

Cabinet

**Date & time**

Tuesday, 31
January 2017 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

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

**Chief Executive**

David McNulty

We're on Twitter:

@SCCdemocracy

Cabinet Members: Mr David Hodge CBE, 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: 13 DECEMBER 2016

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

3 DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter

- (i) Any disclosable pecuniary interests and / or
- (ii) Other interests arising under the Code of Conduct in respect of any item(s) of business being considered at this meeting

NOTES:

- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest
- As well as an interest of the Member, this includes any interest, of which the Member is aware, that relates to the Member's spouse or civil partner (or any person with whom the Member is living as a spouse or civil partner)
- Members with a significant personal interest may participate in the discussion and vote on that matter unless that interest could be reasonably regarded as prejudicial.

4 PROCEDURAL MATTERS

a Members' Questions

The deadline for Member's questions is 12pm four working days before the meeting (25 January 2017).

b Public Questions

The deadline for public questions is seven days before the meeting (24 January 2017).

c Petitions

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

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.

- 5 REPORTS FROM SCRUTINY BOARDS, TASK GROUPS, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL** (Pages 1 - 4)
- a) Social Care Services Board in relation to the review of Accommodation with Care and Support Strategy Implementation and Older People's Home Project.
- b) Council Overview Board budget recommendations to be considered with Item 8.

CORPORATE PRIORITIES: 1. WELLBEING

- 6 ADMISSION ARRANGEMENTS FOR SURREY'S COMMUNITY AND VOLUNTARY CONTROLLED SCHOOLS AND THE COORDINATED SCHEMES FOR SEPTEMBER 2018** (Pages 5 - 82)

Following statutory consultation on Surrey's admission arrangements for September 2018, 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, the coordinated schemes that will apply to all schools for September 2018 and Surrey's Relevant Area.

This report covers the following areas in relation to school admissions:

- Stoughton Infant School, Guildford – Recommendation 1
- St Andrew's CofE Infant School, Farnham – Recommendation 2
- Walsh CofE Junior School, Ash – Recommendation 3
- Surrey's Relevant Area – Recommendation 4
- Admission arrangements for which no change is proposed – Recommendation 5
- Primary and secondary coordinated admission schemes that will apply to all schools for 2018 – Recommendation 6

- 7 APPROVAL TO AWARD CONTRACTS FOR THE PROVISION OF MENTAL HEALTH SERVICES IN SURREY - COMMUNITY CONNECTIONS** (Pages 83 - 106)

This report seeks approval from Cabinet to award five contracts for the provision of Community Connections Services in Surrey to commence on 1 April 2017 as the current arrangements end on 31 March 2017.

These contracts will enable Surrey County Council to fulfil its statutory duties under the Care Act 2014 to prevent, reduce and delay the care and support needs of those with mental health needs. The Care Act gave Surrey County Council new duties to promote wellbeing. Adult Social Care and the Clinical Commissioning Groups (CCGs) in Surrey have worked together to maximise the opportunities to ensure the outcomes of people with mental health needs are met in the most cost effective way. By recommending the contract awards for the provision of these co-produced, evidence based and robustly evaluated mental health services, the County Council will effectively demonstrate its support for parity of esteem for mental health and improve the mental wellbeing of Surrey citizens.

Mental health services are significantly underfunded compared with physical health services. By commissioning these services, we will ultimately decrease the demand on and cost of the more complex mental health services. This is described in more detail from paragraph 15 and 16 of this report.

- Surrey Community Connections services are open access services, delivered by the voluntary sector, to support people (aged 16 and over) with mental health needs to stay well in their communities. Surrey County Council provides leadership for these jointly commissioned services, working with all the Clinical Commissioning Groups in Surrey. The services promote social inclusion, community participation, mental well-being and recovery by connecting people to 'mainstream' activities in their community by offering a variety of group activity and one to one support. At the end of 2015/16, Community Connections services were supporting over 4,500 people in Surrey. The contribution from adult social care was £680,669 for that financial year.

The outcomes delivered by Community Connections services include:

- Enabling an individual's recovery
- Helping people develop and maintain a support network
- Giving people personalised support to fit their needs.

This report provides details of the procurement process, including the results of the tender evaluation, engagement and consultation. Parts 1 and 2 of this report demonstrate why the recommended contract awards deliver best value for money and contribute to the strategic goals of Wellbeing and Resident Experience.

Due to the commercial sensitivity involved in the contract award process, the detailed evaluation report and financial details of successful providers have been circulated as a Part 2 report (item 14).

[The decision on this item may be called in by either the Council Overview Board or the Social Care Services Scrutiny Board]

CORPORATE PRIORITIES: 2. ECONOMIC PROSPERITY

8 REVENUE AND CAPITAL BUDGET 2017/18 TO 2019/20, AND TREASURY MANAGEMENT STRATEGY

(Pages
107 -
214)

This report of the Cabinet is to enable recommendations be put to the Full County Council for:

- council tax precept for 2017/18
- revenue budget for 2017/18 to 2019/20
- capital programme quantum and principles

- treasury management strategy.

- 9 LEADERSHIP RISK REGISTER** (Pages 215 - 226)
- The Surrey County Council Leadership risk register is presented to Cabinet each quarter and this report presents the Leadership risk register as at 30 November 2016
- [The decision on this item may be called in by the Council Overview Board]*
- 10 FINANCE AND BUDGET MONITORING REPORT TO 31 DECEMBER 2016** (Pages 227 - 230)
- 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 2016 (month 9).
- Given the large forecast variance reported as at 30 September 2016 and despite the improvement reported as at 30 November 2016, the Section 151 Officer remains of the view that the financial situation facing the Council is serious and has instigated a series of actions by each service director to get the budget back into balance.
- The annex to this report gives details of the Council's financial position and will be circulated separately prior to the Cabinet meeting.
- [The decisions on this item can be called in by the Council Overview Board]*
- 11 APPROVAL TO USE A RANGE OF FRAMEWORK AGREEMENTS FOR ASSETS AND INFRASTRUCTURE CONTRACTS AND APPROVAL OF SCHEME OF DELEGATION FOR AWARDED CONSTRUCTION CONTRACTS** (Pages 231 - 236)
- In order to meet the timescales for delivering assets and infrastructure projects including those which form part of Schools Expansion Programme approval to use a range of framework agreements and to delegate authority to award contracts over £500,000 are requested.
- Cabinet will exercise control over commitment of expenditure via a forward plan tracker, member updates and by the continuing need for Cabinet approval for the Business Case of projects before they are formally tendered.
- [The decisions on this item may be called in by the Council Overview Board]*
- 12 LEADER / DEPUTY LEADER / CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING** (Pages 237 - 242)
- To note any delegated decisions taken by the Leader, Deputy Leader and Cabinet Members since the last meeting of the Cabinet.

13 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 item(s) of business on the grounds that they involve the likely disclosure of exempt information under the relevant paragraphs of Part 1 of Schedule 12A of the Act.

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

**14 APPROVAL TO AWARD CONTRACTS FOR THE PROVISION OF
MENTAL HEALTH SERVICES IN SURREY - COMMUNITY
CONNECTIONS**

(Pages
243 -
248)

This is a part 2 annex relating to item 7.

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 decision on this item may be called in by either the Council Overview Board or the Social Care Services Scrutiny Board]

15 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, 23 January 2017

QUESTIONS, PETITIONS AND PROCEDURAL MATTERS

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

Please note:

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

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

Thank you for your co-operation

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Social Care Services Board**Item under consideration: Review of Accommodation with Care and Support Strategy Implementation and Older People's Homes Project****Date Considered: 9 December 2016**

1. The Board was given an update on the Accommodation with Care and Support Strategy. The Cabinet Member for Adult Social Care, Wellbeing and Independence expressed frustration with the challenge of securing resources from Property Services. The Board was informed there was scope for better co-ordinated asset management in delivering the strategy.
2. It was noted that there were two care homes managed by the service. It was suggested by the Cabinet Member that there was a strong business case for one of these to transition into providing required Extra Care functions.
3. The Board suggested that the service could offer Extra Care accommodation in each Borough. The Board expressed the view that additional investment opportunities with regard to the utilisation of assets could be explored as a means of reducing pressure on the service.
4. The Board suggested that the provision of accommodation with care and support should be taken into account during any future disposal of Surrey County Council assets.
5. The Board strongly supports the development of local partnerships and opportunities to enable adults to live and age well. The Board recommends:
 - That the Cabinet ensure that the strategy is prioritised by Property Services and appropriate resource allocated to its delivery
 - That the Cabinet Member and service explore internal or external opportunities around invest to save funding to support the strategy, including when the Council is intending to dispose of land.

Keith Witham
Chairman of the Social Care Services Board

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COUNCIL OVERVIEW BOARD

Item under consideration: FINAL BUDGET RECOMMENDATIONS

Date Considered: 18 January 2017

- 1 At its meeting on 18 January 2017 the Council Overview Board considered the outcomes of its budget scrutiny meetings and the findings of the other Scrutiny Boards' Performance & Finance sub-groups.
- 2 The Board made the following recommendations:

Savings

- a) That there is a major reduction in paper based public communications issued by the central communications team and individual services including an end to the production of Surrey Matters and annual reports. Documentation should still be available to the public digitally.
- b) That there is a review of the necessity of everything the Communication Service does. Ask the question 'do we need to do this and, if so do we need do this in that way'? with a target cut in head count or % financial savings
- c) That there is a review of the necessity of everything the Policy & Performance Team does. Ask the question 'do we need to do this and, if so do we need do this in that way'? With a target cut in head count or % financial savings
- d) That a continued review of staffing roles and levels and salaries across the council should take place, particularly at senior level
- e) That there is a continued drive to review vacant property with a view to disposal, cost reduction and income generation
- f) That a review be undertaken of the financial and operational benefits of reducing four main council buildings to three
- g) That there is a reduction of the spend on agency staff across all services
- h) That there is a review of Member responsibility allowances
- i) That there is a review of major IT projects, to cover the costs and added value and the use of agency staff to deliver these projects

- j) That there is investment in key-worker housing, as per the motion to Council on 6 December 2016, to facilitate staff retention and a reduced reliance of agency staff

Process

- k) A revision in the way that accounts are reported to enable better monitoring of expenditure through the identification of areas of spend on frontline and back office staff
 - l) That regular Rapid Improvement Events are revived as an instrument for identifying efficiencies
 - m) That the information that details the Council's unit costs is updated
 - n) That a clear message is needed from the Cabinet on the background on any call for an increase to the council tax precept via referendum
- 3 Additionally, the Economic Prosperity, Environment & Highways Board recommended that:
- a) Plans to reduce the funding available to Local Committees should not be progressed
 - b) Analysis is undertaken to optimise the use of winter maintenance services
 - c) Plans are made to recommence the budget scrutiny process earlier in 2017, and from July

EBER KINGTON

Vice Chairman of the Council Overview Board

SURREY COUNTY COUNCIL**CABINET****DATE: 31 JANUARY 2017****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 2018****SUMMARY OF ISSUE:**

Each year, Surrey County Council is responsible for processing approximately 29,000 applications for a school place from Surrey residents and coordinates offers for over 350 schools. The admission arrangements for each school determine which children can be offered a place and Surrey's coordinated admissions scheme ensures that, as far as possible, no child receives an offer at more than one school.

Surrey County Council is responsible for setting the admission arrangements for its community and voluntary controlled schools and the coordinated admissions scheme. Academies, foundation, trust and voluntary aided schools are responsible for setting their own admission arrangements and as such are not covered in this report.

Following statutory consultation on Surrey's admission arrangements for September 2018, 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 infant, junior, primary and secondary schools, the coordinated schemes that will apply to all schools for September 2018 and Surrey's Relevant Area.

This report covers the following areas in relation to school admissions:

- Stoughton Infant School, Guildford – Recommendation 1
- St Andrew's CofE Infant School, Farnham – Recommendation 2
- Walsh CofE Junior School, Ash – Recommendation 3
- Surrey's Relevant Area – Recommendation 4
- Admission arrangements for which no change is proposed – Recommendation 5
- Primary and secondary coordinated admission schemes that will apply to all schools for 2018 – Recommendation 6

Recommendations are set out on pages 1 to 3 and further details of each proposal are set out on pages 4 to 8.

RECOMMENDATIONS:

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

Recommendation 1

That a sibling link is introduced for Stoughton Infant School with Northmead Junior School for September 2018.

Reasons for Recommendation

- There was overall support for this change
- It would support families with more than one child as families with a sibling at Northmead Junior School would benefit from sibling priority at Stoughton Infant School
- This proposal is in line with a separate proposal by Northmead Junior School to introduce a reciprocal sibling link with Stoughton Infant School. This was agreed by the Governing Body of Northmead Junior School on 18 January 2017.
- 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
- It is supported by Governors at Northmead Junior School and by the Headteacher and Chair of Governors of Stoughton Infant School

Recommendation 2

That the published admissions number for St Andrew's CofE Infant School in Farnham is decreased from 40 to 30 for September 2018

Reasons for Recommendation

- It is supported by the Headteacher and Governing Body of the school
- There will still be sufficient infant places for local children if the PAN is decreased
- It will help support other local schools in maintaining pupil numbers
- It will alleviate funding and staffing issues in the school
- It will have no impact on children who are currently on roll at the school

Recommendation 3

That the published admissions number for Walsh CofE Junior School is decreased from 75 to 64 in September 2018

Reasons for Recommendation

- It is supported by the Headteacher and Governing Body of the school
- There will still be sufficient junior places for local children if the PAN is decreased
- It will help support other local schools in maintaining pupil numbers
- It will alleviate funding, accommodation and staffing issues in the school
- It will have no impact on children who are currently on roll at the school

Recommendation 4

That Surrey's Relevant Area is agreed as set out in Enclosure 3.

Reasons for Recommendation

- The local authority is required by law to define the Relevant Area for admissions
- The Relevant Area must be consulted upon and agreed every two years even if no changes are proposed
- Setting a Relevant Area ensures that any schools who might be affected by changes to the admission arrangements for other local schools will be made

aware of those changes

- No change has been made to Surrey's Relevant Area since it was last determined in March 2015

Recommendation 5

That the aspects of Surrey's admission arrangements for community and voluntary controlled schools for September 2018, 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 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 11, 19 and 21 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 Recommendations 2 and 3

Recommendation 6

That the primary and secondary coordinated admission schemes that will apply to all schools for 2018 are agreed as set out in Enclosure 2.

Reasons for Recommendation

- The coordinated schemes for 2018 are essentially the same as 2017 with dates updated
- Paragraph 50 of the primary and secondary schemes and paragraph 2 of the secondary scheme have been updated to provide clarity to the schemes
- The coordinated schemes will enable the County Council to meet its statutory duties regarding school admissions
- The coordinated schemes are working well

<u>DETAILS:</u>

Consultation

1. On 6 October 2016 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.
2. A consultation on the proposed changes, the admission arrangements for which no change was proposed and Surrey's Relevant Area was launched on 14 October 2016 and ran for six weeks until 24 November 2016.
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 and Surrey's Relevant Area is attached as Enclosure 3.

4. A document which set out a summary of the consultation was made available to schools and parents and is attached as Enclosure 4.
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 academies, 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 total, 31 respondents submitted a response to the consultation, some of whom had answered more than one question.
11. A full analysis of the responses to the consultation is included as Enclosure 5.
12. A summary of the responses to the individual school related questions within the consultation is set out below in Table A. As some respondents answered more than one question, the total number of responses in Table A is higher than the total number of respondents.

Table A - Summary of responses to admission consultation

Question Number	Proposal	Document	Agree	Disagree
1	Stoughton Infant School – sibling link with Northmead Junior	Enclosure 1 Appendix 2	19	1
2	St Andrew's CofE Infant School – reduction of PAN from 40 to 30	Enclosure 1 Appendix 1	3	4
3	Walsh CofE Junior – reduction of PAN from 75 to 64	Enclosure 1 Appendix 1	8	4

13. In addition, respondents were asked if they had any comments on Surrey's Relevant Area or the proposed admission arrangements for the remaining community and voluntary controlled schools in Surrey. Two respondents chose to comment on Surrey's Relevant Area and four chose to comment on the proposed admission arrangements for the remaining community and voluntary controlled schools in Surrey.
14. Details of recommendations have been shared with the local Members for each area, where appropriate.

