### **Contact Officer:**

Ann Charlton: Director of Legal, Democratic and Cultural Services  
Tel: 02085419001

#### **Consulted:**

The Leader and Cabinet portfolio holder, the leadership teams, senior managers and staff at the partner authorities



**Annexes:**

Appendix 1 – Orbis Public Law Business Case  
Appendix 2 – Joint Committee terms of reference

**Sources/background papers:**

24 February 2015 report to Cabinet: Surrey County Council and East Sussex County Council partnership

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## **Business case for the formation of a single Legal Service for Brighton & Hove City Council, East Sussex County Council, Surrey County Council and West Sussex County Council**

### **1. Executive summary**

1.1 Brighton & Hove City Council (BHCC), East Sussex County Council (ESCC), Surrey County Council (SCC), and West Sussex County Council (WSCC) are working together to establish a single Legal Service to provide legal services to the four constituent authorities and the wider public sector. The proposed single Legal Service builds on the good work of the Orbis business partnership between ESCC and SCC, which was formalised in April 2015. Plans have also been shaped by preliminary work between ESCC and SCC Legal Service teams to share knowledge and expertise.

1.2 It is proposed to establish a separate Legal Service under the Orbis umbrella which will be known and branded as 'Orbis Public Law' with a Vision to be:

***A single, resilient, sustainable cost effective legal service with a public service ethos with an ability and ambition to grow***

1.3 The objectives of the proposed single service will be to:

- enhance the quality of service to our current customers;
- increase resilience and flexibility;
- reduce the overall cost of the service through economies of scale;
- create a sustainable model with the ability to grow and develop;
- increase efficiency and reduce duplication;
- establish areas of excellence;
- increase staff development opportunities;
- recruit and retain staff more easily; and
- provide opportunities to generate more external income.

1.4 The single Legal Service will be created by combining the resources of all four Legal Service teams. This would give a set-up operational budget of £10.7m<sup>1</sup> and a total workforce of 232 staff including 130 solicitors. A practice on this scale would become a public service market leader and create a critical mass of expertise. Importantly, the single practice would be underpinned by a public service ethos with the ability to provide efficiencies to the constituent Councils and the wider public sector, thereby playing its part to help protect front line services.

1.5 This report considers the advantages and disadvantages of four different operating models and concludes that a Joint Committee for the single shared legal service is the preferred option. This will ensure all partners have equal control and participation. It also mirrors the wider Orbis proposals which some Members and officers are familiar with.

1.6 Alongside this, we propose developing and processing an application for Orbis Public law Ltd as an Alternative Business Structure (ABS). The ABS would be a separate legal entity regulated by the Solicitors' Regulation Authority (SRA) which would provide a vehicle to trade more widely than existing regulatory powers allow and generate income to enable the single service to reduce reliance on budgets from the constituent Councils, ultimately reducing the cost of legal services they require.

1.7 This paper sets out the business case for a single Legal Service and includes:

- the reasons for proposing a single service;
- background information;
- the benefits for each partner authority;
- options for operating models;
- governance arrangements;
- design principles; and
- programme management.

1.8 This business case needs to be considered and approved by the Cabinets or relevant committees of each of the four constituent Councils. If approval is given to the broad principles, it is recommended that:

- a Joint Committee is set up for Orbis Public Law; and
- a) a business case is developed for Orbis Public Law Ltd as an ABS to work alongside the Joint Committee model.

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<sup>1</sup> Excluding spend on external advocacy and specialist advice

## 2. Why are we doing this?

2.1 There is a compelling need for Councils to explore more radical options for delivering services. Options may include greater partnership working (with both the private and public sector), shared services and alternative business structures. Each of the four Council's legal teams face similar issues. Increasing financial challenges and fewer resources means that it is harder to provide a quality, and often specialised, legal service that Councils rely upon. Individually, each Council struggles to recruit and retain legal staff. This is a particular issue in key specialist areas, such as commercial areas of property and contracts.

2.2 There has been an increase in demand for legal support to enable our Councils to be more creative in facilitating procurement and contractual arrangements on the terms that are the most advantageous to each Council. This requires specialist knowledge and experience which is not always readily available in house, and has to be procured externally. This has cost implications for each Council and is frequently a budget pressure.

2.3 Legal Services have considerable experience of always generating income, however income strategies have not always been well developed. Income arises from a range of sources including s106 agreements, legal fees, third party charges for agreements, ad hoc advice arrangements to other public sector organisations and more formal arrangements. With greater pressures on budgets authorities legal services are looking at ways of maximising income to ease budget pressures. However, for a sole Council to generate income, on a material scale, without detriment to its in-house provision, would require significant investment in new capacity to be able to sell in the market.

## 3. Background information

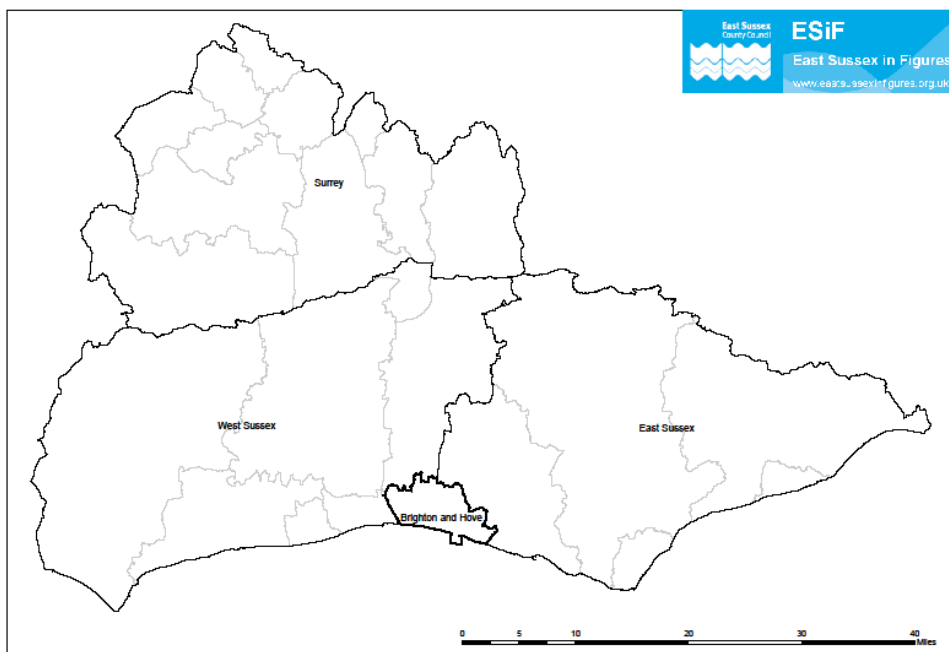
3.1 BHCC, ESCC, SCC and WSCC are all forward thinking and innovative Councils with a clear ambition to improve efficiency and deliver good quality, affordable services for all our residents. Each authority has a strong track record of delivering through partnership with others. The Orbis partnership between ESCC and SCC has already established an effective working relationship across transactional and professional business services. Orbis was formalised April 2015 and incorporates Human Resources and organisational development, Property Services, Technology and Information, Procurement, Finance and business operations. The partnership is governed by a Joint Committee. In December 2015, BHCC decided to become the third Orbis partner for all these services, subject to due diligence.

3.2 The Orbis partnership, and its expansion to include BHCC, provides a strong framework from which Orbis Public Law can benefit. There has always been a good relationship between the four legal teams. Closer working between ESCC and SCC over the last three years has led to a strengthening of the link between the two legal teams. Relationships have always been good with the BHCC legal team and its inclusion in the wider Orbis makes it a natural partner for Orbis Public law.