Proposed changes to local admission arrangements

Recommendation 1 – Stoughton Infant School: introduction of a sibling link with Northmead Junior School

15. The number of responses was low with 19 respondents in support of this proposal and one opposed to it.
16. For September 2018, it is proposed to introduce a sibling link for Stoughton Infant School with Northmead Junior School. In this way, families with an older child attending Northmead Junior School would receive sibling priority for a younger child to attend Stoughton Infant School.
17. The admission criteria for Stoughton Infant School would not change but would be described as operating shared sibling priority with Northmead Junior School for 2018 admission (see Enclosure 1 – Appendix 2).
18. This proposal is in line with a proposal put forward by Northmead Junior School to introduce its own sibling link with Stoughton Infant School. As a foundation school, the governing body of Northmead Junior School was responsible for consulting on this change and this has since been agreed at their full Governing Body meeting on 18 January 2017.
19. This proposal is supported by the headteacher and Governing Body of Stoughton Infant School. It is also supported by Governors at Northmead Junior School.
20. In line with Surrey County Council policy, the introduction of a reciprocal sibling link with Northmead Junior School would enable sibling priority to be given to a child who is applying to start at Stoughton Infant School in Reception even if they have a sibling who would have left Year 2 of the school by the time the younger child starts. This is because the feeder link within the admission criteria for Northmead Junior would provide for them to be admitted to that school, thereby retaining their sibling priority.
21. This proposal is consistent with Surrey's planning principles set out in the School Organisation Plan which undertake to consider sympathetically the desirability of separate infant schools feeding into junior or primary provision where this reduces transport needs for young children.
22. The introduction of a reciprocal sibling link between the two schools would provide a greater chance of families keeping their children together or at schools in close proximity.

Recommendation 2 – St Andrew's CofE Infant School: reduction of Reception PAN from 40 to 30

23. The number of responses was low with three respondents in support of this proposal and four opposed to it.
24. For September 2018 it is proposed to decrease the Reception PAN for St Andrew's CofE Infant School from 40 to 30.
25. This school currently has vacancies in Reception and Year 1. As applications for Reception are forecast to drop year on year for the Farnham area, this decrease in PAN would enable the school to organise its classes and resources more effectively.
26. It is anticipated that there will still be sufficient infant places if the PAN is decreased but this decrease will help support other local schools in maintaining pupil numbers.

27. This decrease in PAN will have no impact on children who are currently on roll at the school.
28. Whilst four respondents were opposed to this proposal, none lived in the local area of the school and their comments concerned the general provision of school places rather than any specific concern in the Farnham area.

Recommendation 3 – Walsh CofE Junior School: reduction of Year 3 PAN from 75 to 64

29. The number of responses was low with eight respondents indicating their support of this proposal and four opposed to it.
30. For September 2018 it is proposed to decrease the Reception PAN for Walsh CofE Junior School from 75 to 64.
31. This decrease in PAN would enable the school to organise its classes and resources more effectively and reduce the need for classes of mixed year groups.
32. It is anticipated that there will still be sufficient junior places if the PAN is decreased but this decrease will help support other local schools in maintaining pupil numbers.
33. This decrease in PAN will have no impact on children who are currently on roll at the school.
34. Whilst eight respondents indicated their support for this proposal, the comments from three of those indicated that they may well have been opposed to the proposal. Their specific concern related to the growing demand for school places following the granting of planning permission for 850 new dwellings in the area with another 400 pending, along with the increase nationally in the birth rate.
35. In the Ash area the birth rate has decreased over the last 3 years. Whilst housing permissions are increasing, the drop in birth rate means that the demand for school places is currently largely balanced out.
36. Whilst further housing may create a need for additional school places in the future, if this is the case those places would necessitate all through primary provision, not junior alone.

Recommendation 4 – Surrey's Relevant Area

37. The Relevant Area that Surrey intends to publish for schools for the next two years is set out in Enclosure 3.
38. The School Standards & Framework Act 1998 requires local authorities to establish Relevant Area(s) for admission policy consultations. The Relevant Area is the area in which admission authorities must consult with schools regarding their proposed admission arrangements before finalising them.
39. The Education Act 2002 requires the local authority to review and consult on its Relevant Area every 2 years.
40. The proposed Relevant Area for 2017 remains as it was determined in 2015.
41. Whilst two respondents took the opportunity to make comments about Surrey's Relevant Area, neither comment was relevant to this matter and instead were concerned with the general provision of school places.

Recommendation 5 – Admission arrangements for which no change is proposed

42. 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.
43. 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.
44. Changes highlighted in bold in sections 11, 19 and 22 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.
45. The only changes in PAN, that are highlighted in bold in Appendix 1 of Enclosure 1, are referenced in Recommendations 2 and 3. It is proposed that the PAN for all other community and voluntary controlled schools for 2018 should remain as determined for 2017 and this would enable parents to have some historical benchmark by which to make informed decisions about their school preferences.
46. The admission arrangements for Surrey's community and voluntary controlled schools are generally working well. This is demonstrated by the fact that in 2016, of the 29,000 applications across all phases from Surrey residents, 85.7% were offered a place at their first preference school and 95.6% were offered a place one of their preference schools.
47. 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.
48. 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.
49. Four respondents took the opportunity to make comments about the admission arrangements for which no change was proposed.
50. **Preference ranking and the equal preference system** - one respondent queried why it was necessary for parents to rank their preferences if Surrey operated an equal preference scheme and claimed this led to some schools offering to children who had named the school as their second preference when others who had named it first had not been offered a place.
51. The law requires local authorities to operate an equal preference system for admissions which requires applicants to rank their schools in the order they prefer them, schools to rank their applicants according to their admission criteria and the local authority to offer the highest preference school that a child is eligible for.
52. This ensures that applicants are ranked fairly and are not disadvantaged for lower preference schools should a more preferred school be unable to offer a place.
53. **Use of religious criteria** – one respondent disagreed with schools being allowed to apply religious criteria when they are not funded entirely by the church.
54. State funded schools that are designated as having a religious character are permitted to introduce faith based criteria within their admission arrangements. In doing so the school

must have regard to any guidance issued by their faith body and must comply with admissions law and the School Admissions Code.

55. The local authority is responsible for setting the admission arrangements for community and voluntary schools and none of these have faith based admission criteria.
56. **Use of sibling criteria** - one respondent felt that all schools should prioritise siblings within their admission arrangements.
57. For community and voluntary controlled schools the local authority does give priority to siblings, albeit for schools with a feeder link, this is sometimes after children attending a feeder school.
58. For academies, foundation, trust and voluntary aided schools, it is the Governing Body or Academy Trust who is responsible for setting admission arrangements and not the local authority. There is no legal duty to give priority to siblings and so for these types of schools the Governing Body or Academy Trust will decide whether to give siblings priority.
59. **Assessment of nearest school** - One respondent disagreed with Christ's College being included in the assessment of nearest school when it accepts up to 50% of its intake from practicing Christian families.
60. However this school is still considered in the assessment of nearest school because the remainder of its intake is admitted without regard to faith. For 2016 admission, 101 children out of 156 places allocated were offered without regard to faith.

Recommendation 6 - Surrey's primary and secondary coordinated admission schemes

61. 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.
62. The coordinated admission schemes are working well with all schools participating, as they are legally required to.
63. 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.
64. Dates within the primary and secondary coordinated schemes have been updated to ensure they comply with the Pan London timetable.
65. There are no other material changes proposed to the coordinated admission schemes but the following changes have been made to add clarity:
 - Paragraph 50 of the primary and secondary schemes have been updated to confirm that details of how waiting lists for each school will be managed will be set out in the admission arrangements that apply to each school but that in each case waiting lists will be managed until at least the end of the autumn term.
 - Paragraph 2 of the secondary scheme has been updated to make clear that 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.

RISK MANAGEMENT AND IMPLICATIONS:

66. 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

67. 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

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

Legal Implications – Monitoring Officer

69. The admission arrangements comply with legislation on School Admissions and the School Admissions Code.
70. The local authority has carried out a consultation on all changes for a period of 6 weeks between 14 October 2016 and 24 November 2016, which is in accordance with statutory requirements.
71. 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.
72. The best value duty is contained in s3 of the Local Government Act 1999 as a result of which the Council is under a duty to make arrangements to secure continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The relevant guidance states that Councils should consider overall value, including economic, environmental and social value when reviewing service provision.
73. 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.
74. A summary of responses is collated in Enclosure 5 and the local authority has given due regard to those responses in considering the recommendations to put before Cabinet.

Equalities and Diversity

75. The Equalities Impact Assessment has been completed in full and is attached in Enclosure 6. 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.

76. 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

77. 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

78. 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

79. The County Council attaches great importance to being environmentally aware and wishes to show leadership in cutting carbon emissions and tackling climate change.
80. 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 2018 admissions arrangements as agreed by the Cabinet will be ratified by the full County Council on 7 February 2017.
- The determined admission arrangements will be published on Surrey's website by 15 March 2017 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 2017.
- The arrangements will be published in the primary and secondary admissions booklets in August 2017, which will be made available to parents online and in hard copy by request in September 2017.
- 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 2017.

Contact Officer:

Claire Potier Principal Manager Admissions and Transport (Strategy)
Tel: 01483 517689

Consulted:

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	Published Admission Numbers (PANs)
Appendix 2	Schools to be considered as adjoining/shared sites for sibling priority
Appendix 3	Schools not to be considered in assessment of nearest school
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	Surrey's Relevant Area
Enclosure 4	Summary of consultation
Enclosure 5	Outcome of consultation
Enclosure 6	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 – 6 October 2016

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Admission numbers for Surrey County Council's community and voluntary controlled schools 2018

This document sets out Surrey County Council's Published Admission Numbers (PAN) for community and voluntary controlled schools for September 2018. 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

ELMBRIDGE	
Bell Farm Primary	90
Claygate Primary	60
Cranmere Primary	90
Grovelands Primary	60
Hurst Park Primary	60
Manby Lodge Infant	90
Oatlands	90
The Royal Kent C of E Primary	4+ 30 7+ 2
St Andrew's C of E Primary	4+ 52 7+ 8
St James C of E Primary	60
Walton Oak	60

EPSOM & EWELL	
Auriol Junior	90
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 Junior	68
*West Ewell Infant	60

* Agreed to become all through primary schools from September 2017

GUILDFORD	
Ash Grange Primary	30
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	64
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
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
Dovers Green	90
Earlswood Infant & Nursery	120
Earlswood Junior	120
Epsom Downs Primary	60
Furze field 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

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
Stepgates 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
Spelthorne Primary	90
*Town Farm Primary	60

*Separate consultation on expansion to a PAN of 90 from September 2018

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
Bletchingley Village Primary School	30
Dormansland Primary	30
*Downs Way	60
Felbridge Primary	30
Hamsey Green Primary	60
Holland Junior	60
Hurst Green	30
Lingfield Primary	60
Tatsfield Primary	30

* Separate consultation on amalgamation with St Mary's CofE Junior School from September 2018

WAVERLEY

Badshot Lea Village Infant	45
Beacon Hill Primary	4+ 30 7+ 2
Busbridge Infant	60
Cranleigh CofE Primary	4+ 30 7+ 30
Farncombe CofE Infant & Nursery	50
Folly Hill Infant	30
Godalming Junior	60
Hale Primary	4+ 60 7+ 2
Milford	60
Moss Lane	60
Potters Gate CE Primary	60
St Andrew's C of E (Cont) Infant	30
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
West Byfleet Junior	90
Westfield Primary	60

2. Secondary schools**GUILDFORD**

Ash Manor School	210
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REIGATE & BANSTEAD

Oakwood School	240
Reigate School	250

WAVERLEY

Broadwater School	120
Glebelands School	180

Community and voluntary controlled schools in Surrey which will operate shared sibling priority for admission in 2018

Epsom & Ewell

- The Mead Infant and Auriol Junior
- Wallace Fields Infant (**Academy**) and Wallace Fields Junior

Guildford

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

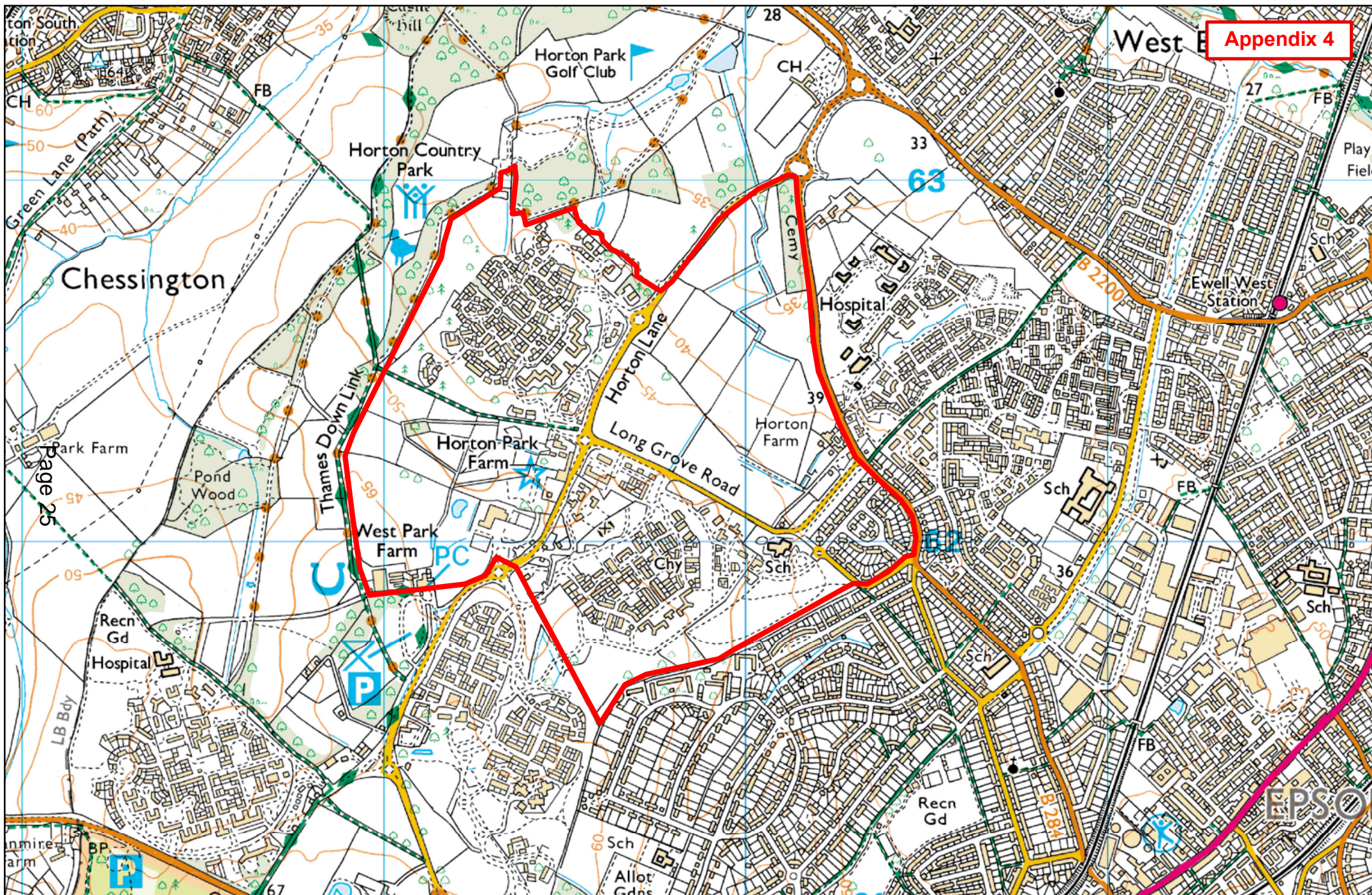
* Shared sibling priority only applies to Merrow CofE Infant School

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Academies and foundation, trust and voluntary aided schools that will NOT be considered in the assessment of nearest school - 2018/19 admissions