3.3 The addition of WSCC, as a fourth partner, is a further reasoned progression. ESCC, SCC and WSCC are three major partners in 'the Three Southern Counties' (3SC) devolution bid which

was submitted to the Local Government Secretary in September 2015. The bid includes a strong commitment to build and develop opportunities for service transformation and this proposal contributes to the delivery of that ambition. This clear commitment to work together supports the inclusion of WSCC into a wider shared legal service model. Bringing WSCC in Orbis Public Law also makes sense geographically providing a significant area within South East England in which Orbis Public Law can serve the public through its Councils and potentially reach out for additional work (Figure 1). The range of public service partners that already work with the four local authorities will provide a core group of potential beneficiaries of a dedicated public sector legal service.

**Figure 1 Extent of Orbis Public Law**



3.4 Legal Services currently form part of each organisation's corporate governance structure. They have a key role in terms of service delivery: keeping vulnerable people safe, providing support to ensure the delivery of efficient and effective front line services and ensuring robust and appropriate corporate governance at a time of change and great challenge. The teams also deliver services to other public service organisations, including schools, the police and fire and rescue services.

3.5 Legal services manage a significant operational budget on behalf of each Council with a total operational budget of £10.7m per annum (excluding spend on external advocacy and specialist advice). As with all service areas within the four Councils, each Legal Services team has been challenged to reduce the costs of delivery; savings have already been taken by each Council from their 2015/16 budgets. The net budget to deliver core services has yet to be confirmed through a due diligence process; more work will be required in this area and to identify what the core service will look like.

**Table 1 Legal Services indicative budgets 2016/17**

*For consistency, each authority's spend on advocacy and specialist advice has been excluded. The net revenue budget is net of external income only.*

	<b>Gross Revenue budget £</b>	<b>Net revenue budget £</b>
BHCC	2,480,000	2,127,000
ESCC	1,983,000	1,602,000
SCC	3,558,000	3,231,000
WSCC	2,647,000	2,276,000
<b>Total</b>	<b>10,668,000</b>	<b>9,236,000</b>

Notes:

**BHCC** data is 2015/16 forecast outturn.

**SCC** – excludes Information Governance team

**WSCC** data based on 2016/17 staffing and 2015/16 June forecast report for non-staffing. The budget does not include year end adjustments such as for law library, case management systems etc. Staffing costs may be understated because some support is provided from a central Capital contract and the income figure of £370k may include income which does not relate to Legal Services.

3.6 In addition, the four authorities spend around £2m per annum on external legal advice. Legal Services hold the budget for this specialist support at the of the Councils.

3.7 Each Legal Services team has a broadly comparable structure of different practice areas including social care, litigation, property, employment, highways and planning. The teams are led by a Head of Service, Director or Chief Officer who fulfils the authority's Monitoring Officer role. The range of work carried out by each Legal Service team is similar although BHCC is also responsible for the full range of District and Borough functions. A full list is shown at Appendix 1.

3.8 In April 2016 the combined service will employ an estimated 232 staff at a total budgeted cost for 2016/17 of £9.9m (Table 2).

**Table 2 Estimated staff numbers 1 April 2016 (fte) and 2016/17 full year cost**

	<b>Solicitors fte</b>	<b>Paralegals fte</b>	<b>Support staff fte</b>	<b>Total staff fte</b>	<b>Total estimated staff cost 2016/17 £</b>
BHCC	30.9	8.9	5.0	44.8	2,178,000
ESCC	17.2	16.8	12.0	46.0	1,773,000
SCC	44.8	12.0	15.4	72.2	3,371,000
WSCC	37.6	24.6	8.0	69.2	2,561,000
<b>Total</b>	<b>130.5</b>	<b>62.3</b>	<b>40.4</b>	<b>232.2</b>	<b>9,883,000</b>

Notes:

Excludes Head of Service/Directors/Chief Officer

Paralegals: Legal Officers and Assistants: Support Staff: Practice Manager, admin assts and secretarial support

ESCC - budget includes £170k for agency staff

WSCC – additional support staff are supplied through the Council's Capita contract (these are not included in the Table)



3.9 The four Legal Services teams currently generate around £1.5m in external income by providing services to other public sector organisations. The main areas are:

- Schools and academies<sup>2</sup>
- S106 agreement work
- Other local authorities and public bodies
- Trusts and minor authorities
- Grant lease and license fees
- Recovery of court costs
- Commercial projects

#### **4. Benefits of a Single Service**

4.1 Each of the four Councils recognises that a single service solution would provide an opportunity to address the main challenges they face. Establishing a single service across three County Councils and one unitary authority provides an opportunity to create a legal service collaboration on a significant scale with an ability to influence the public sector legal services market. Importantly the service will have a public sector ethos with the ability to provide efficiencies to the constituent councils and the wider public sector, thereby playing its part to help protect front line services.

4.2 The benefits of the proposed single service will be to:

##### **a) Increase resilience and flexibility**

A larger pool of staff will provide capacity to meet workflow demands across the four authorities. The shared service will benefit from a greater combined knowledge and an increased pool of specialists and will be better placed to respond to peaks and troughs in workload. Resources would be deployed in the optimal way, reducing the need to buy in more expensive external options whilst not compromising the quality and level of service currently enjoyed by the respective authorities.

##### **b) Reduce the overall cost of legal support**

The single service would aim to achieve a 10% reduction in costs over three years from 2016/17. This would be achieved by:

###### **i. generating more external income**

Increased capacity and expertise would provide opportunities to market and sell services to other public bodies. This would generate additional income and reduce the net cost of the single service.

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<sup>2</sup> Not all external

**ii. reducing external spend on advocacy and specialist advice**

The development of practice areas, greater capacity and increased flexibility, will reduce dependency on external providers. A number of the partners have the same court catchment areas; increased cooperation will enable more in house coverage and a consequential reduction in spend on external counsel.

**iii. Streamlining management and right-sizing the team**

The larger single service will provide opportunities to restructure management roles and responsibilities, reduce staff through natural wastage and recruit new legal staff at a level appropriate to the skills required.

**iv. Increasing efficiency and reducing duplication.**

Costs will be further reduced through economies of scale. For example:

- the service will only require one law library and one case management system.
- training costs per head could be reduced through greater volume.
- the service would benefit from increased purchasing power.
- time would be saved by providing single advice on issues common to all the Councils.

**c) Establish areas of excellence**

Consistent demand across the Councils in specialist areas of practice, where demand from individual councils previously has been sporadic, will justify investment in training lawyers in those practice areas. This will:

- i. create centres of excellence;
- ii. broaden capacity;
- iii. reduce the need for external spend;
- iv. enhance the ability to provide a service to other public sector organisations; and
- v. provide opportunities for staff development.

**d) Increase staff development opportunities**

A bigger service will enable staff to gain expertise in a greater range of practice areas and with a larger range of customers. This will enable staff to develop and progress, ensuring better retention of ambitious and able people.

**e) Recruit and retain staff more easily**

A larger and more diverse client base, and the ability to undertake a greater range of work for a leading market player, will be attractive to candidates. The scale of the service mean there will be more opportunities for staff to develop and progress in their careers. Jointly, ESCC and SCC have already recruited four new trainees.

## f) Create a sustainable model with the ability to grow and develop

Greater resilience, the creation of centres of excellence, the ability to invest and market presence will enable the provision of a comprehensive service to a range of public service organisations. Over time, the single service has potential to be a public service market leader.