1.	Academies and foundation, trust and voluntary aided schools in Surrey that will NOT be considered in the assessment of nearest school when applying the admission arrangements for community and voluntary controlled schools are set out below. Community and voluntary controlled schools which convert to academy status and new free schools which open after these arrangements have been determined will be considered in the assessment of nearest school when applying the admission arrangements for community and voluntary controlled schools.
a) Infant & primary schools – Reception intake	
<p><u>Elmbridge</u> Cardinal Newman Catholic Primary School St Alban's Catholic Primary School St Charles Borromeo Catholic Primary School St Paul's Catholic Primary School</p> <p><u>Epsom & Ewell</u> St Clement's Catholic Primary School St Joseph's Catholic Primary School, Epsom</p> <p><u>Guildford</u> St Joseph's Catholic Primary School, Guildford St Thomas of Canterbury Catholic Primary School</p> <p><u>Mole Valley</u> St Joseph's Catholic Primary School, Dorking St Peter's Catholic Primary School,</p> <p><u>Reigate & Banstead</u> St Anne's Catholic Primary School, Banstead St Joseph's Catholic Primary School, Redhill</p> <p><u>Runnymede</u> Holy Family Catholic Primary School St Anne's Catholic Primary School, Chertsey St Cuthbert's Catholic Primary School</p>	<p><u>Spelthorne</u> Our Lady of the Rosary Roman Catholic Primary School Saint Ignatius Catholic Primary School Saint Michael's Catholic Primary School</p> <p><u>Surrey Heath</u> St Augustine's Catholic Primary School</p> <p><u>Tandridge</u> St Francis Catholic Primary School</p> <p><u>Waverley</u> St Cuthbert Mayne Catholic Primary School St Edmund's Catholic Primary School St Polycarp's Catholic Primary School</p> <p><u>Woking</u> The Marist Catholic Primary School St Dunstan's Catholic Primary School St Hugh of Lincoln Catholic Primary School</p>
b) Junior & primary schools – Year 3 intake	
<p><u>Reigate & Banstead</u> Royal Alexandra & Albert School</p>	
c) Secondary schools – Year 7 intake	
<p><u>Guildford</u> St Peter's Catholic School</p> <p><u>Reigate & Banstead</u> Royal Alexandra & Albert School St Bede's School</p> <p><u>Runnymede</u> Salesian School</p>	<p><u>Spelthorne</u> St Paul's Catholic College</p> <p><u>Surrey Heath</u> Gordon's School</p> <p><u>Waverley</u> All Hallows Catholic School</p> <p><u>Woking</u> St John the Baptist Catholic Comprehensive School</p>
2.	<p>Out of county comprehensive schools that will NOT 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"> • Camelsdale Primary School – West Sussex County Council • Charters School – Royal Borough of Windsor & Maidenhead • St Joseph's Catholic Primary School, Aldershot - Hampshire County Council • The Wavell School – Hampshire County Council <p>In the past three years, no Surrey child has been eligible for a place at these schools on distance. As such, to consider these schools as a nearest school for a Surrey child would cause disadvantage to that child's application for their nearest Surrey school.</p>

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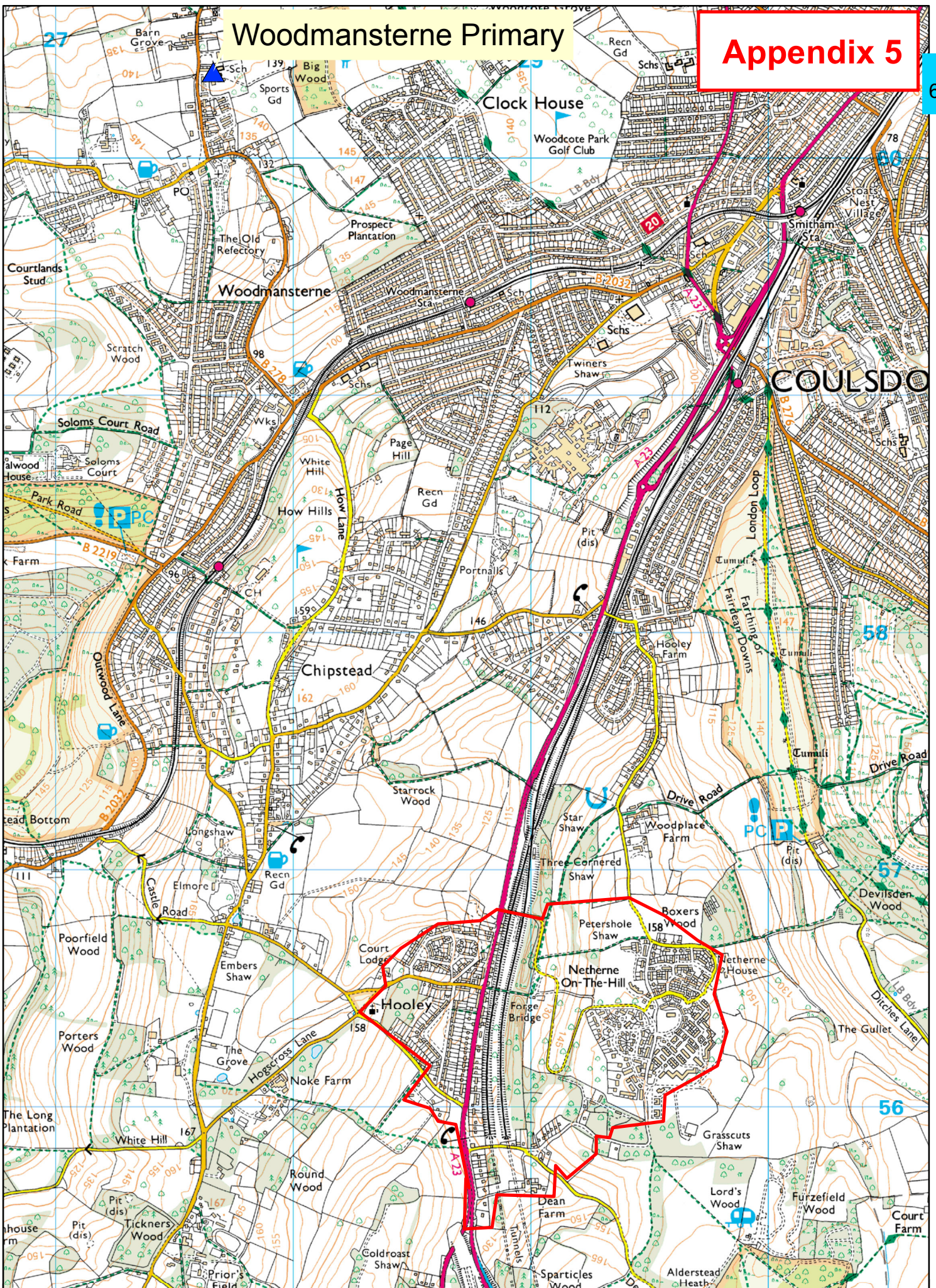


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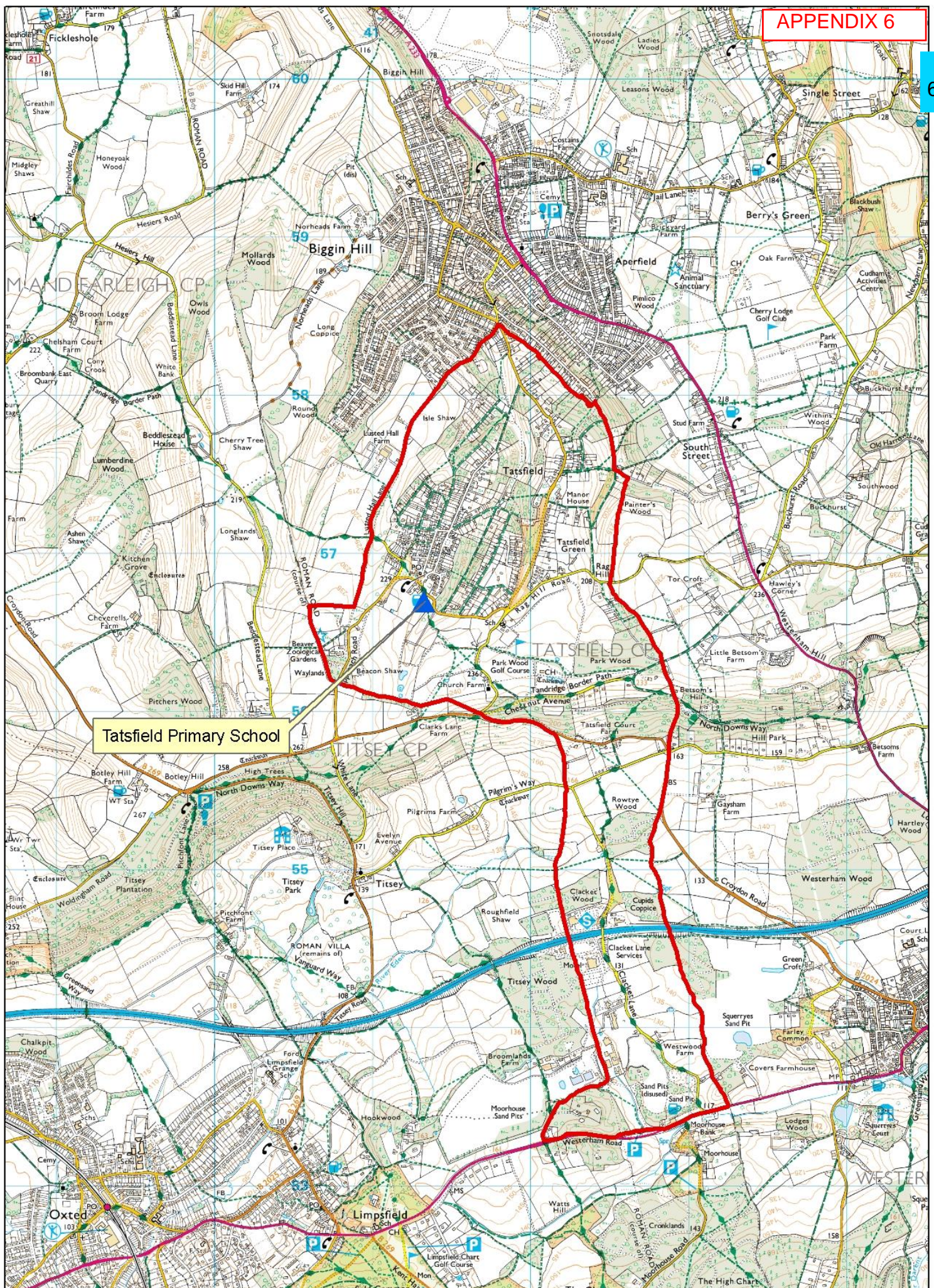
Woodmansterne Primary

Appendix 5

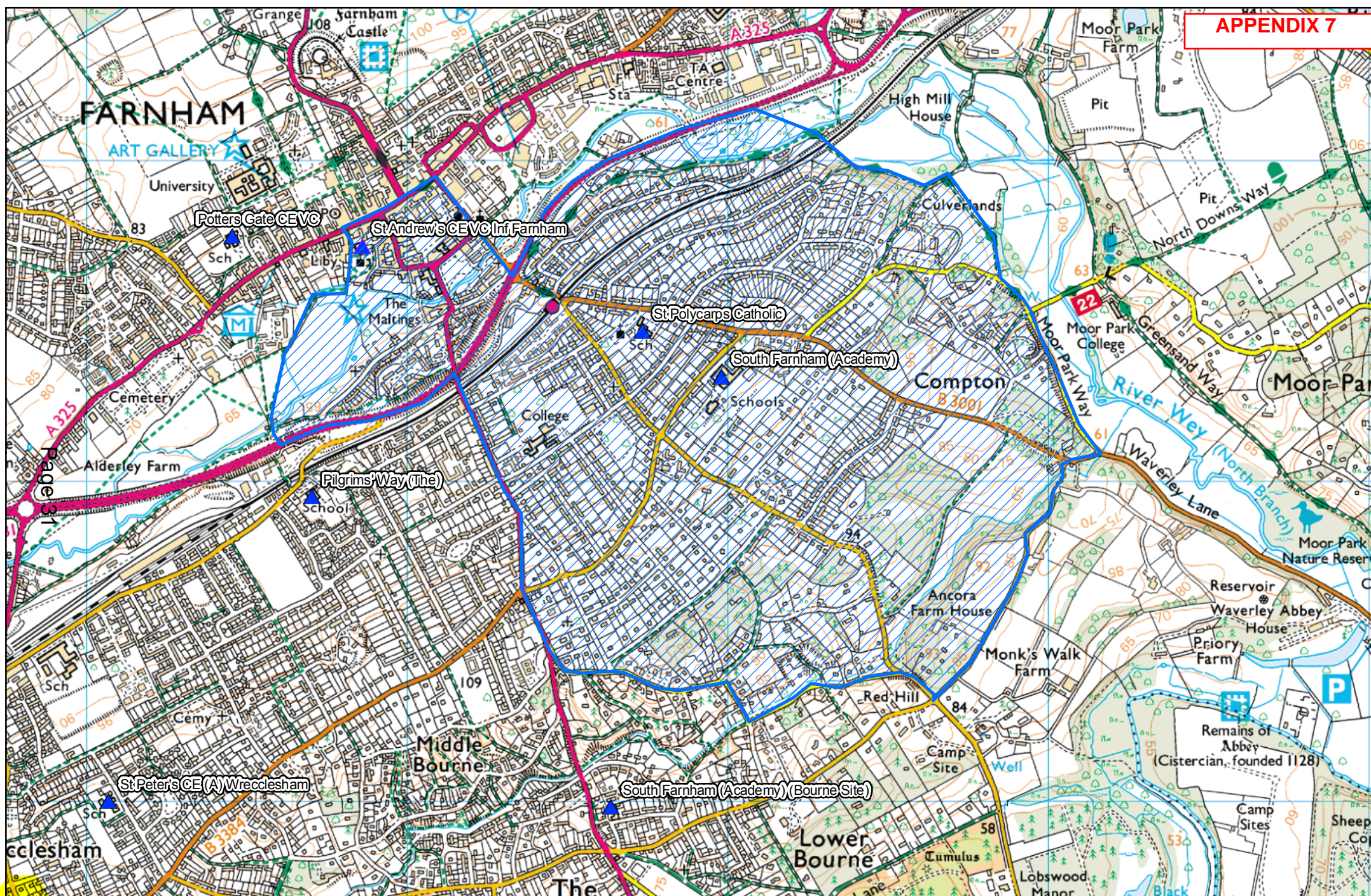
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St Andrews Infant School Catchment Area

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Admission arrangements for Surrey County Council's community and voluntary controlled schools 2018/19

This document sets out Surrey County Council's admission arrangements for community and voluntary controlled schools in 2018/19. 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 2018 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 2018. 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 2017. 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 2018/19 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 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 an EHCP 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 2018/19 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, as will most academies and foundation, trust and voluntary aided schools. A list of the academies and foundation, trust and voluntary aided schools in Surrey 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, 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 2018

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) 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 2018 as, after this date, all eligible children will have left The Mead 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 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 Wallace Fields Junior School is the nearest to their home address
4. *Children attending Wallace Fields Infant School for whom Wallace Fields Junior School is the nearest school to their home address
5. Non-siblings for whom Wallace Fields Junior 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 Wallace Fields Junior School is not the nearest to their home address
7. *Other children attending Wallace Fields Infant School for whom Wallace Fields Junior School is not the nearest school to their home address
8. Any other children

* Criteria 4 and 7 will only apply until 31 August 2018 as, after this date, all eligible children will have left Wallace Fields Infant school

b) 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 2018 as, after this date, all eligible children will have left Walsh Memorial CofE and St Paul's CofE infant schools

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 Worplesdon Primary School is the nearest to their home address
6. Any other children

* Criterion 4 will only apply until 31 August 2018 as, after this date, all eligible children will have left Wood Street Infant School

c) Mole Valley

i) 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 St Martin's C of E Primary School is the nearest to their home address
6. Any other children

* Criterion 4 will only apply until 31 August 2018 as, after this date, all eligible children will have left St Michael's CofE (Aided) Infant School

d) Reigate & Banstead

i) 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 2018 as, after this date, all eligible children will have left Banstead 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 Earlswood Junior School is the nearest to their home address
6. Any other children

* Criterion 3 will only apply until 31 August 2018 as, after this date, all eligible children will have left Earlswood 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 2018 as, after this date, all eligible children will have left Meath Green 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

e) 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 2018 as, after this date, all eligible children will have left Ottershaw CofE 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 2018 as, after this date, all eligible children will have left Trumps Green or Meadowcroft infant schools

f) Spelthornei) Chennestone Primary Community School at 7+

1. Looked after and previously looked after children
2. Exceptional social/medical need
3. Siblings
4. *Children attending Beaclerc Infant School
5. Children for whom Chennestone Primary Community School is nearest to their home address
6. Any other children

* Criterion 4 will only apply until 31 August 2018 as, after this date, all eligible children will have left Beaclerc Infant School

g) Surrey Heathi) 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 2018 as, after this date, all eligible children will have left Crawley Ridge Infant School

h) Tandridgei) 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

i) Waverleyi) 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 Hale Primary School is the nearest to their home address
6. Any other children

* Criterion 4 will only apply until 31 August 2018 as, after this date, all eligible children will have left Folly Hill 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 2018 as, after this date, all eligible children will have left Shottermill 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 William Cobbett Primary School is the nearest to their home address
6. Any other children

* Criterion 4 will only apply until 31 August 2018 as, after this date, all eligible children will have left Badshot Lea and Folly Hill infant schools

j) 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 2018 as, after this date, all eligible children will have left Knaphill Lower 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 2018 as, after this date, all eligible children will have left West Byfleet 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 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, **ordinarily** 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 community and voluntary controlled schools that will operate shared sibling priority for admission in 2018 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
 Merrow CofE Infant and Bushy Hill Junior (Foundation)*
 Ottershaw Infant and Ottershaw Junior
 Shottermill Infant and Shottermill Junior
Stoughton Infant and Northmead Junior
 Trumps Green Infant and St Ann's Heath 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 Merrow CofE Infant School

At the initial allocation, when an applicant is applying for both a Reception place and a Year 3 place at a primary school which has an intake at Reception and Year 3, or at separate infant/junior schools which operate shared sibling

priority, if a place can only be offered to 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 the school or another school which operates shared sibling priority in September 2018.