## 5. Vision and ambition

5.1 Our vision is for:

***A single, resilient, sustainable cost effective legal service with a public service ethos with an ability and ambition to grow***

5.2 Our ambition is to:

- deliver a 10% saving over three years for each of the four constituent authorities;
- create a resilient, flexible single Legal Services with a critical mass of expertise; and
- provide a quality, cost effective service for our customers.

5.3 It is a fundamental premise that we will maintain the high standard of service that is currently provided to our own Councils. A shared service, on the scale proposed, will be well placed to provide a comprehensive, specialist and cost effective service to other public and third sector partners. This will give them greater resilience, provide them with additional expertise and reduce their cost of legal services while generating income for the shared service and reducing the net cost to the constituent Councils.

5.4 Our vision and ambition for the Service is underpinned by eight design principles:

- deliver against savings targets for constituent authorities
- integrate the service – one legal practice, multiple locations
- focus on enabling and adding value to the customer
- share knowledge and reduce duplication
- future proof the Partnership
- maximise organisational self-sufficiency and resilience
- develop and operate with a commercial mind-set
- exploit technology to improve performance and manage caseloads

## 6. The future for Legal Services

6.1 In order to create the way forward described in this plan, we have considered a range of potential options. These are described below.

### a) **Maintain current arrangement**

This would mean retaining the current approach to the delivery of legal services in each of the four Councils. Some co-operation and sharing is already happening between ESCC and SCC and this would continue and grow across all partners. However, there are risks to resilience in each of the services and additional pressures already mean that locums or agency staff are being used, or work is being put out to external providers with consequent cost implications.

Each Legal Service has delivered its own savings and efficiency improvements over a period of years and it is increasingly difficult to find additional savings without potentially weakening the service. The ability to make efficiencies through economies of scale are limited. Services do not have spare capacity. To enable them to generate income, and with increasing pressure on budgets it is unlikely that the status quo can be maintained. Based on what has been achieved to date between ESCC and SCC, this option would not fully exploit the greater potential that four Councils have working together.

### b) **Outsource the service**

Each Council could outsource its legal support to a commercial provider or (more likely) to a number of providers, possibly through a managed service contract. This would mean that Councils only pay for the service they need and there would be no built in staff costs. Additional benefits, and a better overall price, may be possible if all four Councils outsourced their legal services.

However, there is not a developed market of providers for the full range of services local authorities require and it is likely that multiple contracts would be needed. An EU procurement process would be required to demonstrate value for money and a reduced cost. Procurement would involve a substantial piece of work over a period of months, delaying any potential benefits and would be likely to involve a TUPE transfer of staff to a new provider(s). It is unlikely that external providers would agree a fixed price or fees because Legal Services are primarily demand led and both volumes and complexity are notoriously difficult to predict. Hourly rates are the preferred charging model for most legal service providers

Councils would need to retain a Monitoring Officer who would be the first call for advice and support, and the influence and support that in-house legal team provides to each authority should not under-estimated. This often extends well beyond purely legal advice, for example in terms of policy and softer decision making.

Previous tendering exercises across all participating Councils that have consistently demonstrated that the cost of external providers is greater than in-house provision. Outsourcing the service would not generate income which would help reduce costs further.

## 7. Options for a shared legal service

7.1 Local Authorities working together is a well established approach and will enable us to achieve efficiency gains whilst continuing to provide the high level of service that we currently deliver to our Councils and other partners. A shared service will achieve the Vision and objectives that have been set out earlier, and will result in an overall reduction in the cost of the service. This is the preferred model.

7.2 A number of structures could be used to deliver a shared legal service. Local authorities are able to discharge their functions through a committee, a sub-committee, an officer or by any other local authority (Part VI, Local Government Act 1972). A shared legal service could therefore be managed in the following ways:

### **Option 1 – Joint Committee model**

7.3 Ss101 and 102 LGA 1972 set out the power for local authorities to delegate a function to a joint committee. S102 LGA 1972 allows two or more local authorities to appoint a joint committee:

- To discharge any function of the appointing authorities (s102(1)); and
- To advise on the discharge of any function of the appointing authorities (s102(4)).

7.4 The appointing authorities are free to determine the number of members of a joint committee, their term of office and the area within which the committee are to exercise their authority. The authorities can also include persons who are not members of the appointing authorities as co-opted members of the joint committee. The authorities can agree how the expenses of the joint committee will be accounted for.

### **Advantages of a Joint Committee model**

- Joint Committees permit the authorities to retain member-level control over the arrangements, which may be attractive politically.
- Joint Committees are scheduled employers to the Local Government Pension Scheme, enabling staff to be ring fenced for pension purposes. This allows the partners to determine the actual cost of the arrangements and their respective contributions more accurately.
- The committee model of governance is familiar for local authorities.
- It is a relatively straightforward model to establish and non-threatening to staff as it does not involve a transfer of employment.

### **Disadvantages of Joint Committee model**

- This model is potentially less scalable than other models as the constitution of the Joint Committee would potentially need to be reviewed with each new Partner.

- A Joint Committee has no corporate status and cannot hold property or enter into contracts. Any contracts will have to be entered into by one or more of the Partner authorities directly. The Joint Committee would need to make provision for sharing the benefit and burden of such contracts.
- As the Joint Committee cannot employ staff directly it can mean cultural change is slower to achieve.

### **Staffing issues in a Joint Committee model**

7.5 Staff remain employed by their current employer in this model. New employees are employed by one of the Councils. Under s113 LGA 1972 the partner authorities can agree to make their staff available to the other authorities. Consultation with staff would be required prior to entering a s113 agreement. The due diligence exercise will determine the process for deciding which Council becomes the employer for new posts and posts shared with the partners.

7.6 In order to achieve integration, and to ensure that the benefits of being a shared service are realised, secondments could be considered, for example at manager level or for specific teams, to develop an integrated team and/or centres of excellence.

7.7 In this model there is no new employer or corporate structure to define the new service. This means the launch as a new service would require other strategies to achieve a cultural change and to practically run the services as a genuinely single shared service.

### **Current Solicitors' Regulation Authority (SRA) issues with a Joint Committee Model**

7.8 Under a Joint Committee model, the authorities would be able to provide legal services to each other and to other public bodies. In respect of work undertaken for each other, procurement rules would not apply. 'Public bodies' are defined in the Local Authority Goods and Services Act 1970 and include many of the organisations the Councils would be interested in providing services to, such as Clinical Commissioning Groups (CCGs) and academies. Trading with these bodies under the Act can generate a profit.

7.9 Solicitors' Regulation Authority (SRA) Practice Rule 4.15 currently supports local authorities providing advice to such public bodies – it sets out that *'If you are employed in local government, you may act (a) for another organisation...to whom the employer is statutorily empowered to provide legal services.'* This is subject to a number of conditions set out at Rule 4.15 (b)-(g)). For example, in relation to charities, a requirement that the objects of the charity relate wholly or partly to the employers area.

7.10 However, in relation to other types of external work, the Legal Services Act 2007 and the SRA Practice Framework Rules prohibit in-house local authority solicitors from providing 'reserved legal activities' (broadly advocacy, litigation and conveyancing) to 'the public or a section of the public'. To the extent that the shared legal service wishes to provide 'reserved legal activities' to 'the public or a section of the public', (there is currently a lack of clarity about what constitutes 'public' ) it must be authorised and regulated as a solicitors' practice. This can be achieved by providing the service through an Alternative Business Structure (see Option 4).