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 2014, 2015 and 2016. 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, as will most academies and foundation, trust and voluntary aided schools. A list of the academies and foundation, trust and voluntary aided schools in Surrey and the out of county schools that will NOT be considered in the assessment of nearest school can be seen at APPENDIX 3.

Any child remaining on the waiting list after 1 September 2018 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/carer 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/carer who is registered for child benefit. If neither parent is registered for child benefit we will accept the application from the parent/carer 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 2019 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 26 July 2019, stating their wish and providing their child's name, date of birth and the name of their child's current school. After 26 July 2019, 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 2018/19:

- applications for admission to Reception which are received after 1 September 2018;
- 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 2018;
- applications for admission to Year 7 which are received after 1 September 2018;
- 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 2013 and 31 August 2014 will be eligible to apply for a full time place in Reception at a Surrey school for September 2018. 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.

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.

Community and voluntary controlled infant and primary schools which operate a nursery during term time only, will offer sessions totalling 15 or 30 hours a

week , depending on the school and the eligibility of the child. Other community and voluntary controlled infant and primary schools may stretch the offer more flexibly over more than 38 weeks.

Each school will identify which sessions constitute the child's universal entitlement and which are their extended entitlement.

Places for two year olds

Some nurseries might admit **two year olds who meet the eligibility criteria to receive Free Early Education for Two year olds (FEET)**. Where there are more applications than places available, **eligible** children 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 2018/2019 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 2018 to 31 August 2019 (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 2018 to 31 August 2019 (these children will be able to stay on in nursery for another year in 2019/20 as they will not be due to start Reception until September 2020)

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 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 Providing false or misleading information

If an applicant is found to have supplied false or deliberately misleading information or to have withheld any relevant information, the local authority reserves the right to withdraw any offer of a place, even if the child has already started at the school.

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.

In considering eligibility for home to school transport, the local authority will take account of all state funded schools, including free schools and academies. Applicants should note that the opening of a new school or the permanent relocation of an existing school might change which school is assessed to be the nearest to an address when compared to assessments made in previous years. If for any reason a school educates children on a temporary site, the assessment of nearest school for the purpose of home to school transport eligibility will disregard the temporary site and will instead use the intended permanent site of the school or, if that has not yet been determined, the current main site of the school. Where a school is operating on a temporary site and that school's permanent/current site is deemed to be a child's nearest qualifying school, the home to school walking distance will be measured to the school's temporary site to determine if the child lives over the statutory walking distance and is eligible for transport assistance. Eligibility will be reassessed at the point a child ceases to be educated at the temporary site.

A full copy of Surrey's Home to School Transport policy is available on Surrey's website at www.surreycc.gov.uk or from the Surrey Schools and Childcare Service on 0300 200 1004.

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Surrey County Council

Coordinated schemes for admission to primary and secondary school for 2018/19

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Surrey County Council

Coordinated scheme for admission to primary school (Reception and Year 3) for 2018/19

Applications

1. Surrey's admissions and transport team will distribute information leaflets on admissions early in September **2017**. 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 via which parents will be able to access the admissions information and apply online from **30 October 2017**. 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 **30 October 2017**. 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 **2018**. 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 **2018**. 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 50

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/carers 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 **2 February 2018**.
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 **2 February 2018**.
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 **5 February 2018**. 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 **13 and 19 February 2018**.

Processing

12. By **9 February 2018**, 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 **5 March 2018** 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 **15 and 23 March 2018** 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 **30 March 2018**. 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 **16 April 2018** 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 **26 March** and **9 April 2018**.
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 **11 April 2018**.
20. By **16 April 2018** lists of children being allocated places will be sent to primary schools for their information.
21. On **16 April 2018** 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 16 APRIL 2018.**

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 16 April 2018

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 **12 February 2018**. 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 **12 February 2018**.
- 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 **12 February 2018**, 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 **12 February 2018** 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 February 2018**. Any changes of preference received after **12 February 2018** will not be considered until all on time applications have been dealt with.

Applications and changes of preference received between 16 April 2018 and 31 August 2018

- 30.** Applications will continue to be received after the **16 April 2018**. 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 **16 April 2018** 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 **16 April 2018**. Parents may also name additional preferences after the offer day of **16 April 2018**.
- 33.** The coordination scheme will end on 31 August **2018**. Applications received after 31 August **2018** will be considered in line with Surrey's in year admissions procedures.

- 34.** Surrey's admissions and transport team will request that resident applicants accept or decline the offer of a place by **30 April 2018**, 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 **30 April 2018**, Surrey's admissions and transport team will forward the information to the school by **8 May 2018**.
- 37.** Where an applicant resident in Surrey accepts or declines a place in a school maintained by another local authority by **30 April 2018**, Surrey's admissions and transport team will forward the information to the maintaining local authority by **8 May 2018**. Where such information is received from applicants after **30 April 2018**, 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 **17 April 2018**.
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 2018/19

Applications

1. Surrey's admissions and transport team will distribute information leaflets on admissions early in September **2017**. 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 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 **2017**. 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 **2017** but parents will be encouraged to return their form by **20 October 2017**, 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 36** in case no later than the national closing

date of 31 October **2017**. Surrey County Council will publish information that will encourage applicants to submit their supplementary form by **20 October 2017** (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 **14 November 2017**.
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 **14 November 2017**.
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 **14 November 2017**. 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 **12 December 2017** and **2 January 2018**.

Processing

11. By **6 December 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.
12. By **8 January 2018** 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 **2 and 15 February 2018** 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 **15 February 2018**. 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 2018** 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 **16 and 22 February 2018**.
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 **23 February 2018**.
19. By **1 March 2018**, lists of children being allocated places will be sent to secondary schools for their information.
20. On **1 March 2018** 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 2018.**

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 2018

6

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 **11 December 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.
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 **11 December 2017**.
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 **11 December 2017**, 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 **11 December 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 **11 December 2017**. Any changes of preference received after **11 December 2017** will not be considered until all on time applications have been dealt with.

Applications and changes of preference received between 1 March 2018 and 31 August 2018

30. Applications will continue to be received after the **1 March 2018**. 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 **1 March 2018** 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 2018**. Parents may also name additional preferences after the offer day of **1 March 2018**.
- 33.** The coordination scheme will end on 31 August **2018**. Applications received after 31 August **2018** 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 2018**, 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 2018**, Surrey's admissions and transport team will forward the information to the school by **22 March 2018**.
- 37.** Where an applicant resident in Surrey accepts or declines a place in a school maintained by another local authority by **15 March 2018**, Surrey's admissions and transport team will forward the information to the maintaining local authority by **22 March 2018**. Where such information is received from applicants after **15 March 2018**, 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 2018**.
- 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's Relevant Area for Admissions - 2017

The School Standards & Framework Act 1998 requires local authorities to establish Relevant Area(s) for admission policy consultations. The Relevant Area is the area in which admission authorities must consult with schools regarding their proposed admission arrangements before finalising them.

The Education Act 2002 requires the local authority to consult on and review its Relevant Area every 2 years.

Surrey proposes that its Relevant Area will remain as follows for 2017:

- i) The local authority will consult on the admission arrangements for community and voluntary controlled schools with:
 - all schools within the administrative area of Surrey
 - all 14 neighbouring local authorities
 - any out of county academy and foundation, trust and voluntary aided primary school within 4.8 kilometres (3 miles) of the Surrey border
 - any out of county academy and foundation, trust and voluntary aided secondary school within 8 kilometres (5 miles) of the Surrey border.
- ii) Having first consulted with their Diocese, primary schools designated as having a religious character will consult with:
 - Surrey County Council
 - all other primary schools within a 4.8 kilometre radius (3 miles)
 - other local authorities within a 4.8 kilometre radius (3 miles)
 - other faith primary schools within their own deanery, according to guidance issued by their Diocese
- iii) Primary academies and foundation and trust schools will consult with:
 - Surrey County Council
 - all other primary schools within a 4.8 kilometre radius (3 miles)
 - other local authorities within a 4.8 kilometre radius (3 miles)
- iv) Having first consulted with their Diocese, secondary schools designated as having a religious character will consult with
 - Surrey County Council
 - all other primary and secondary schools within an 8 kilometre radius (5 miles)
 - other local authorities within an 8 kilometre radius (5 miles)
 - other primary and secondary faith schools within their own deanery, according to guidance issued by their Diocese
- v) Secondary academies and foundation schools will consult with:
 - Surrey County Council
 - all other primary and secondary schools within an 8 kilometre radius (5 miles)
 - other local authorities within an 8 kilometre radius (5 miles)

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Surrey County Council

Proposed admission arrangements for community and voluntary controlled schools in September 2018 and Surrey’s proposed Relevant Area

Introduction

Surrey County Council is consulting on:

- proposed changes to admission arrangements for some community and voluntary controlled schools for September 2018
- the admission arrangements for all remaining community and voluntary controlled schools for September 2018
- its relevant area – this is the area within which schools must consult on their admission arrangements

Further details of the changes being proposed and Surrey’s relevant area are set out in this document.

A copy of the proposed admission arrangements for all community and voluntary controlled schools and Surrey’s coordinated schemes are set out in the following documents, with changes highlighted in bold in each document:

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 not to be considered in assessment of nearest school
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

Local authorities are also required to consult on their relevant area every two years. As two years have passed since Surrey’s last consultation, it is consulting again this year. The proposed Relevant Area is included at **Enclosure 3**.

An equality impact assessment is included as **Enclosure 4**.

What changes are being proposed?

1. Stoughton Infant School – Guildford

For September 2018, the local authority intends to introduce a sibling link for Stoughton Infant School with Northmead Junior School. In this way, families with an older child attending Northmead Junior School would receive sibling priority for a younger child to attend Stoughton Infant School.

The admission criteria for Stoughton Infant School would not change but would be described as operating shared sibling priority with Northmead Junior School for 2018 admission (see Enclosure 1 – Appendix 2).

Implementation of this proposal for Stoughton Infant School would be subject to Northmead Junior School also implementing a sibling link with Stoughton Infant School.

In line with Surrey County Council policy, the introduction of a reciprocal sibling link with Northmead Junior School would enable sibling priority to be given to a child who is applying to start at Stoughton Infant School in Reception even if they have a sibling who would have left Year 2 of the school by the time the younger child starts. This is because the feeder link within the admission criteria for Northmead Junior would provide for them to be admitted to that school, thereby retaining their sibling priority.

The introduction of a reciprocal sibling link between the two schools would provide a greater chance of families keeping their children together or at schools in close proximity.

2. St Andrew's CofE Infant School – Waverley

For September 2018, the local authority intends to reduce the published admission number for St Andrew's CofE Infant School from 40 to 30.

This school currently has vacancies in Reception and Year 1. As applications for Reception are forecast to drop year on year for the Farnham area, this reduction in PAN would enable the school to organise its classes and resources more effectively.

3. Walsh CofE Junior School - Guildford

For September 2018, the local authority intends to reduce the published admission number for Walsh CofE Junior School from 75 to 64.

This reduction in PAN would enable the school to operate with two classes and in doing so, to manage its resources more effectively. Whilst the school admits children from Walsh Memorial CofE Infant School and St Paul's CofE Infant School in Tongham, it currently has vacancies in each of its year groups. As such, based on historic patterns of admission, it is expected to still be able to accommodate those children from the feeder infant schools who wish to apply.

Surrey's Relevant Area

The Relevant Area that Surrey intends to publish for schools for the next two years is set out in **Enclosure 3**.

The School Standards & Framework Act 1998 requires local authorities to establish Relevant Area(s) for admission policy consultations. The Relevant Area is the area in which admission authorities must consult with schools regarding their proposed admission arrangements before finalising them. **It does not influence which children will be admitted to which schools.** The Education Act 2002 requires the local authority to review and consult on its Relevant Area every 2 years. Surrey is not proposing any change to its Relevant Area.

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 Friday 14 October 2016 to Thursday 24 November 2016. If you would like to take part please complete an online response form available at Surreysays (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 31 January 2017. 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 7 February 2017. 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.

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Consultation on Surrey's admission arrangements for community and voluntary controlled schools and coordinated schemes for September 2018

Outcome of consultation

Response to consultation

1. By the closing date, 31 respondents had submitted an online response to the consultation, some of whom had answered more than one question.
2. The 31 responses were from:

Headteacher	2
Parent	22
Parish/Town Council member	2
School governor	4
Surrey County Council member	1
Total	31

1. A summary of the responses to the individual school related questions within the consultation is set out below in Table A. As some respondents answered more than one question, the total number of responses in Table A is higher than the total number of respondents.

Table A - Summary of responses to admission consultation for September 2018

Question Number	Proposal	Document	Agree	Disagree
1	Stoughton Infant School – sibling link with Northmead Junior	Enclosure 1 Appendix 2	19	1
2	St Andrew's CofE Infant School – reduction of PAN from 40 to 30	Enclosure 1 Appendix 1	3	4
3	Walsh CofE Junior – reduction of PAN from 75 to 64	Enclosure 1 Appendix 1	8	4

3. In addition, respondents were asked if they had any comments on Surrey's Relevant Area or the proposed admission arrangements for the remaining community and voluntary controlled schools in Surrey. Two respondents commented on Surrey's Relevant Area and four respondents commented on the proposed admission arrangements for the remaining community and voluntary controlled schools in Surrey.

Analysis of responses to questions within the 2018 admission consultation

4. **Stoughton Infant School: introduction of a sibling link with Northmead Junior School -**
Overall, 19 respondents agreed with this proposal and one was opposed to it.
5. Of the 19 respondents who agreed with the proposal 18 were parents and one was a school governor of an unrelated school. Ten parents indicated that they would be affected by the proposal.
6. Reasons given for agreeing with the proposal were as follows:
 - Will have a child at Northmead when applying for a younger sibling to go to Stoughton
 - Failed to get a younger sibling in to Stoughton in the past which led to being offered a school further away
 - Lack of sibling link causes a lot of stress, upset and worry
 - Makes sense given the locality of the two schools

- Will prevent families having to make childcare arrangements in order to travel to different schools
 - Stoughton is the only infant school in the north of Guildford that does not have a sibling link with a school
 - It will prevent families from moving their children to other schools
 - Helps with the transition for children starting school if siblings have previously attended
 - Builds a good sense of community and security for children
 - Builds on a long term relationship between families and schools
 - Other schools have such a reciprocal sibling link in place
 - There is a feeder link between the schools
 - It makes sense to keep siblings together
7. The respondent who was opposed to the proposal was a parent. They declared that they would not be affected by the proposal and gave no reasons for their opposition.
8. **St Andrew's CofE Infant School: reduction of Reception PAN from 40 to 30** – Overall, three respondents agreed with this proposal and four were opposed to it.
9. Of the three respondents who agreed with the proposal one was a headteacher of an unrelated school, one was a member of Farnham Town Council and one was a school governor. None indicated that they would be affected by the proposal.
10. The response from a member of Farnham Town Council indicated that the Town Council welcomed the reduction in PAN to 30 as this was a more manageable number which should help to secure the future of the school.
11. Other reasons given for agreeing with the proposal were as follows:
- PANs that aren't multiples of 30 are difficult for schools, both financially and logistically
 - 40 isn't a manageable number for a school financially
12. Of the four respondents who were opposed to the proposal all were parents. One parent indicated that they would be affected by the proposal however none lived in the local area of the school.
13. Reasons given for opposing the proposal were as follows:
- Are there enough school places in Guildford?
 - There are not enough primary school places in the local area as it is
14. **Walsh CofE Junior School: reduction of Year 3 PAN from 75 to 64** - Overall, eight respondents agreed with this proposal and four were opposed to it.
15. Of the eight respondents who agreed with the proposal three were school governors from Walsh CofE Junior, one was Chair of Governors at Walsh CofE Junior, one was the headteacher at Walsh CofE Junior, one was a parent, one was a Surrey County Councillor (also representing Guildford Borough Council and Ash Parish Council) and one was a member from Ash Parish Council.
16. However from the reasons given (set out in italics in paragraph 19) it would appear that the parent respondent, the Surrey County Councillor respondent and the respondent from Ash Parish Council may have been opposed to the proposal.
17. The headteacher of Walsh CofE Junior indicated that a PAN of 75 has caused financial difficulties and that the school cannot continue with this PAN without going in to deficit. Whilst the school has managed with mixed age classes in Years 3 and 4, the only other financial saving would be to mix years 5 and 6 which would not be in the best educational interests of the children. A PAN of 64 would enable the school to operate with 2 classes per year group in future and would remove the uncertainty over numbers which has impacted on recruitment.
18. Other reasons given for agreeing with the proposal were as follows:
- The school has been significantly under PAN in recent years which is impacting on finances

- The school's main feeder is Walsh Infant School which has an intake of 60
- An intake of 64 would still provide some places for children applying from other infant schools
- The school doesn't have the demand to meet a PAN of 75
- In the short/medium term there is no evidence that more places are needed
- *Are there enough reasonable school places in Guildford?*
- *This is a short sighted approach given the number of planning permissions granted in the immediate catchment area of the school*
- *The increase in the birth rate*
- *Tongham only have infant schools*

19. Of the four respondents who were opposed to the proposal all were parents. Two of these indicated that they would be affected by the proposal.
20. Reasons given for opposing the proposal were as follows:
 - More and more houses being built in the local area with no additional schools in area
 - There are not enough primary school places in the local area as it is
21. **Surrey's Relevant Area** – Overall two respondents chose to make comments on Surrey's Relevant Area
22. One parent indicated that more school places were required for the noble park area.
23. Another parent indicated that there are not enough schools in the area.
24. **Admission arrangements for which no change was proposed** - Overall, four respondents chose to make comments on the admission arrangements for which no change was proposed.
25. One headteacher queried why it was necessary for parents to rank their preferences if Surrey operated an equal preference scheme and claimed this led to some schools offering to children who had named the school as their second preference when others who had named it first had not been offered a place.
26. One parent indicated that they disagreed with schools being allowed to apply religious criteria when they are not funded entirely by the church.
27. One parent indicated that the sibling rule should be in place for all schools.
28. One parent disagreed with Christ's College being included in the assessment of nearest school when it accepts up to 50% of its intake from practicing Christian families. The parent felt this was unfair, especially when the majority of its remaining intake went to children attending one of the named feeder schools. Inclusion in the assessment of nearest school also meant that some families would receive lower priority for other schools.

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Addressing Inequalities

Equalities Impact Assessment

Surrey County Council Equality Impact Assessment Template

Stage one – initial screening

What is being assessed?	Admissions arrangements for community and voluntary controlled schools 2018
Service	Admissions and Transport
Name of assessor/s	Claire Potier
Head of service	Julie Stockdale
Date	28 November 2016
Is this a new or existing function or policy?	Existing policy under review

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.

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

				<p>after they turn five will be considered on a case by case basis taking in to account the circumstances of the case, what is in the child's best interests and the views of the headteacher</p> <ul style="list-style-type: none"> Older applicants will be prioritised for admission to a three year old nursery place as they will have less time to spend in nursery
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</p>

				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
HR and workforce issues			X	
Human Rights implications if relevant			X	

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.

Is a full EIA required?	Yes (go to stage two) X	No
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.		
Briefly describe any positive impacts identified that have resulted in improved access or services		

For screenings only:

Review date	
Person responsible for review	
Head of Service signed off	
Date completed	

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

Stage 2 – Full Equality Impact Assessment - please refer to [equality impact assessment](#) guidance available on Snet

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, 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 arrangement 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 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 arrange for them to start school part time. In addition, parents of summer born children may ask for their child's entry to reception to be deferred for a year. In line with guidance issued by the DfE, these cases are considered on an individual basis taking in to account the circumstances of the case, what is in the best interests of the child and the views of the headteacher. However by law, where deceleration is agreed, 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 2016 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 2016, 71 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 2016, 21 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 is to be proposed and have been offered the opportunity to query it if they felt it was incorrect or if they had anticipated a change.

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

A total of 31 responses were received to the consultation. Of these only 6 completed the equality monitoring form. Of those completing a monitoring form the following data applies:

Age

67% (4) of respondents were aged 18 – 49
 33% (2) of respondents were aged 50 – 64
 0% (0) of respondents were aged over 65

Race

100% (6) of respondents described themselves as White - British
 0% (0) of respondents described themselves as White – any other
 0% (0) of respondents described themselves as Chinese

Disability

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

Gender

67% (4) of respondents were female

33% (2) of respondents were male

0% (0) gave no response

Faith

67% (4) of respondents indicated that they had no religious or faith group

33% (2) of respondents indicated that they were of Christian faith

0% (0) of respondents would rather not answer

Sexual Orientation

83% (5) of respondents stated that they were heterosexual

17% (1) of respondents stated that they were bisexual

0% (0) of respondents stated that they would rather not answer

Marital status

0% (0) of respondents stated that they were divorced

50% (3) of respondents stated that they were married

0% (0) of respondents stated that they were widowed

33% (2) of respondents stated that they were living with a partner

17% (1) of respondents stated they had never married and never formed a civil partnership

0% (0) 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.

That the recommendations in relation to the admission arrangements for Surrey's community and voluntary controlled schools for 2018, as set out in the report to Cabinet and its enclosures, are supported by Cabinet and recommended to Full Council for determination.

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	28 November 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?

SURREY COUNTY COUNCIL**CABINET****DATE: 31 JANUARY 2017****REPORT OF: MR MEL FEW, CABINET MEMBER FOR ADULT SOCIAL CARE, WELLBEING AND INDEPENDENCE****LEAD OFFICER: HELEN ATKINSON, STRATEGIC DIRECTOR ADULT SOCIAL CARE AND PUBLIC HEALTH****SUBJECT: APPROVAL TO AWARD CONTRACTS FOR THE PROVISION OF MENTAL HEALTH SERVICES IN SURREY – COMMUNITY CONNECTIONS****SUMMARY OF ISSUE:**

This report seeks approval from Cabinet to award five contracts for the provision of Community Connections Services in Surrey to commence on 1 April 2017 as the current arrangements end on 31 March 2017.

These contracts will enable Surrey County Council to fulfil its statutory duties under the Care Act 2014 to prevent, reduce and delay the care and support needs of those with mental health needs. The Care Act gave Surrey County Council new duties to promote wellbeing. Adult Social Care and the Clinical Commissioning Groups (CCGs) in Surrey have worked together to maximise the opportunities to ensure the outcomes of people with mental health needs are met in the most cost effective way. By recommending the contract awards for the provision of these co-produced, evidence based and robustly evaluated mental health services, the County Council will effectively demonstrate its support for parity of esteem for mental health and improve the mental wellbeing of Surrey citizens.

Mental health services are significantly underfunded compared with physical health services. By commissioning these services, we will ultimately decrease the demand on and cost of the more complex mental health services. This is described in more detail from paragraph 15 and 16 of this report.

- Surrey Community Connections services are open access services, delivered by the voluntary sector, to support people (aged 16 and over) with mental health needs to stay well in their communities. Surrey County Council provides leadership for these jointly commissioned services, working with all the Clinical Commissioning Groups in Surrey. The services promote social inclusion, community participation, mental well-being and recovery by connecting people to 'mainstream' activities in their community by offering a variety of group activity and one to one support. At the end of 2015/16, Community Connections services were supporting over 4,500 people in Surrey. The contribution from adult social care was £680,669 for that financial year.

The outcomes delivered by Community Connections services include:

- Enabling an individual's recovery

- Helping people develop and maintain a support network
- Giving people personalised support to fit their needs.

This report provides details of the procurement process, including the results of the tender evaluation, engagement and consultation. Parts 1 and 2 of this report demonstrate why the recommended contract awards deliver best value for money and contribute to the strategic goals of Wellbeing and Resident Experience.

Due to the commercial sensitivity involved in the contract award process, the detailed evaluation report and financial details of successful providers have been circulated as a Part 2 report.

RECOMMENDATIONS:

It is recommended that:

1. the background information set out in this report be noted and
2. Cabinet approves the award of five localised contracts for three years from 1 April 2017, with an option to extend for two periods of one year each for Community Connections services in Surrey.

Details of the awards and the contract values are in the Part 2 report.

REASON FOR RECOMMENDATIONS:

The current agreements will expire on 31 March 2017. A full tender process, in compliance with the requirements of Public Contract Regulations and Procurement Standing Orders, has been completed and the recommendations provide best value for money for the Council following a thorough evaluation process.

Community Connections services will be delivered in Surrey from local bases. The recommended providers have committed to be proactive in providing apprenticeships and volunteering opportunities to Surrey residents whilst delivering efficiencies for the Council.

DETAILS:

Background

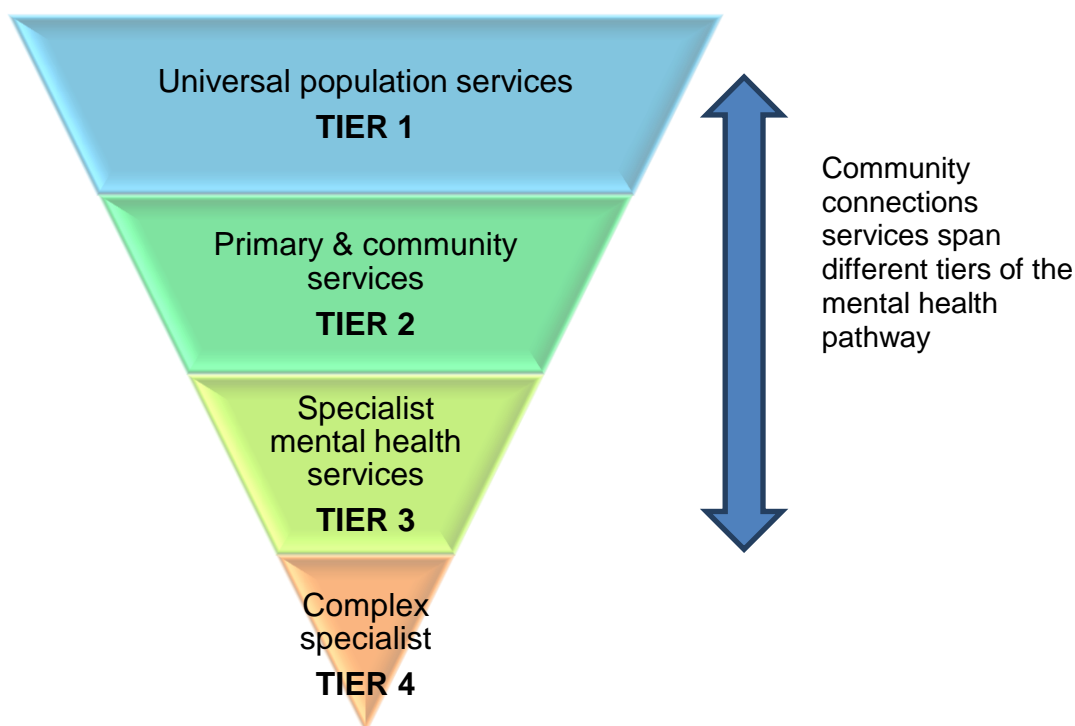
1. Mental health is everyone's business: we all have mental health, just as we have physical health that can fluctuate at different points in our lives. Lifestyle factors, the communities in which we live, the local economy and the environment all impact on an individual's mental health.
2. 1 in 4 people in the UK will experience a mental health problem each year. These people often do not seek help due to the stigma that still surrounds mental illness hence the importance of open access, local support.
3. The World Health Organisation states that mental health problems can account for a greater impact on the individual than cardiovascular disease or cancer and have wide-reaching effects on people's education, employment, physical health, and relationships.

National and local imperatives

4. The Care Act (2014) consolidates and modernises the framework of care and support law; it sets out new duties for local authorities and partners, and new rights for service users and carers. It places new duties on local authorities to prevent, reduce and delay care and support needs. There is an emphasis on the wellbeing principle that underpins the Act and duties around integration and collaboration with other public sector organisations.
5. Community Connections services are jointly commissioned with Surrey's Clinical Commissioning Groups and the County Council leads this programme of work. This integrated approach is embedded in the commissioning of mental health services locally.
6. With Adult Social Care, Clinical Commissioning Groups and Local Joint Commissioning Groups working collaboratively on these contracts, there is assurance that there is no duplication of work, that value for money is attained across the whole system and people with mental health needs can achieve the best possible outcomes.
7. The recently published All-Party Parliamentary group on social work report into adult mental health services found that funding for mental health services remains inadequate and is not at parity with physical health spending. The report also found that reductions in social care budgets are having a profoundly negative impact across adult mental health and partner services. Continuing to commission Community Connections services helps meet the recommendations for early intervention, working towards parity of esteem and integrating support across the system.
8. The Integrated Commissioning Strategy for Emotional Wellbeing and Mental Health identifies priority areas in Surrey including: early intervention, working as a whole system, crisis care, enabling recovery and working in partnership with service users and carers. The Community Connections services have an integral role in the mental health pathway which helps contribute to the delivery of these priorities.
9. The Council's Joint Strategic Needs Assessment and evaluation of Community Connections Services in Surrey have identified a need to provide community based support for people with mental health needs to enable recovery and help to stay well.

What community connections services deliver

10. The role that Community Connections services play in the mental health pathway is crucial, illustrated in the diagram overleaf.



11. Community Connections services bridge the gap between primary and secondary care mental health (tiers 2 and 3). They also act as a community based support network for individuals throughout their recovery journey, promoting independence, avoidance and management of crisis and a reduction in dependence on secondary and primary care services.
12. At the end of 2015/16, Community Connections services were supporting over 4,500 people at that point in time. Throughout the year there was a flow of new referrals and closures, illustrating that services were reaching new people with mental health needs, as well as enabling people to achieve a positive outcome from the service they had received and move on. Service users fed back that they don't feel so lonely and isolated when they use the service and that Community Connections gave them new skills and confidence.
13. When Community Connections services delivered during 2014/15 were evaluated, it was clear that both flexibility and ability to design services to meet local needs and outcomes were significantly beneficial to service users. Therefore, the service specification reflects this and services are based around the outcomes they are expected to deliver. Key components of a successful Community Connections service are:
 - Listening to and involving people in the design and development of services.
 - Partnership working and local connections/networks with other voluntary and statutory providers.
 - Helping people to make and maintain support networks.
 - Giving people a reason to get out and about.
 - Supporting self-help and recovery.