Alternatively, a waiver could be sought to act for bodies that are currently excluded. This has been an uncertain and lengthy process to date. This would particularly effect our legal services' ability to provide legal support to Council services should they be outsourced.

7.11 The situation looks set to become yet more complex and more restrictive for in-house local authority legal teams. Recent changes may have the effect of limiting the work that can be undertaken by local authority legal teams for other public bodies to 'unreserved' legal work, which would exclude us from providing core services such as litigation, conveyancing and court advocacy.

### **Option 2 - Lead Authority Model**

7.12 S101 (1) LGA 1972 allows a local authority to delegate the delivery of a function to another local authority. This would therefore enable the authorities to appoint a 'lead' to take responsibility for delivering the function on behalf of the other authorities. Each authority then commissions the service from the lead authority. An inter authority agreement/delegation agreement is required to govern the shared service.

#### **Advantages of a Lead Authority Model**

- This model provides clarity of direction for the new legal practice. One authority is responsible for the structure and establishment of the new service. The service is delivered and managed within the decision making framework of the lead authority. A clear, visible, change with clear leadership.

#### **Disadvantages of a Lead Authority Model**

- Procurement rules will apply if the model creates a commercial arrangement between the lead authority and the Councils to which it provides legal services.
- This model could be viewed as one authority taking control, or as a loss of control by other authorities which both staff and Members may be uncomfortable with.
- In this arrangement the balance of risk between the lead authority and its partner Councils would need to be evenly distributed and would require managing through a robust agreement, which itself would increase the risk of the arrangement being perceived as a commercial one.

#### **Staffing issues in a Lead Authority Model**

7.13 Staff would either TUPE to the lead authority or could be seconded. A formal consultation process would be required. Staff from the lead authority would then be made available to the other authorities under Section 113 LGA 1972, enabling all partner authorities to delegate decisions to them as if they were their own staff.

## **Current and future SRA issues with the Lead authority Model**

7.14 The same SRA restrictions apply to this shared services model as to the Joint Committee Model.

### **Option 3 - Putting officers at the disposal of another authority**

7.15 S113 of the Local Government Act 1972 enables the placing of staff of local authorities at the disposal of other local authorities. In order to utilise this option, an authority needs to enter into an agreement with another authority for the purpose of placing one or more of their staff at the disposal of the other for the purpose of carrying out their functions on such terms as the authorities may agree.

#### **Advantages of a s113 only arrangement**

- Such an arrangement would be simple and quick to implement.
- There would be minimum upheaval for staff.
- There would not be a need to delegate functions, which may be attractive to Members and reduces the risk carried by any one authority.

#### **Disadvantages of a s113 only arrangement**

- A risk arising from using this legal power is that it might damage the commitment on all sides to the shared service and restrict the opportunity for change and development that will be needed going forward. It would be challenging to achieve more than a very informal collaboration with this approach - for example passing work to each other when over-stretched, sharing training and office space.
- The SRA limitations would be the same as for the Joint Committee and Lead Authority Models – ie not able to pursue external work for the public or a section of the public and, possibly if the SRA rules change, not able to work for other public bodies.

### **Option 4 - Alternative Business Structures**

7.16 Since the introduction of the Legal Services Act 2007 it has been possible for law firms to be owned by non-lawyers and non-legal businesses. These are known as 'Alternative Business Structures' or 'ABS' and must be licensed by the SRA.

7.17 An ABS is a limited company subject to normal company regulations. There is an additional requirement that they are regulated by the SRA to conduct legal business. The licensing procedure is designed to ensure that the owners of the ABS are fit and proper persons to own a legal business and that the procedures in place to fund the company mirror those of a conventional legal practice, with the object of protecting clients and money. A local authority shared service ABS could be jointly owned by each of the constituent Councils but would need

to comply with propriety controls set out by the SRA. The practice would have to be managed by fit and proper persons as defined and approved by the SRA.

7.18 One important feature of an ABS is the requirement to put in place full regulatory requirements which do not currently apply to in-house legal services. These regulatory requirements are likely to incur extra costs through the additional resourcing for compliance requirements and include:-

- Anti-money laundering rules and procedures;
- Holding client money - full compliance with the Solicitors' Accounts Rules including separate banking arrangements;
- Stricter conflict requirements;
- Broader insurance and indemnity;
- Requirement to appoint Compliance Officer for Legal Practice (COLP) and Compliance Officer for Finance and Administration (COFA); and
- Strict reporting and accountability arrangements to the regulator.

7.19 Prior to setting up an ABS the Councils would need to approve a business case and meet SRA requirements.

#### **Staffing implications of an ABS model**

7.20 An ABS can directly employ staff and, depending on how legal work is performed, may also include staff transferring under TUPE from the Councils. Another option is for some staff to transfer to the ABS whilst others remain employed by the Councils, but provide services to the ABS for which the ABS is charged. It is not proposed that the ABS will directly employ any staff but that the Councils make available professional and support staff to enable the ABS to perform the legal work it has been given.

#### **Advantages of an ABS**

- Although it is a form of outsourcing, the Councils would retain some control over the ABS.
- An ABS can provide a full range of legal services to an unlimited range of people and organisations – ie avoiding both the current and potential future SRA complications of the other shared service models. This may mean increased revenue income.
- An ABS would create a brand/identity in the market. This could attract business and make the ABS an attractive proposition for staff, assisting with recruitment and retention issues.
- A company structure limits risk away from the Council.

## Disadvantages of an ABS

- The regulation requirements and need for marketing would result in additional costs, increasing process and reducing the viability of the service.
- There are increased set up costs and time required would be longer than other models, creating the potential for loss of momentum.
- A robust business case would need to demonstrate that the start-up, setup and running costs would be outweighed by increased income from a wider market.
- If the main rationale is to target public service third party work, the ABS would need to tender for that work and may need to tender for parent authority work where Teckal<sup>3</sup> exemption does not apply. For this reason one option is to form an ABS only for the work undertaken on behalf of third parties, rather than for the Councils' work – retaining the rest in-house. This is the model that Essex CC has recently adopted.
- There is a tax/VAT liability which would not be incurred with other models. An ABS would pay corporation tax and be required to recover VAT in the way that other commercial organisations do.
- Time, financial investment and resources would be required for the set up with no guarantee that the SRA will grant a licence.

## 8. Preferred option

8.1 After considering advantages and disadvantages, the preferred option is:

- b) a Joint Committee model for the shared legal service; and
- c) development of the business case for Orbis Public Law Ltd as an ABS to work alongside the Joint Committee model.

8.2 The ABS will enable the shared service to work for anyone and appears to fit with the current thinking of the SRA.

## 9. Delivery principles

9.1 The development of Orbis Public Law will mean an ambitious programme of change to bring together four legal services in one single integrated service with a common culture, based on public service values underpinned by efficient, agile and modern business practices and thinking. Achieving this will not be without its challenges. This section sets out some key principles about how the single service will develop over time.

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<sup>3</sup> 'Teckal exemption' An exemption whereby an authority does not need to run a procurement procedure to give a contract to a legally separate but substantively 'in-house' provider.

### a) Leadership

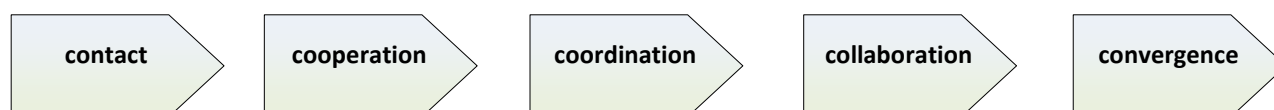
Strong and clear leadership is key to the successful delivery of the single service. Given the involvement of four partners, a common sense of direction and purpose is vital. This can best be achieved through clearly defined project objectives and clarity of roles and responsibilities.