- Providing a range of courses, groups and activities.
 - Having high quality staff and volunteers.
 - Providing a personalised approach and enabling people to be active in their own recovery.
14. Community Connections services are also key partners in the delivery of the pilots of local safe havens, nationally recognised out of hours support for people experiencing a mental health crisis. This aspect of work is included in the service specification as a potential future development, if the safe havens are evaluated as delivering the anticipated positive outcomes.
 15. Community Connections services have a robust local evidence base which demonstrates that they provide excellent outcomes for individuals, are value for money and prevent escalation of needs. These services enable significant savings through whole system cost avoidance: supporting people with mental health needs to reduce reliance on statutory mental health services; maintaining their recovery journey and crisis prevention. Service users often comment that it's the social interaction gained by accessing a Community Connections service that keeps them well.
 16. An example of potential cost avoidance for Community Connections can be demonstrated as follows:

Under the current contracts the average cost to support an individual was £118.06 for a year. By supporting individuals to become less reliant on statutory mental health services savings will be delivered through avoiding use of services such as:

- Acute psychiatric in-patient admission which typically costs £11,300; or
- A year's worth of Community Mental Health Recovery Service support which costs around £4,536 per year (which is a cost to the Council and the CCGs).

The recommended contracts will be more efficient: the average cost per person under the new contracts is anticipated to be £71.00 per person.

Other cost avoidance for the County Council would be reducing the need for individuals to require supported living or other outreach services delivered and/or commissioned by the County Council.

Procurement strategy and options

17. The existing agreements for the provision of Community Connections services will expire on 31 March 2017. The incumbent providers are Catalyst Support Ltd, Richmond Fellowship, Mary Frances Trust, WWAG and CornerHouse.
18. A single stage 'open' tender procedure, compliant with the European Public Procurement Regulations and Procurement Standing Orders, has been carried out including advertising the contract opportunity in the Official Journal of the European Union (OJEU) on 25 July 2016.

19. Before going out to tender several commissioning options were reviewed by the multi-agency project steering group. The new service specification was informed by the evaluation of current Community Connections services and a concept day which were attended by a number of different agencies, service users and carers alongside CCG commissioners.
20. In the tender in order to deliver a community based service the requirement was split into five lots, one for each CCG area (Surrey Heath and Farnham was one lot).
21. A joint project team was set up to manage the process which included representatives from Adult Social Care, Public Health, Procurement, Clinical Commissioning Groups and the Surrey Coalition of Disabled People.

Use of e-Tendering and market management activities

22. An electronic tendering platform was used enabling the tender process to be as accessible as possible.
23. A provider engagement event was held on 25 July to stimulate interest, raise awareness of the services and explain the tendering process to be used.

Key Implications

24. By awarding a contract to the providers recommended for the provision of Community Connections services to commence on 1 April 2017, the Council will be meeting its statutory duties under the Care Act 2014 to prevent, reduce and delay the care and support needs for those with mental and emotional health issues.
25. The management responsibility for these contracts lies with the senior commissioning manager for mental health in Adult Social Care. The five contracts will be managed in line with the Contract Management Strategy and plan as laid out in the contract documentation.
26. Performance will be monitored through a series of Key Performance Indicators as detailed in the contracts and reviewed at quarterly monitoring meetings.
27. Social Value requirements were included in the tendering process. Bidders were asked in their tender submissions to provide details of how they would implement and deliver the commitments made in their Employment and Skills Plan (ESP), including opportunities that would be offered within the local area and over the term of the contract via work experience placements, apprenticeships and work with priority groups including employment of those currently Not in Education, Employment and Training (NEET).
28. The providers recommended for contract award have given contractual commitments which include:
 - Identifying service user and carer goals and aspirations to provide access to a broad range of opportunities to contribute to the economic, social and environmental wellbeing of Surrey
 - Developing the workforce from within by providing opportunities such as: placements, volunteering, mentoring, and peer work as a stepping stone to future qualifications and employment as well as enhancing wellbeing

- Working with local businesses to 'sponsor' activities, fundraise, or provide resources, (human and equipment) as part of a community development approach
- Providing Social Value by using local services, goods, facilities, and businesses within the Boroughs and Districts.

Competitive Tendering Process

29. A competitive tendering process was carried out. It was decided that the open tender procedure was appropriate in order to attract more providers to bid for the service. Providers were given 46 days to complete and submit their tender.
30. Tender submissions were evaluated against initial pass/fail criteria including Good Business Standing, Insurance Requirements and Financial Information, which all providers passed. Responses were then evaluated against the quality criteria and their weightings as shown below.

Award Criteria	Weighting
Quality	80%
<i>More people have better mental health</i>	20%
<i>More people will recover</i>	30%
<i>People will have a positive experience of care and support</i>	30%
Value for Money	15%
Social Value	5%
Total	100%

31. Further information regarding tender evaluation and scoring is included in the Part 2 report.

CONSULTATION:

32. A number of stakeholders have been involved throughout the commissioning and procurement process. A multi-agency group was formed to steer the work which included representation from Adult Social Care, Public Health, the CCGs and Surrey Coalition of Disabled People. A concept day was held on 7 June 2016 for Community Connections which was attended by a wide range of stakeholders. A market engagement event was held and the Independent Mental Health Group (Surrey's service user and carer network) was represented throughout. The evaluation panels included commissioners from health and social care, senior social workers, service users and carers as well as procurement.

RISK MANAGEMENT AND IMPLICATIONS:

33. The following key risks associated with the contract and contract award have been identified, along with mitigation activities:

Category	Risk Description	Mitigation Activity
Financial	Services do not deliver quality outcomes expected to demonstrate increased value for money	The recommended bidders committed to increased levels of activity in their tender responses. Key Performance Indicators will be in place and monitored in quarterly review meetings. Finance have been engaged from the outset.
	Potential risk that during the contract life the providers will request an increase against the annual service delivery cost.	The annual cost of the contract is fixed for the duration of the contract.
	The budget for Community Connections could change over the contract period	We have included a standard break clause in the terms and conditions if the budget is removed or reduced. The 'Termination Clause' will allow the Council to terminate the contract with six months' notice should priorities change.
Reputational	New services do not establish in time for commencement date.	SCC will work with the successful providers to support them throughout the mobilisation process.
	Data Protection or Safeguarding breach	The 'Termination Clause' will allow the Council to terminate the contract immediately in the event of a safeguarding or data protection breach.
Service Delivery	Quality of service delivered does not meet objectives and needs.	Strong contract management and quarterly contract review meetings.
	The successful providers go into administration and/or cease to exist therefore unable to deliver services.	All bidders successfully completed satisfactory financial checks. The contract includes an Exit Plan for commissioners to follow and ensure smooth transition to a new arrangement.

Financial and Value for Money Implications

34. Full details of the contract values and financial implications are set out in the Part 2 report.
35. The procurement activity has delivered within budget. Within the contracts it is clear that no overspend can occur and this will be included in performance monitoring meetings.

36. Community Connections contracts will be managed to ensure providers continue to deliver more value through increased numbers of referrals and improved outcomes which play an integral part of the mental health pathway. During 2015/16 over 4,500 people were referred to the Community Connections service and recommended bidders have agreed that this will continue to increase over the new contract period: detail of this is included in the Part 2 report. This trajectory is evidenced through the previous contract performance and will be monitored as part of performance monitoring going forward. Further detail of the cost avoidance Community Connections services deliver is included in paragraph 16 of this report.
37. The new contracts include specific Key Performance Indicators (KPI) reporting requirements to demonstrate increased numbers of referrals and improved outcomes.
38. Bidders were asked to detail any expected efficiencies, savings or financial benefits that could be realised if they were successful in being awarded more than one lot, to be agreed post award. One of the bidders has been successful in more than one lot and has agreed that further savings can be achieved through efficiencies.
39. Many of the savings derived from this service will benefit the health system rather than directly impacting on council expenditure. It is therefore appropriate that 28% of the Community Connections service will continue to be funded directly by Surrey's Clinical Commissioning Groups and a further 33% from Surrey's Better Care Fund. Further details about funding arrangements are outlined in Part 2 of the report.

Section 151 Officer Commentary

40. The County Council is facing a very serious financial situation, whereby it is forecasting a significant revenue budget overspending this year, and does not have a balanced nor sustainable budget plan for future years. Although this planned expenditure has been included within the current Medium Term Financial Plan, agreeing to this recommendation will reduce the council's options to balance the budget in the future.
41. It is noted though that the award of these contracts is within the current budget envelope and allows for increased volume of services with associated cost avoidance savings. The services are also important aspect of collaborative joint working arrangements across Surrey's health and social care system, and the award of these contracts within existing resources will enable these arrangements to continue.

Legal Implications – Monitoring Officer

42. Following approval for route to market at the SGM (Sourcing Governance Meeting), a full competitive tendering process has been undertaken by the Council using the open procedure in accordance with the Public Contracts Regulations 2015 and the Council's Procurement Standing Orders. Legal Services have advised on and prepared bespoke contracts for the Services in conjunction with the CCGs.

Equalities and Diversity

43. An equalities impact assessment has been written and is available as Annex 1 to this report. The contracts will be managed and monitored in line with Surrey's obligations under the equalities monitoring framework.

Safeguarding responsibilities for vulnerable children and adults implications

44. The terms and conditions of the contract stipulate that the provider will comply with the Council's Safeguarding Adults and Children's Multi-Agency procedures, any legislative requirements, guidelines and good practice as recommended by the Council. This will be monitored and measured through the contractual arrangements.
45. The service will operate a client centred approach, working collaboratively with other Health and Social Care Services.

Public Health implications

46. Community Connections services link in with Public Health to provide tiered support for individuals with a focus on the priority areas in Surrey identified in the Integrated Commissioning Strategy for emotional wellbeing and mental health, including: early intervention, working as a whole system, crisis care, enabling recovery and working in partnership with service users and carers. The Community Connections services are an integral part of the mental health pathway which helps achieve these priority areas.

WHAT HAPPENS NEXT:

47. The timetable for implementation is as follows:

Action	Date
Cabinet decision to award (including 'call in' period)	6 February 2017
'Alcatel' Standstill Period	6 – 16 February 2017
Contract Signature	1 March 2017
Contract Commencement Date	1 April 2017

48. The Council has an obligation to allow unsuccessful providers the opportunity to challenge the proposed contract award. This period is referred to as the 'Alcatel' standstill period.
49. The Council will work closely with the successful providers to ensure a smooth transition from current provisions of the services.
50. The new providers will be required to work with the current providers with regards to the transfer of staff under the Transfer of Undertakings (Protection of Employment) Regulations 2006 to ensure the continuity of staff for current service users and the successful transfer of the services.

Contact Officer:

For queries relating to Community Connections the contact officers are:
Nicola Sinnett, Category Specialist, Procurement – Adult Social Care, 020 8541 8746

Jane Bremner, Senior Commissioning Manager, Adult Social Care, 07976 291001

Consulted:

Cllr Margaret Hicks, County Councillor
Surrey Independent Mental Health Network
Laura Forzani, Head of Procurement and Commissioning
Anna Tobiasz, Category Manager – Adults
Liz Uliasz, Deputy Director ASC
Ruth Hutchinson, Deputy Director - Public Health
Diane Woods, Mental Health & Learning Disabilities Surrey CCG Collaborative
Janine Sanderson, Mental Health & Learning Disabilities Surrey CCG Collaborative
Daryl Mogridge, Senior Principal Accountant
Anna Price, Principal Accountant
Wil House, Finance Manager
Naz Fox, Legal Services
Surrey Coalition of Disabled People

Annexes:

Annex 1 - Equality Impact Assessment
Part 2 Report – Commercial details and agreement award.

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1. Topic of assessment

EIA title:	Commissioning and procurement of community connections services
EIA author:	Jane Bremner, Senior Commissioning Manager, Adult Social Care

2. Approval

	Name	Date approved
Approved by	Liz Uliasz	7 October 2016

3. Quality control

Version number	V0.4	EIA completed	9 January 2017
Date saved		EIA published	

4. EIA team

Name	Job title (if applicable)	Organisation	Role
Jane Bremner	Senior commissioning manager	Surrey County Council	Lead author EIA
Janine Sanderson	Senior commissioning manager	NE Hants and Farnham CCG, on behalf of Surrey CCGs	EIA team
Maya Twardzicki	Public Health Lead	Surrey County Council	EIA team
Ian Stronge	Surrey Independent mental health network co-ordinator	Surrey Coalition of Disabled People	EIA team

Equality Impact Assessment Template

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5. Explaining the matter being assessed

What policy, function or service is being introduced or reviewed?	<p>Surrey County Council (Adult Social Care) and the six clinical commissioning groups (CCGs) in Surrey have been jointly commissioning community connections services since 2013.</p> <p>Surrey community connections services are open access services to support people with mental health needs to stay well in their communities. The services promote social inclusion, community participation, mental well-being and recovery by connecting people to 'mainstream' activities in their community. Adult Social Care lead this Surrey wide programme of work, with voluntary sector lead providers delivering services at a district and borough level. The role that these services play in the mental health pathway is crucial. They bridge the perceived gap between primary and secondary care mental health. They also act as a community based support network for individuals throughout their recovery journey, promoting independence, avoidance and management of crisis and a reduction in dependence on secondary and primary care services.</p> <p>The current contractual arrangements for community connections end in March 2017, necessitating a procurement process to ensure continued delivery of this key element of the mental health pathway.</p> <p>This EIA ensures the current round of commissioning and procurement of community connections services has comprehensively assessed the impact on equalities.</p>
What proposals are you assessing?	<p>We are assessing the impact on equalities of the plans to contract with five lead providers to deliver community connections services in Surrey outlined in the service specification</p>
Who is affected by the proposals outlined above?	<p>Surrey residents as follows:</p> <ul style="list-style-type: none">• Adults (16+ years) with mental health problems, including those who access primary care, secondary care or the voluntary sector for their mental health needs• Carers of adults with mental health needs

Equality Impact Assessment Template

6. Sources of information

Engagement carried out
<p>The service specification for community connections have been informed by the following processes:</p> <ul style="list-style-type: none">• In 2014, an integrated commissioning strategy for emotional wellbeing and mental health was developed which has guided our commissioning intentions for provision of community connections services. This strategy was co-produced with service users, carers and wider stakeholders• The independent mental health network (service user and carer voice) was represented on the community connections steering group• The service specification for community connections was based on local knowledge and evidence. In the evaluation of Community Connections Services that was conducted in 2015, people who used the services told us that these things are important in the delivery of these services and these points have been included in the Service Specification• A concept day for community connections was held in June: feedback from this also informed the service specification• Service user and carer representatives were on all the procurement evaluation panels and had an equal vote and voice when scoring submissions
Data used
<p>The following data sets were used to inform the development of the service specification:</p> <ul style="list-style-type: none">• Quarterly contract monitoring data: Q1 report published August 2016• Mental health chapter of JSNA: published 2014• Community connections evaluation• Integrated commissioning strategy for emotional wellbeing and mental health• Service user/carers/provider/stakeholder analysis of feedback from concept days: report developed June 2016

7. Impact of the new/amended policy, service or function

Equality Impact Assessment Template

7a. Impact of the proposals on residents and service users with protected characteristics

Protected characteristic ¹	Potential positive impacts	Potential negative impacts	Evidence
Age	Whilst community connections is a service commissioned to substantially enhance potential for recovery and wellbeing for adults from age 18, we have specified that the service will not exclude individuals who are 16-18 years, or 65 years or over provided the service can substantially enhance their potential for recovery and social inclusion, and no other service is available that is acceptable to the individual.	No evidence of changes to services to disproportionately affect this group.	Quarterly monitoring data from existing community connections services illustrates that both people younger than 18 and older than 65 access the services currently. The service specification for community connections states: <ul style="list-style-type: none"> The service shall be fully compliant with The Equality Act 2010 The service will not exclude individuals who are 16-18 years, or 65 years or over provided the service can substantially enhance their potential for recovery and social inclusion, and no other service is available that is acceptable to the individual
Disability	The services are specifically for people who want to promote their mental wellbeing or receive help on their recovery journey. For community connections services, we are aware of the link between physical and mental health and the services identify people with additional physical health needs so they can provide appropriate supports/self-help resources. We specify that providers of services need to be compliant with the NHS accessible information standard.	No evidence of changes to services to disproportionately affect this group.	Quarterly monitoring data from existing community connections services illustrates that people with other impairments, in addition to their mental health need, access the services currently. The service specifications for community connections state that the service shall be fully compliant with The Equality Act 2010. We also ask for equalities information in the proposed performance monitoring so we can be assured that we are advancing equal opportunities and there is no discrimination.