### b) Culture

Each Council recognises the need for a change of culture in the way that services are delivered, how we work together and how we respond to the demands of our customers. Ongoing engagement with staff and customers will be required across the practice to develop a shared culture. We need to recognise the different systems and practices in place, learn from what works well and manage our clients' expectations.

### c) An organic process

Bringing together four different practices into one will not be achieved overnight. We need to recognise that this is a journey which will involve good liaison and communication both with staff and customers. Different aspects of the service are likely to develop through incremental steps and at a different pace. This model is well illustrated in a 5Cs model. As an example, ESCC and SCC practice areas are already working at the cooperation stage, largely achieved through goodwill and the understanding that develops from getting to know each other.



### d) Valuing our staff

A change programme on this scale can be unsettling and challenging for staff. We will keep staff informed through regular communication, value their input and support them through the process. A number of externally led Change Management sessions have already been held which many officers have attended. They have been well received, providing staff with an opportunity to think differently and meet colleagues from other partner authorities.

### e) Monitoring Officers

Each of the four partner authorities currently has a lawyer as Monitoring Officer at Head of Service, Director or Chief Officer level. It is appropriate that these officers and the statutory Monitoring Officer role remain outside the partnership and play a key role in directing, commissioning and overseeing work from the single service.

**f) Structure of the single service**

A revised management and practice structure will be necessary to achieve efficiencies and economies of scale. Various models will be considered. It is proposed that a new management team will be appointed to oversee a service-wide restructuring; this will take place within the first year. It is likely that there will be salary pressures on key senior roles which may be operating across a larger single practice.

**g) Practice leadership**

The single service will demand a high standard of leadership. The senior management team will need to share the Vision and possess the right range of managerial, commercial, innovation, change management and people skills necessary to deliver the new service.

**h) Conflicts of interest**

Arrangements will need to be made to ensure that any conflict of interest between the partner authorities is identified and addressed appropriately. The nomination of a locality manager at each site may be appropriate to facilitate this. This may not be a dedicated post but a role attached to a manager.

**i) Client demand management**

There will need to be a cultural shift in how our customers (primarily Council services) target and access legal advice. This may require standardising instruction pro-formas and enabling our customers to undertake more work themselves and be less reliant on legal support.

**j) Workflow**

A workflow portal or system will be necessary to ensure that all requests for work from our customers are prioritised, allocated to the most appropriate officer and dealt with efficiently and in a timely manner.

**k) Case Management platform**

In order for workflow to be efficient, seamless and co-ordinated, it is vital that one case management system is in place and used in the same way by staff working at all locations. Norwel is being used by SCC, has just been introduced at ESCC and is to be procured by BHCC. This will be the default case management system.

**l) Simplify, standardise, harmonise**

In order to maximise efficiencies and work well as a new team, it is important to learn from each other, make best use of what works well to create a simple, standardised operating environment.



## 10. Financial benefits and implementation costs

10.1 Orbis Public Law will deliver benefits to the constituent Councils by combining resources to deliver economies of scale and build resilience. Spending on external resources can be reduced and additional capacity created, by removing duplication, streamlining management structures, making new appointments at an appropriate level for the work and from improving processes. The new single service will make financial savings whilst at the same time:

- investing in modern systems and working practices;
- building on our developing relationships and creating greater strength through partnering ; and
- retaining and developing our talented people.

10.2 The single service will be the mechanism to deliver and potentially exceed the existing target savings included within the Medium Term Financial Plan Savings of all four Councils. We estimate that the savings achievable from the proposed single service (through reducing costs and generating income) will be 10% of the combined net operational budget of the service. This means savings of around £920,000 per annum by year four (2019/20).

10.3 Achieving savings will require investment. Common technology and processes, such as Norwel (already in place at ESCC and SCC), will be needed to ensure seamless delivery of service. Some additional resource will be required to manage delivery of the programme, support organisational change and develop new ways of working; this will be met from existing budgets. Subject to the establishment of an ABS trading arm, investment will also be required to develop a service offering, market the service and spend time on networking.

## 11. Financial arrangements

11.1 The financial arrangements of the single service, such as decisions required in relation to the sharing of investment, cost apportionment and savings, will be based on the proportionate size of each founding partner. The 'operational budget' of the single service will be the combined gross revenue budget for the in-house legal service of each of the four constituent authorities at 1 April 2016.

11.2 The amount that each authority contributes at 1 April 2016 must be sufficient that, at the start of the single service, each constituent authority could reasonably deliver a Legal Service at the standard previously supplied to their Council. This means that any savings each authority can reasonably make prior to 1 April 2016, can be taken by that authority alone. Thereafter, any savings become savings of the single service and will be managed accordingly.

11.3 The activities of the single service will be responsive to each Council's strategies and priorities, and to structural changes, including those driven by legislative change. Therefore, the financial arrangements will recognise that the sharing of costs will be subject to similar considerations. The single service will prepare and update the Operational Budget requirement on an annual basis, and seek approval from each council as part of the medium term planning process of each Council. The proportionate contribution from each partner may change over

time in accordance with changes in priorities or in light of structural changes within each Council

11.4 The methodology used to determine the appropriate apportionment of costs between the four partners will be developed using the same principles as those used in the Orbis partnership. All parties recognise that this methodology will need to be fair and transparent, take into account changes in demand and will be underpinned by a proportionate level of management information to support the mechanism.

11.5 From 1 April 2016, the cost of investment and implementation will be shared in accordance with the cost-sharing methodology. We recognise that there may be exceptions to this principle, particularly if one party has already invested in technology which has delivered benefits and therefore savings have been recognised already in appropriate budgets.

11.6 The broad principles underpinning the financial arrangement have been agreed by the four partners; a proportionate balance between risk and reward and a transparent approach to the sharing of costs and investment required. The broad principles will be further developed in a more detailed business plan report which will also include practical arrangements and implications of the partnership, including the frequency of financial monitoring reporting to each Council and treatment of in-year variances.

## **12. Programme management**

12.1 Over the coming months more work needs to be done to deliver our Vision. This work is being led by an Orbis Public Law Programme Board comprising the four Legal Services Head of Service/Directors/Chief officer with representatives from each authority. The Programme Board meets once a month and is responsible for:

- delivering the Vision and objectives of the shared service;
- ensuring that the programme is adequately resourced and managed; and
- that regular reports are made to each Council's Chief Executive.

12.2 A Programme Manager will report progress to the Board and highlight any concerns in terms of progress or resources against the timeline.

12.3 Six work streams have been set up to drive the necessary change.

<b>Work stream</b>	<b>Focus on:</b>
Governance and organisational structure	Developing a single service operating model Working with the Solicitors Regulatory Authority (SRA) framework Operational and management structure Constitution, terms of reference of the operating model Procurement issues - standardising Standing Orders HR/Employment issues
Staff	Communications Change Management Staff consultation Staff welfare
Work flow and customer perspective. Practice Management	Developing standardised working practices Communication and liaison with customers Aligning office manuals and practice procedures Case Management system (Norwel)
IT	System infrastructure and long term alignment of all systems
Finance	Budget alignment Principles of cost sharing and savings
Alternative Business Structure	Assessing the market for potential customers Preparation of ABS business case

### 13. Equality implications

13.1 At this point there are no identified equality implications in terms of establishing a single Legal Service. There may, however, be equality implications around whatever model is adopted for the service. We recognise that there may need to be a Pay and Workforce Strategy to underpin a proposed operating model. Equality and Diversity principles will be fed into the design of Orbis Public Law.

### 14. Risk Assessment

14.1 The Councils anticipate that the arrangements will remain in place on an indefinite basis. There is a risk therefore that there may be significant changes to each Council which impacts upon the services that are required to be delivered by a single service. Governance arrangements will need to recognise that this may be the case.

14.2 Establishing the partnership and implementing the organisational, process and technology changes required to deliver the Vision and achieve target savings may impact on the provision of services to each Council – both in terms of supporting ‘Business as Usual’ activities and providing strategic advisory support for wider transformational change within each Council. The partnership will work with each Council to develop a high-level timetable of change to minimise any adverse impact.

14.3 It is important for all the partners to be on the same IT operating platform. There is a risk to the operational management of the shared service if this does not happen on a timely basis. In particular, SCC currently uses Lotus Notes for email and other functions but needs to be on a Microsoft product so that the case management system (which relies on email) can be used in the same way by all partners. We are working closely with the Orbis IT team to ensure this is prioritised.

14.4 Creating a partnership by simultaneously bringing together four Legal Services of this size is unprecedented. Working together on the scale proposed in the single service could mean there are conflicts of interest, or the practice could become unwieldy to manage. There need to be clarity about the finite size of the shared service and how practical it is to bring in additional partners, particularly in the short-term.

14.5 There is a risk that the partnership does not deliver the full extent of the savings set out in this business case. The four partner Councils recognise that the first year of operation will be a 'start-up' phase and that careful consideration will need to be given to growth.

14.6 The organisational, process and technology changes required, together with concerns about job security as changes to management are made, may have an adverse impact on staff morale and increase turnover. The single service partners will ensure that communication, consultation and engagement remain a priority for the programme. Staff will be involved in developing the organisational design which will help to emphasise that the single service will lead to enhanced opportunities for staff and a strengthening of internal skills.

**Appendix 1 Orbis Public Law – Common work areas**

Work Area	ESCC	SCC	BHCC	WCC
<b><u>Litigation</u></b>				
Civil Claims against the Council and others (excluding Highways Claims)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Civil Claims (Highways)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Debt Collection	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Prosecutions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Miscellaneous Civil Litigation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Judicial Review Claims	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b><u>Employment</u></b>				
Employment Advice and Tribunals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Employment Advice to Members Appeals Panels	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
TUPE and Pensions transfers for outsourced services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b><u>Education</u></b>				
SEND Tribunals and pre-tribunal advice	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Miscellaneous Education Advice e.g. Exclusions, Transport, Admissions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Academy Conversions (Commercial Transfer Agreements)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b><u>Information</u></b>				
Information Governance Advice and representation at Information Tribunals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
LGO Advice	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Freedom of Information and Data Protection Advice and FOI decision reviews	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

<b>Planning</b>				
Planning Agreements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Miscellaneous County Planning Advice	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Determination of Village Green Claims	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Registration of Common Land	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Enforcement Notices	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Listed Buildings & Conservation Area Advice	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Assets of Community Value Advice	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Advice on Building Control	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Attendance at Planning Committee	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Highways and Environment</b>				
Highway Agreements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Highways Advice	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Flood and Drainage Advice	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Rights of Way and Village Green Advice (but not determination of claims)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
General Environmental Advice	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Traffic Orders	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Property</b>				
Commercial Leases / Licences	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other leases including agricultural	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Freehold acquisitions and disposals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Compulsory Purchase	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Registration of Property Charges for Adult Social Care	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Property Transfer for Pension Fund	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>



<b><u>Contracts and Procurement</u></b>				
Contracts	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Procurement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Advise Member Advisory Procurement Board	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Advise to LEP as Accountable body	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b><u>Children</u></b>				
Care Proceedings including pre-proceedings and advice	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EPOs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Adoption Advice and Opposing Applications for Leave	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Miscellaneous advice e.g. care leavers, no recourse to public funds, disclosure and LA involvement in private law cases	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b><u>Adults</u></b>				
Adult Protection Advice	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Court of Protection Proceedings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Mental Health Advice	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ordinary Residence Claims	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b><u>Major Commercial Projects</u></b>				
Development Agreements	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Academy Conversions (Development Agreements, Design & Build Contracts, Land Assembly Issues)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Site Assemblies	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b><u>Licencing</u></b>				
Licencing Advice /Appeals/Enforcement	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(To include: Alcohol, gambling, Taxis, Sex Establishments)				
Highway Licencing Advice /Appeals/Enforcement  (To include: A Boards, Tables & Chairs, hoardings, Skips, Scaffolding)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b><u>Other</u></b>				
Local Government Law e.g. Powers, Committees etc.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Local Government Advice to include:  Advice on Elections and support to the Returning Officer  Constitution and Support to the Constitution Working Group	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Standards-To include conduct of Investigations & Advice to Member Panels	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Governance Advice (e.g. Whistle Blowing/Conflict of Interests)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HMO Advice /Appeals/Enforcement	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Environmental Health Advice /Appeals/Enforcement  (To include: Noise, Nuisance, smoking)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Leasehold Enforcement (Managed Properties)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Advice on Pension Schemes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Management of Council's insurance and insurance broker services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Housing	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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# Orbis Public Law Joint Committee Terms of Reference

## Membership:

1. The Committee shall comprise Members appointed by the constituent authorities. Currently Brighton & Hove City Council, East Sussex County Council, Surrey County Council and West Sussex County Council (“the Councils”). Each authority shall appoint one Member to the Committee in accordance with its constitution.
2. Each Councils Leader (or in the case of Brighton & Hove City Council, the Council) may appoint one substitute Member to attend meetings of the Joint Committee, should an appointed member of the Committee be unavailable or unable to attend a meeting of the Joint Committee. A substitute Member attending in the absence of an appointed member will have full voting rights.

## Terms of Reference:

The Orbis Public Law Joint Committee will:

1. Oversee the delivery of the services delivered jointly through the Orbis Public Law partnership of the Councils ('OPL')
2. Recommend proposals to meet the annual budget for OPL, set by each of the Councils
3. Approve the OPL Business Plan and performance measures
4. Monitor the OPL Business Plan and performance of OPL
5. Make recommendations to the constituent authorities regarding revisions to the Terms of Reference of the Orbis Public Law Joint Committee

## Meetings of the Committee:

The Orbis Public Law Joint Committee will meet on four occasions a year, unless a different number of meetings is determined by the Committee.

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**SURREY COUNTY COUNCIL****CABINET****DATE: 2 FEBRUARY 2016****REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE****MR JOHN FUREY, CABINET MEMBER FOR HIGHWAYS, TRANSPORT AND FLOODING****LEAD OFFICER: MR TREVOR PUGH, STRATEGIC DIRECTOR FOR ENVIRONMENT & INFRASTRUCTURE****SUBJECT: COUNTRYSIDE WORKS FRAMEWORK****SUMMARY OF ISSUE:**

This paper outlines the recommendation to Cabinet to approve the award of a 4 year framework that will allow for direct access to approved suppliers to deliver Countryside Works to the County and its Districts & Boroughs (D&BS).

Following a comprehensive procurement activity, it is proposed that the 4 year framework be awarded naming 34 approved contractors across 5 lots, as set out in the Part 2 report.

The total maximum framework value over 4 years is up to £25m, although the estimated Surrey County Council (SCC) annual spend is £4m. The additional value between £16m - £25m is to allow for the D&BS, East Sussex County Council (ESCC) and Hampshire County Council (HCC) to be able to use this framework.