Equality Impact Assessment Template

	<p>People with other disabilities or impairments, such as a learning disability or autism can also have a mental health issue and we are clear that anyone, regardless of any other impairment, can access the services for their mental health needs.</p>		
<p>Page 99</p> <p>Gender reassignment</p>	<p>By encouraging self-referral to community connections, this enables people who have undergone/ are undergoing gender reassignment to have more control over what support they access and how.</p> <p>Public awareness campaigns to reduce stigma could lead to less discrimination and earlier access to services.</p>	<p>No evidence of changes to services to disproportionately affect this group.</p>	<p>We have received case study evidence from providers regarding support for an individual with this protected characteristic which illustrates the person-centred support and accessibility of the service. The service specification for community connections states that the service shall be fully compliant with The Equality Act 2010 and providers will be monitored on a quarterly basis.</p>
Pregnancy and maternity	<p>Community connections services will not impact this protected group (either positively or negatively) more or less than the general population.</p>	<p>No evidence of changes to services to disproportionately affect this group.</p>	<p>The service specification for community connections states that the service shall be fully compliant with The Equality Act 2010 and providers will be monitored on a quarterly basis. The First Steps specification also requires the service to be compliant with the Act</p>
Race	<p>Further development of community connections that are accessible to all people with a mental health need could increase the number of BME people accessing mental health services and support in their local community.</p> <p>Enabling self-referral to universal services, peer support</p>	<p>No evidence of changes to services to disproportionately affect this group.</p>	<p>The service specification for community connections states that the service shall be fully compliant with The Equality Act 2010 and providers will be monitored on a quarterly basis to ensure that service access reflects the local population.</p>

Equality Impact Assessment Template

	and self-management courses, meaning services are more accessible for people from BME communities who may fear or distrust traditional services.		
Page 100 Religion and belief	<p>Public awareness campaigns and targeted work with faith and other groups could reduce the stigma and fear surrounding mental health and lead to earlier access to services.</p> <p>Monitoring of services on equality outcomes leading to services that are accessible and acceptable to all (depending on target group).</p> <p>Enabling self-referral to universal services, peer support and self-management courses - meaning people from different faiths have more control over the services and support they access.</p>	No evidence of changes to services to disproportionately affect this group.	The service specification for community connections services states that the service should be fully compliant with The Equality Act 2010 and providers will be monitored on a quarterly basis.
Sex	<p>Early intervention plus increased opportunities for self-referral to universal services, peer support and self-management courses – targeted work for men can enable more men to access support earlier.</p> <p>Increased emphasis on universal services -meaning</p>	No evidence of changes to services to disproportionately affect this group.	The service specification for community connections states that the services shall be fully compliant with The Equality Act 2010 and providers will be monitored on a quarterly basis. In the current contracts, it was picked up that men did not access some services as frequently as women did. As a result, services worked to develop different activities to support men, such as football, and numbers of referrals from men increased.

Equality Impact Assessment Template

	women with a low to moderate need (i.e. those not eligible for secondary services) can access a range of low level support.		The JSNA tells us that: rates of common mental disorders are higher in women than men; suicide rates are higher in men than women and men are less likely to consult their GP about a mental health problem.
Sexual orientation	Increased opportunities for self-referral to universal services, peer support and self-management courses may result in improved access to, and experience of services for, lesbian, gay, bisexual (LGB) and transgender people.	No evidence of changes to services to disproportionately affect this group.	The service specification for community connections states that the service shall be fully compliant with The Equality Act 2010 and providers will be monitored on a quarterly basis. The JSNA tells us that LGBT people are more likely to experience mental health problems.
Marriage and civil partnerships	The recommendations will not impact this protected group (either positively or negatively) more or less than the general population.	No evidence of changes to services to disproportionately affect this group.	The service specification for community connections states that the service shall be fully compliant with The Equality Act 2010 and providers will be monitored on a quarterly basis.
Carers	Increased opportunities for self-referral to universal services, peer support and self-management courses may result in improved access to and experience of services for carers.	No evidence of changes to services to disproportionately affect this group.	The service specification for community connections states that the service shall be fully compliant with The Equality Act 2010 and providers will be monitored on a quarterly basis. Local carers health survey data indicates carers may have greater needs around their own emotional wellbeing and mental health.

7b. Impact of the proposals on staff with protected characteristics

Protected characteristic	Potential positive impacts	Potential negative impacts	Evidence
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Equality Impact Assessment Template

Age	As 7a.	As 7a.	The Equality Act 2010 relates to service users and employees and the service providers have responsibilities as a provider to service users and as an employer to its employees, so evidence in section 7a. would apply
Disability	As 7a.	As 7a.	The Equality Act 2010 relates to service users and employees and the service providers have responsibilities as a provider to service users and as an employer to its employees, so evidence in section 7a. would apply
Gender reassignment	As 7a.	As 7a.	The Equality Act 2010 relates to service users and employees and the service providers have responsibilities as a provider to service users and as an employer to its employees, so evidence in section 7a. would apply
Pregnancy and maternity	As 7a.	As 7a.	The Equality Act 2010 relates to service users and employees and the service providers have responsibilities as a provider to service users and as an employer to its employees, so evidence in section 7a. would apply
Race	As 7a.	As 7a.	The Equality Act 2010 relates to service users and employees and the service providers have responsibilities as a provider to service users and as an employer to its employees, so evidence in section 7a. would apply
Religion and belief	As 7a.	As 7a.	The Equality Act 2010 relates to service users and employees and the service providers have responsibilities as a provider to service users and as an employer to its employees, so evidence in section 7a. would apply
Sex	As 7a.	As 7a.	The Equality Act 2010 relates to service users and employees and the service providers have responsibilities as a provider to service users and as an employer to its employees, so evidence in section 7a. would apply

Equality Impact Assessment Template

Sexual orientation	As 7a.	As 7a.	The Equality Act 2010 relates to service users and employees and the service providers have responsibilities as a provider to service users and as an employer to its employees, so evidence in section 7a. would apply
Marriage and civil partnerships	As 7a.	As 7a.	The Equality Act 2010 relates to service users and employees and the service providers have responsibilities as a provider to service users and as an employer to its employees, so evidence in section 7a. would apply
Carers	As 7a.	As 7a.	The Equality Act 2010 relates to service users and employees and the service providers have responsibilities as a provider to service users and as an employer to its employees, so evidence in section 7a. would apply

Equality Impact Assessment Template

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8. Amendments to the proposals

Change	Reason for change
N/A	

9. Action plan

Potential impact (positive or negative)	Action needed to maximise positive impact or mitigate negative impact	By when	Owner
N/A			

10. Potential negative impacts that cannot be mitigated

Potential negative impact	Protected characteristic(s) that could be affected
N/A	

11. Summary of key impacts and actions

Information and engagement underpinning equalities analysis	<p>The services are evidence-based and promote mental health and wellbeing and recovery.</p> <p>The service specification for community connections has been informed by a range of quantitative and qualitative local data.</p>
Key impacts (positive and/or negative) on people with protected characteristics	<p>The commissioning and procurement of community connections services have positive impacts on people with protected characteristics. The commissioning process has been mindful of equalities and accessibility and service</p>

Equality Impact Assessment Template

	specifications and performance monitoring frameworks developed to ensure equalities data is captured.
Changes you have made to the proposal as a result of the EIA	None
Key mitigating actions planned to address any outstanding negative impacts	N/A
Potential negative impacts that cannot be mitigated	N/A

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SURREY COUNTY COUNCIL**CABINET****DATE: 31 JANUARY 2017****REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL****LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE****SUBJECT: REVENUE AND CAPITAL BUDGET 2017/18 TO 2019/20, AND TREASURY MANAGEMENT STRATEGY****SUMMARY OF ISSUE**

This report of the Cabinet is to enable recommendations be put to the Full County Council for:

- council tax precept for 2017/18
- revenue budget for 2017/18 to 2019/20
- capital programme quantum and principles
- treasury management strategy.

For the last six years Surrey County Council has faced unprecedented increases in demand, particularly for adult social care and children's services. For instance: over the last five years the number of people supported for their learning disabilities has increased by 990 to a total of 3,765 (a 36% increase); similarly the population of children (who require school places) has increased by 11% to 150,428; the number of children with a statutory plan for special educational needs has risen by 8% (405) over five years and, the number of older people supported has risen to 9,418 (a 12% increase in five years). Further, the county's roads are becoming increasingly congested and the demand on many other services resulting in significant challenges for services to respond accordingly.

At the same time central government funding for the council has reduced significantly, especially over the last two years, and this will continue until at least 2019/20. Since 2010 the Government's core funding for the council (from the Settlement Funding Assessment (SFA)) has reduced by £170m and is part of a total loss of government grant since 2010 of £228m.

Furthermore the main methodology used to distribute Government funding nationally has changed. The Government now focuses on the concept of a local authority's 'core spending power' (CSP). CSP brings together the Government's main core grants to local authorities (such as Revenue Support Grant) with sources of funding that the Government is not responsible for raising, as these are raised locally, through council tax and business rates. This combination enables Government to make assumptions about the levels of Council Tax to be raised and includes a significant shift from central Government grant support to Council Tax for the period 2016/17 to 2019/20. In this way, areas that have to rely on a higher

proportion of their funding from council tax see the sharpest reductions in grant. There are four main disproportionate impacts of this methodology on Surrey County Council:

- i. Firstly, the calculation of the Government's original funding baseline for local authorities' core grants (the four block model) already included ability to raise council tax within the resources block. The decision to use CSP in allocating core grants therefore counts council tax twice (a significant disadvantage to Surrey residents). Then, the Government's allocations of the Improved Better Care Fund also make assumptions about local authorities' ability and willingness to raise council tax through the Adult Social Care precept thereby counts council tax a third time (again a significant disadvantage to Surrey residents). This increasingly flawed methodology militates against residents in areas like Surrey County Council who have to provide a higher proportion of funding for local services from council tax.
- ii. Over the years, the Government has 'rolled in' to its core funding to local authorities grants it had allocated separately in previous years. As the Government has made significant cuts to its core funding, it has also through those cuts, reduced the funding of those grants rolled in. For Surrey County Council, the largest example is the Learning Disabilities and Health Reform Grant (LDHRG) which was rolled in from 2014/15 at the value of £69m. For 2017/18, the Government's assessment of LDHRG spending for the council is £71m, but the rolled in grant, reduced in proportion to Government funding is less than £40m. **This leaves a £31m funding gap.**
- iii. The CSP methodology relates to the resourcing available to an authority and does not reflect the demands for services nor any variation in the relative costs to deliver services in an area. For example the average house prices in Surrey are second only to London and are 41% higher than the South East and 90% higher than the average for England. This makes it especially more expensive for service providers to sustain their businesses in Surrey.
- iv. The methodology results in a continuing significant shift for all authorities from central Government funding to locally raised funding (specifically council tax) from 53% of core funding coming from council tax in 2016/17 to 62% in 2019/20. However, as Surrey starts with a relatively high proportion of funding coming from council tax (due to historic lack of Government support), the rate of shift from Government funding to council tax is disproportionately greater for Surrey (72% in 2015/16 to 88% in 2019/20).

In previous years, Surrey County Council has contained the cost and volumes pressures of rising demand by making efficiency savings through wide reaching transformation programmes and service unit cost reductions, totalling over £450m since 2010/11. At the same time this council has been forced to continue increasing its level of council tax to offset the impact of severely reduced Government funding, whilst maintaining services to residents despite growing demand and needs. The council is planning to make significant additional savings of £93m in 2017/18, **this will still leave a funding shortfall of £30m in 2017/18, rising to £73m by 2019/20.**

The Council has a legal duty to prepare a balanced and sustainable budget and to deliver statutory services to residents. To maintain essential services, the council requires a budget that funds these shortfalls and the funding for this can either come from further Government support or locally raised sources.

The Provisional Local Government Financial Settlement, announced on 15 December 2016, permits an increase in general council tax limited to 2% before a referendum is required under legislation, and the flexibility to raise an Adult Social Care precept of 3% per year in 2017/18 and 2018/19. However, to fund the required budget for the next three years from locally generated sources the council would be forced to increase council tax in total by 15% in 2017/18 to 'reset' its funding base and achieve a sustainable position for the next decade, followed by modest increases in future years in line with government guidance.

RECOMMENDATIONS

It is recommended that Cabinet makes the following recommendations to the Full County Council on 7 February 2017:

Cabinet recommendations to Full County Council to note the following important features of the revenue and capital budget

1. The Director of Finance has produced two statutory conclusions as follows.
 - a. For the proposed budget: that the council's budget is balanced and sustainable over the long term, although still requiring significant service transformation and efficiencies.
 - b. For the substitute budget: that the budget can only be balanced and become sustainable through the identification of substantial and permanent further service reductions for implementation in 2017/18 and subsequent years.
2. The requirement for the council to approve a substitute budget, with a council tax rise of 4.99% that will be implemented if the proposed budget is not supported in a referendum.
3. The findings of the Financial Resilience Review completed in November 2016.

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

4. Increase the level of the general council tax by 1.99% and an additional 10% (35p per day) as a result mainly of social care pressures, making a total general council tax increase of 11.99%.
5. Increase council tax by a further 3% for the adult social care precept, which will provide £18m to support the growth in demand for services.
6. Set the County Council precept for band D council tax at £1,458.45 which represents a 14.99% up-lift.
7. Agree to maintain the council tax rate set above after the Final Local Government Financial Settlement.
8. Delegate 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 Local Government Financial Settlement.

9. Require the Chief Executive and the Director of Finance to continue their work to ensure delivery of planned efficiencies and service reductions.
10. Approve the County Council's £1,696m gross revenue expenditure budget for 2017/18 for the proposed budget.
11. Note that the existing revenue costs of funding past capital spending decisions is £30m for 2017/18.
12. Agree up to a total of £408m funding for capital schemes that funds essential schemes over the next three year period (schools and non-schools), including ring-fenced grants and a borrowing requirement of £94m over the three years.
13. Note that the detailed programme of schemes will be agreed at the March 2017 Cabinet as part of the Medium Term Financial Plan.
14. Require a robust business case to be prepared (and taken to the Investment Panel for review) before committing expenditure for the use of:
 - all revenue 'invest to save' proposals, and
 - capital schemes.

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

15. Increase the level of the general council tax by 1.99%.
16. Increase council tax by a further 3% for the adult social care precept, which will provide £18m to support the growth in demand for services.
17. Set the County Council precept for band D council tax at £1,331.55 which represents a 4.99% up-lift.
18. Approve the County Council's £1,666m gross revenue expenditure budget for 2017/18 for the substitute budget.
19. Require the Chief Executive and the Director of Finance to continue their work to ensure delivery of planned efficiencies and service reductions.
20. Agree that there will be a requirement for a transparent Member led process, in conjunction with officers, to find and implement an additional £30m of cuts to achieve a balanced budget in 2017/18 and move towards a sustainable budget (noting that this will require cuts greater than £30m to reflect that only a part year benefit will be achievable)
21. Agree to support only capital schemes which are funded without requiring borrowing, unless a sustainable basis for funding borrowing costs is identified and a compelling business case developed that demonstrates best value in progressing a particular scheme.
22. Note that the detailed programme of schemes will be agreed ahead of implementation of the substitute budget (if necessary).

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

- all revenue 'invest to save' proposals, and
- capital schemes.

Treasury management and borrowing: Cabinet recommendations to Full County Council

24. Approve, with immediate effect, the Treasury Management Strategy for 2017/18, which includes:

- the investment strategy for short term cash balances;
- the borrowing strategy for funding the capital programme;
- the treasury management policy (Appendix 8);
- the prudential indicators (Appendix 9);
- the schedule of delegation (Appendix 11);
- the minimum revenue provision policy (Appendix 12).