Due to the commercial sensitivity involved in the contracts award process, the names and financial details of the potential suppliers have been circulated as a Part 2 report (item 16).

**RECOMMENDATIONS:**

It is recommended that:

1. The Countryside Works framework is awarded to the 34 listed contractors, as set out in the part 2 report.
2. The authority to approve works via the framework, as detailed in the part 2 report, is delegated to Local Highway Services Group Manager and Countryside Group Manager.
3. Approval is given for the County Council to continue delegating related services, through formal agency agreements to District and Parish Councils to the Assistant Director for Highways, in consultation with the Cabinet Member for Highways, Transport and Flooding.

## **REASON 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 to provide best value for money. The tender process was constructed based directly on findings from a comprehensive Category strategy, a supplier engagement day and working group meetings.

Past Agency Agreements with District and Parish Councils have successfully enabled grass cutting, trees and weeds to be locally managed. New agency agreements will permit joined up working with local influence.

## **DETAILS:**

### **Business Case**

1. Surrey County Council (SCC) is responsible for carrying out all green works (Grass Cutting, Rights of Way (RoW) Clearance and Maintenance, Tree Surgery Arboriculture Works, Weed Control and Highway Vegetation Clearance) to be carried out in order to maintain local highways. These works are a necessity for the safety of residents and Surrey visitors.
2. The County currently has a framework set up specifically for these works. The existing Countryside Works framework expires on the 31 March 2016.
3. Agency Agreements between the County Council and District Councils expire on the 31 March 2016. The County needs to ensure there are agreements in place if it is to continue delivering this work through partner District or Parish organisations.
4. The current Arboriculture contract is set up between SCC and one approved contractor. This contract started in April 2011 and runs through to April 2017. This current contract has struggled to perform and has resulted in a back log of work within the county. Following extensive market research and engagement it has become clear that the market lacks a single provider that can carry out a contract of the current size. The proposed framework will address this.
5. Each of the different works has different requirements and accreditations needed by the contractor. This has allowed for the following areas to be determined as lots within the new proposed framework:

Lot 1 – Countryside – Minor Tree Surgery, Vegetation Clearance, Canal Services, RoW Bridges

Lot 2 – Highways – Vegetation Clearance, Ditching

Lot 3 – Arboriculture – All forms of Tree Surgery across the County

Lot 4 – Weed Control – Hard surface and Injurious Weed sprays across the county

Lot 5 – Grass Cutting – Urban & Rural cuts across the county



## Procurement Strategy and Options

6. An Open EU tender process, compliant with the Public Contracts Regulations 2015 and the Council's Procurement Standing Orders, has been carried out using the Council e-Procurement system following the receipt of authority from Procurement Review Group (PRG) on 18 August 2015.
7. Several procurement options were discussed and considered when completing the Strategic Procurement Plan (SPP) prior to commencing the procurement activity. These were highlighted and evaluated throughout the Category Strategy. These included the following options:
  - a) Employing an external managed service provider (MSP) to manage all the services required under a single contract
  - b) Tender for separate contracts for each of the lots listed using EU tender processes
  - c) Create a framework suitable to cover all environmental services.
8. After a full and detailed options analysis, the tender process described in 7(c) was chosen. This option was deemed most appropriate and selected because:
  - a. The option proposed best access to local Surrey contractors and Small & Medium sized enterprises (SMEs)
  - b. Allowed flexibility to move between contractors if there were capacity or performance issues
  - c. Included more services and possible spend within the framework and allowed for the opportunity to further encourage competition between contractors and unlocking greater discounts and cost efficiencies
  - d. Option A was not selected as any MSP arrangement would result in a management fee (of upto 20%) to simply administer the supply chain which could be done more efficiently internally. It would also mean SCC would not have the direct relationships with the local providers that the proposed solution offers.

Option B was not selected as it would cause a greater burden for bidders to respond to multiple procurements and it would not address the need for a flexible, diverse supply base that is required by the service teams to respond to changes in demand or switch suppliers if capacity or performance issues were to arise.
9. Representatives from key Service areas were involved throughout the evaluation process to ensure that the preferred solution was fit for purpose.
10. These tenders were then evaluated against the following criteria and weightings, the results and approved suppliers are listed in the Part 2 report. The evaluation was based on 60% price and 40% quality.
11. The quality evaluation was scored on seven main categories; Technical Compliance, Permitting, Customer Service, Health & Safety, Sustainability,

Social Value and Risk Assessment. These areas had previously been identified as crucial to service delivery success.

12. The works will be called off using the approved Schedule of Rates or via a mini competition.
13. The framework will be managed within the service utilising Key Performance Indicators (KPIs) as a performance monitoring mechanism.

### **Key Implications**

14. By awarding a framework to the suppliers as recommended, the Council will be meeting its obligations to ensure environmental works are carried out to the specified requirements and ensuring best value for money for these services.
15. By operating a framework with multiple suppliers the Council has flexibility and supply chain resilience to adapt the supply chain as and when required. This may be due to increased works orders resulting in a need for a greater number of suppliers, reduced works due to financial constraints, or replacing a supplier should there be a drop in performance/quality, capacity to carry out the work or lack of specific skills.
16. By allowing for a four year framework there is clear communication to the market place that the intention of the Council is to operate all the Highways & Countryside contracts in a strategic manner and to align expiry dates of contracts whilst providing a clear forward plan of work delivery.
17. The framework will aim to utilise the top three suppliers in any one year when calling off the Schedule of Rates or will go out to mini competition to a number of contractors off the approved list for more specific schemes. This not only ensures a good level of performance from the active suppliers but also allows opportunity for the remaining supplier/s to provide competitive bids for each mini competition.
18. The framework will utilise local providers and SMEs in the supply of environmental services to the County.
19. The management responsibility for the contract lies with the dedicated Contract Manager within Highways and will be reviewed quarterly by a panel comprising the Contract Manager, a member of procurement and a member of the Countryside team.
20. The rates are fixed for the first two years, every year following will have RPIX implemented; no changes can be made to those rates without prior agreement from the Contract Manager.

### **Competitive Tendering Process**

21. Following a comprehensive Category Strategy it identified a large number of suppliers capable of undertaking the required works.
22. A supplier engagement day was held prior to the tender being published where current suppliers and those listed within the SE Services portal were invited to attend. There was a positive response with 35 contractors attending.

23. The initial stages of the tender showed 119 contractors expressed an interest. A total of 34 responses were received from the bidders, as set out in the Part 2 report.
24. The tender was evaluated on the following split of price and quality based criteria:

Quality = Total of 40%

Price = Total of 60% (based on prices received through Schedule of Rates)

The Quality criteria evaluated were broken down into the following:

Lot	Criteria	Weighting
Lot 1	Risk Assessments	30%
	Service Delivery	10%
Lot 2	Health & Safety	10%
	Service Delivery	8%
	Risk Assessments	22%
Lot 3	Service Delivery	17%
	Health & Safety	14%
	Risk Assessments	6%
	Insurances	3%
Lot 4	Service Delivery	10%
	Risk Assessments	20%
	Social Value	10%
Lot 5	Service Delivery	20%
	Traffic Management	10%
	Social Value	5%
	Health & Safety	5%

25. The tender evaluation showed the following number of contractors within each lot:

Lot 1 Countryside – 25 approved contractors (Lot 1 requires a large list of suppliers due to the varying types of works needed by the Countryside Service)

Lot 2 Highways – 7 approved contractors

Lot 3 Arboriculture – 9 approved contractors

Lot 4 Weed Control – 7 approved contractors

Lot 5 Grass Cutting – 6 approved contractors

Out of the above contractors, 71% of these are Surrey based businesses.

### **Agency Agreements with District and Borough Councils**

26. The County Council operates Agency Agreements for grass cutting with 9 Districts and 1 Parish Council, weed control with 10 District Councils and Arboriculture Services with 2 District Councils. These agreements will expire on the 31 March 2016.
27. Some Districts have operated Agency Agreements with the County Council for many years, with others joining when it has suited both organisations. They have proved effective in delivering services and are an excellent example of joined up working.
28. The contract subject to this report will provide a mechanism for the County Council to undertake these works direct if agreements cannot be reached with all Districts. It will be up to any agent to determine which suppliers they choose to deliver the works, however they have the option to use the proposed Countryside Framework. The County Council will not take on the work unless all D&Bs return the service, but this will be reviewed in individual cases by default.
29. Authorisation is sought to have complementary Agency Agreements that extend up to the term of this contract (March 2020). The rates payable to the agent will be proportional to the market cost, plus relevant on-costs (such as those the County Council would incur should we manage the works directly). Each agreement will suit local circumstances and it is recommended that the Assistant Director for Highways, in consultation with the Cabinet Member for Highways, Transport and Flooding has delegated authority to approve these agreements.

### **CONSULTATION:**

30. Key stakeholders within Surrey County Council have been consulted at all stages of the procurement process including:
  - Highways teams
  - Countryside teams
  - Procurement
  - Legal Services
  - Finance

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

31. Risks were appropriately identified in Table 1 have mitigation actions in place.
32. The terms and conditions include provisions to allow the Council to terminate the contract should priorities change.
33. All suppliers successfully completed satisfactory financial checks as part of the framework competition.

Table 1 – Risks and mitigating actions

Category	Risk Description	Mitigation Activity
Financial	Varying budgets prevent accurate forecasting of annual framework agreement spend in advance.	As this is a framework there is no guarantee of work and the Service are able to award works as and when budgets allow. All contractors are aware of this. The framework allows for flexibility throughout the life of the contract.
Supply	Supply disruption during changeover of suppliers for Lot 3	There is a year to wait until the Arboriculture services are scheduled to start (2017) this allows for enough hand over time between the current and the new contractor.
Reputational	Successful supplier does not have necessary skills, experience and technical knowledge to satisfactorily complete the elements of the contract(s)	Tender process to include 40% quality element towards overall contract(s) award, including clarification meetings if any officer concerns remain post tender process.
Supply	Incumbent supplier will cease to provide any workers (Lot 3)	The current Arboriculture contract expires 1 April 2017, and the supplier is obliged to provide the services up until this point. The contract manager will work closely with the incumbent to ensure that service standards do not fall below acceptable levels and the KPIs are still being met. An exit strategy will be put in place to ensure the above is achieved. A response plan with the new contractors will be agreed with the help from the Service to ensure transfer from one contractor to another is completed.

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

34. Full details of the contract value and financial implications are set out in the Part 2 report.
35. The procurement activity is expected to deliver substantial savings compared to the previous contract costs. When applied to the model jobs for each lot, the new contract rates represent an annual saving of £0.847m compared to the existing contract rates. There is potential within this framework agreement that additional savings will be made year on year following spot price tenders. These will be captured through contract management.
36. Despite more robust reporting requirements and service levels in the new contract, the recommended bids achieve a decrease in costs.
37. Benchmarking information will be shared with East Sussex County Council.

#### **Section 151 Officer Commentary**

38. The proposed framework contract is expected to deliver savings in comparison to current costs, which are set out in Part 2 to this report. The framework will

also provide flexibility to accommodate changes in the level volume of work required.

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

- 48 Legal Services are satisfied that the procurement was in accordance with the legal requirements of EU law, the Public Contracts Regulations 2015 and the Council's Procurement Standing Orders. The risk of a legal challenge is considered to be low because the procurement was done in accordance with the law.

#### **Equalities and Diversity**

- 49 The need for an Equality Impact Assessment (EIA) was considered, however, the conclusion was reached that as there were no implications for any public sector equalities duties due to the nature of the services being procured, an EIA was not required.

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

- 50 The timetable for implementation is as follows:

Action	Date
Cabinet decision to award	2 February 2016
Cabinet call in period	4 – 10 February 2016
'Alcatel' 10 day standstill period	12 – 21 February 2016
Contract Commencement Date	1 April 2016

- 51 The Council has an obligation to allow unsuccessful suppliers the opportunity to challenge the proposed contract award. This period is referred to as the 'Alcatel' standstill period.

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#### **Contact Officer:**

Harriett Harvey,  
Category Specialist – Procurement and Commissioning, Highways,  
Tel: 020 8541 7641

#### **Consulted:**

As detailed in paragraph 30

#### **Annexes:**

Part 2 report with financial details attached

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**SURREY COUNTY COUNCIL****CABINET****DATE: 2 FEBRUARY 2016****REPORT OF: N/A****LEAD OFFICER: ANN CHARLTON, DIRECTOR OF LEGAL, DEMOCRATIC AND CULTURAL SERVICES****SUBJECT: LEADER/DEPUTY LEADER/CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING****SUMMARY OF ISSUE:**

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

**RECOMMENDATIONS:**

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

**REASON FOR RECOMMENDATIONS:**

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

**DETAILS:**

1. The Leader has delegated responsibility for certain executive functions to the Deputy Leader and individual Cabinet Members, and reserved some functions to himself. These are set out in Table 2 in the Council's Scheme of Delegation.
2. Delegated decisions are scheduled to be taken on a monthly basis and will be reported to the next available Cabinet meeting for information.
3. **Annex 1** lists the details of decisions taken by Cabinet Members since the last Cabinet meeting.

**Contact Officer:**

Andrew Baird, Regulatory Committee Manager, Tel: 020 8541 7609

**Annexes:**

Annex 1 – List of Cabinet Member Decisions

**Sources/background papers:**

- Agenda and decision sheets from the Cabinet Member meetings (available on the Council's website)



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**CABINET MEMBER DECISIONS****JANUARY 2016****(I) PROPOSAL TO EXPAND GUILDFORD COUNTY SCHOOL (ACADEMY) 20 PLACES PER YEAR****Details of decision**

That the formal decision of the Governing Body of Guildford County School to expand by 20 places per year be noted by the Cabinet Member.

**Reasons for decision**

Demand for secondary school places is increasing in Guildford Town. A number of primary expansions have taken place in Guildford in recent years; plans now need to be put in place to ensure secondary places are provided for the increased pupil cohorts transitioning into the secondary phase. It is recommended that Guildford County expands due to the prior expansion of Queen Eleanor's C of E Junior School. Queen Eleanor's has expanded by one form of entry to meet demographic need; this will impact on Guildford County from September 2017.

*(Decision taken by the Cabinet Member for Schools, Skills and Educational Achievement – 7 January 2016).*

**(II) THE GRANT OF A NEW LEASE IN ASHSTEAD****Details of decision**

That a surrender of the current lease which is set to expire on the 14 November 2016 be accepted and that a new full repairing and insuring lease be granted for a term of approximately six years being set to expire on 14 November 2021.

**Reasons for decision**

That granting of a new lease will continue to provide the opportunity for the Council to consider and secure the longer terms needs of schooling provision in the Ashstead / Leatherhead area whilst in the meantime providing an income for the County Council in the short to medium term.

*(Decision taken by the Cabinet Member for Business Services and Resident Experience – 7 January 2016)*

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