It is further recommended that Cabinet makes the following decisions

25. Note that services will develop detailed budgets and savings ahead of approval by Cabinet on 28 March 2017 when the final MTFP 2017-20 will be presented.
26. Approve the draft MTFP for the financial years 2017-20, which includes:
- to approve the Total Schools Budget of £545.2m (paragraphs 66 to 71);
 - to approve overall cash limits for individual services for the proposed budget and the substitute budget.

REASON FOR RECOMMENDATIONS

Full County Council will meet on 7 February 2017 to agree a budget and set the council tax precept for 2017/18. Cabinet's role is to recommend a budget to Full County Council. Council must also agree substitute calculations in the event that its proposed budget would result in a council tax increase above that set out in principles laid down by the Secretary of State. The published draft principles for 2017/2018 indicate that the council tax increase proposed by Cabinet would exceed that set by Government and substitute calculations are therefore also put forward to Council.

DETAIL

The council's financial position

Public value

1. Since 2009 the council has focussed relentlessly on achieving ever better public value for Surrey residents set within an ongoing five year budgeting framework. Two of many very good examples of this work are the first Public Value Programme and the council's stringent restriction on the use of consultants. The council has also been at the leading edge of partnership working and viewing public services as a system it

could improve significantly through working together as one team for Surrey. The council has received recognition across the country for its approach to innovation.

2. The investment strategy, Orbis partnership that has begun with East Sussex County Council, Trading Standards' partnership with Buckinghamshire County Council and income raised through filming at County Hall are examples of how the council has responded to the pressures it faces. There is no question the council is a more effective organisation, offering far better public value for residents than in 2009.

Funding reductions

3. Surrey as an area has had some of the lowest government funding in the country. This has been because of the high weighting of relative deprivation in the continued use by the current Government of the four block funding model, which the Coalition Government inherited from the previous Labour Government. Deprivation does not necessarily reflect need for spending on services (such as dementia care, or learning disabilities) nor the cost to serve of providing those activities locally (which often varies in accordance with local markets). For example, the deprivation weightings do not reflect the cost drivers the council faces, such as the aging population, the overspill of school children from London and the wear and tear on Surrey's roads arising from their heavy use.
4. The four block funding model's weighting for resources exacerbates the Council's position as it also militates against Government funding for Surrey councils by assuming a higher ability of Surrey residents to contribute to the cost of local services through council tax. Together these features of the Government's funding model have led to Surrey's residents being forced to pay some of the highest council tax in the country.
5. For 2016/17, the Government revised its method for distributing its general grant funding to local authorities (Revenue Support Grant) by introducing locally determined council tax as a new factor in how it allocates Government grant among local authorities. The basis of the allocation is to maintain similar percentage changes to an authority's core spending power, which aggregates funding from central and local sources:
 - Revenue Support Grant (RSG);
 - business rates retention system; and
 - council tax.
6. As the council already has to raise one of the highest proportions of its funding from council tax (and the model extrapolated this by assuming all authorities would raise council tax at the referendum threshold 2% plus the additional 2% adult social care precept) this meant the Government's decision to allocate RSG based on core spending power exacerbated this position disproportionately for Surrey residents. This has greatly accelerated the council's loss of grant funding and increased the proportion of funding it has to raise from residents yet further. Under core spending power, the divergence is set to be even greater, with Surrey County Council residents set to contribute proportionately more: around 88% of the funding in CSP by 2019/20 (up

from 72% in 2015/16) compared to a national average local tax payer contribution of around 62% in 2019/20 (up from 50% in 2015/16).

2016/17 budget

7. In February 2016 the shock reduction in Government grant support meant the council found itself in a very difficult position. It could see how through one-off measures the council could balance its 2016/17 budget. However, it couldn't see how it could build a sustainable financial position over its five year medium term financial plan (MTFP) period 2016-21 without significant further service transformation.
8. The reasons for this are straightforward:
 - an unprecedented six year period of funding cuts by the Government, including rolling in nearly £70m Learning Disability Grant to the Settlement Funding Assessment (SFA), which the Government has subsequently continued to cut;
 - an unrelenting increase in the numbers of people requiring services across adults and children's services in particular (Surrey has by far the greatest number of people with learning disabilities in the country for historical reasons);
 - an increase in the complexity of needs of Surrey residents and therefore increases in the cost of serving these needs; and
 - an increase in responsibilities (over 60 new responsibilities since 2010) from central government to the council year after year without proper funding, such as unaccompanied asylum seeker children.

Transformation and savings programmes

9. Since February 2016, the council has undertaken significant work to test whether it was squeezing every bit of value possible from its transformation programmes. The council's second Public Value Transformation programme thoroughly tested all the key programmes. As a result the council has assurances that it has credible and improved plans to deliver the significant level of savings required in the 2015-20 MTFP. However the testing also identified that the programme will not contribute anything further to the funding gap the council faces in 2017/18.
10. In response, the council began to:
 - identify further potential savings through service reductions; and
 - continued to seek to reduce costs wherever possible on its day to day spending.
11. This work continued and made progress until September 2016 when the council confirmed a significant forecast overspend against the 2016/17 budget. Again the reasons are straightforward:
 - planned levels of new savings for 2016/17 proved unachievable;
 - numbers of applicants for social care grew even faster than the council's pessimistic assumptions; and
 - costs of individuals' care packages increased as their needs became more complex.

12. In response the council has taken key steps to bring the 2016/17 spending back under control. These include:
 - stopping any spend that was not demonstrably essential and cannot be delayed;
 - accelerating changes in treatment of capital financing costs;
 - accelerating savings planned for 2017/18 where possible; and
 - deferring any planned investment until the financial situation is clearer.
13. Alongside these measures, all services are reinforcing an approach to reviewing all planned spending in year, the Chief Executive and Director of Finance have agreed a series of actions with service directors and meet regularly to review progress.

Financial resilience review

14. In recognition of the seriousness of the financial challenges facing the Council the Director of Finance, supported by the Chief Executive and Leader, requested the Chartered Institute of Public Finance and Accountancy (CIPFA) to carry out a financial resilience review in November 2016. As well as looking at comparative spending and costs, the review focused on the accuracy of the council's budget planning assumptions and figures and the council's long term financial resilience. The key conclusions were:
 - the budget planning assumptions and figures were sound;
 - the council's financial resilience is not sustainable over the short or medium term unless it identifies and implements the full scale of savings required as soon as possible to match its currently allowed income profile going forward..
15. CIPFA confirmed that the council could not manage until 2019/20 through reliance wholly on reserves, which are already somewhat depleted. Furthermore, CIPFA advised that any service reductions not yet planned would only have a part year impact in 2017/18 due to the need for public consultation and equality impact assessment ahead of implementation. They estimated only a quarter year effect of savings not already planned.

Key strategies

Financial strategy

16. The council's refreshed Financial Strategy 2017-20 (Appendix 1) clearly sets out the council's approach to financial management. It provides the basis for sound financial governance and to return towards a position of long term sustainability.
17. The key fundamentals of the financial strategy 2017-20 are:
 - acting in the public interest at all times through building partnerships to improve value and outcomes;
 - long term planning to enable effective and sustainable outcomes that meet future needs and opportunities; and
 - a proactive and practical outcome-focused approach to managing key risks and opportunities and supporting service strategies.

18. The Financial Strategy will remain largely stable to 2020. Within this, budget assumptions, operational protocols and financial drivers may alter in the short term and each will be reflected in the annual budget planning process through the MTFP.

Risk management strategy

19. 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 council's corporate priorities.

Financial planning environment

20. The council sets its budget 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 and how these affect financial prospects.
21. In his Autumn Statement in November 2016, the Chancellor of the Exchequer loosened the Government's objective little on eliminating the UK's public spending deficit in the lifetime of this Parliament – that is by 2020. The Chancellor broadly kept to his predecessor's departmental reductions targets, but allowed extra investment spending.

Provisional Local Government Financial Settlement 2017/18

22. Following on from the Autumn Statement, DCLG published its Provisional Settlement 2017/18 consultation on 15 December 2016. This consultation ran until 13 January 2017 and DCLG is expected to announce the Final Settlement 2017/18 in early February 2017. The timing of both the Provisional and Final Settlements is later than expected and the response period is short. Neither of these helps local authorities in their financial planning.
23. The Provisional Settlement 2017/18 set out funding allocations to local authorities for the period up to 2019/20. The allocations follow the pattern set out in the Final Settlement 2016/17 that introduced the shock funding reduction that has so severely affected the council during this financial year.
24. The Final Settlement 2016/17 included a four year offer to broadly set authorities' funding for the period 2016/17 to 2019/20. The Government's four year offer to the council did not provide an equitable or sustainable financial position. Surrey's Full County Council debated the issue of whether to accept the four year offer at some length. After due consideration and weighing up the risks involved, Full County Council declined the offer as ultimately it would mean the council accepting figures that they fundamentally disagreed with, including that the council would lose over £17m in 2019/20. Equally, the council would not prepare an efficiency plan that accepted and enabled such damage to its finances. For the council to accept the -£17m negative

RSG imposition would be equivalent to asking every Surrey council tax payer to pay 3% to fund other areas every year.

25. Having declined the four year offer, the council has to rely on annual settlements and can only take the figures published for 2018/19 onwards as indicative.

Settlement Funding Assessment and Revenue Support Grant

26. Settlement Funding Assessment (SFA) is Revenue Support Grant plus business rates baseline funding (which comprises business rates top up grant and business rates income). Table 1 shows the council's SFA as set out in the Provisional Settlement.

Table 1 Provisional Settlement Funding Assessment

	2016/17		2017/18		2018/19		2019/20	
	£m	£m	£m	£m	£m	£m	£m	£m
Business rates retention	46.0		49.0		50.5		52.3	
Tariff/Top-Up*	59.4		58.6		60.4		62.6	
Baseline Funding Level		105.4		107.6		110.9		114.9
Revenue Support Grant		67.0		28.0		4.5		
Tariff/Top-Up adjustment								-17.3
Settlement Funding Assessment		172.4		135.6		115.4		97.6

* DCLG has recalculated tariffs and top-ups for 2017/18 to reflect the adjustment for the 2017/18 business rates revaluation

27. The reduction in SFA for the council between 2016/17 and 2017/18 is -£37m (-21%) and over the four years from 2016/17 to 2019/20 is -£75m or -43%.
28. The reduction in Revenue Support Grant (RSG) for the council between 2016/17 and 2017/18 is -£39m (-58%) and over the four years from 2016/17 to 2019/20 (including the -£17.3m top up adjustment) is -£84m (-126%). This closely follows the reductions expected from the final Settlement 2016-17 for the four year period to 2019/20.

Core Spending Power

29. The Department for Communities and Local Government (DCLG) continues to present the financial amounts in the Provisional Settlement using Core Spending Power (CSP). For 2017/18 CSP combines:
- Revenue Support Grant,
 - Retained Business Rates,
 - New Homes Bonus,
 - Rural Services Delivery Grant,
 - improved Better Care Fund,
 - 2017/18 Adult Social Care Support Grant,
 - Transition Grant and
 - council tax (including adult social care precept at 2%).
30. The Government has revised CSP this year to include the new 2017-18 Adult Social Care Support Grant. The inclusion of council tax in CSP again masks the withdrawal of

core Government grant (RSG). Table 2 shows the council's CSP set out in the Provisional Settlement.

Table 2 Provisional Core Spending Power

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Settlement Funding Assessment	172.4	135.5	115.4	97.7
Settlement specific grants				
Improved Better Care Fund	0.0	0.0	0.0	1.5
New Homes Bonus	6.2	5.0	3.6	3.5
Rural Services Delivery Grant	0.0	0.0	0.0	0.0
Transition Grant	11.9	12.2	0.0	0.0
2017-18 Adult Social Care Support Grant	0.0	4.0	0.0	0.0
Total Settlement specific grants	18.1	21.2	3.6	5.0
Council tax (core element)	606.0	625.8	646.3	667.4
Adult Social Care precept	11.9	24.8	38.8	53.9
Council tax	617.9	650.6	685.1	721.3
Core spending power	808.4	807.3	804.1	824.0

31. The Provisional Settlement indicates an increase in CSP of £15m (2%) over the period 2016/17 to 2019/20. This modest increase is founded on DCLG expecting the council to raise council tax by £103m over the period. This marks a shift in proportionate contributions of council tax to core Government grants for local authorities' funding for England, on average, from 50%:50% in 2015/16 to 62%:38% in 2019/20. For Surrey County Council, the same period the proportionate contributions for are 72%:28% in 2015/16 and 88%:12% in 2019/20.

The main components of the provisional settlement and related announcements

Council tax and Adult Social Care precept

32. The Provisional Settlement confirmed the council tax referendum limit remains at 2% and local authorities can raise an additional 1% under the Adult Social Care precept flexibility. This means a maximum of 3% in 2017/18 and 2018/19 and limited to a total rise of 6% over the three years 2017/18 to 2019/20. In other words, instead of 2%, 2%, 2% rises, a local authority can opt for 3%, 3%, 0%. It is expected the Government will require local authorities opting to do this to provide assurance that this funding will be used for adult social care services. If the council decided to raise the Adult Social Care precept to 3% in 2017/18 this would generate an additional £6.2m.

New 2017/18 Adult Social Care Support Grant

33. In 2017/18, local authorities will share in a new £241m 2017/18 Adult Social Care Support Grant. The Provisional Settlement shows the grant is available for one year only. DCLG will distribute the grant using the social care relative needs formula and on that basis, Surrey County Council is ranked eighth highest in England and will receive a 1.66% share of the total, equivalent to an additional £4.0m. This is clear recognition that Surrey has a high need for spend on adult social care.

New Homes Bonus

34. To generate the savings to fund the 2017-18 Adult Social Care Support Grant, the period for paying New Homes Bonus for 2017/18 reduces from six years to five coupled with a 0.4% growth threshold below which local authorities will not receive the grant. The impact of this is to reduce the council's funding by £1.2m (and by £5.0m for Surrey districts and boroughs in aggregate). It is noted this announcement has seen £2.2m funding lost to Surrey residents to support services elsewhere.
35. Following consultation earlier in 2016, from 2018/19, DCLG will base the grant on a four year period rather than the existing six year period.

Improved Better Care Fund

36. The distribution for this funding is unchanged and continues to include amounts raised locally from the Adult Social Care precept within the Improved Better Care Fund (iBCF) resources making up an authority's share of the fund. This disadvantages those local authorities that have had to rely on council tax for a high proportion of their funding due to historic low levels of Government grant support. Because the Government's allocation mechanism for iBCF factors in funds it assumes local authorities will raise through the ASC precept at 2% a year, the Provisional Settlement shows Surrey County Council's share is zero in 2017/18 and 2018/19 and £1.5m (0.1% of the total £1,500m fund) in 2019/20, when the council's relative needs based share of those years' Government funding are: £2m, £14m and £25m respectively. The lack of allocation of this funding to Surrey contradicts the Government's recognition of the need to spend on adult social care services in the area.

Business rates retention and revaluation

37. DCLG announced the adjustments to business rates tariffs and top ups in the Provisional 2017/18 Settlement. These adjustments are to neutralise the impact of the revaluation which takes effect from 1 April 2017. First of all, DCLG adjusts the national business rates multipliers so that the revaluation exercise does not increase to total revenue raised nationally by business rates. Because this is a national adjustment, areas where rateable values increase more than the national average will have higher collectable retained business rates incomes. So that local authorities' baseline funding from business rates remains the same and to maintain relative funding levels between local authorities, DCLG adjusts individual authorities' tariffs or top ups. For Surrey County Council, the Provisional Settlement shows a £2m increase in retained business rates and a corresponding £2m decrease in top up grant.
38. In the business rates revaluation exercise, rateable values in Surrey increased by around 15%, which is above the national average of 10%. This means that after applying the reduced multiplier to their increased rateable values, businesses in Surrey will pay higher business rates from April 2017. However, because the tariff and top up system neutralises income changes between local authorities for the effects of the revaluation, the councils in Surrey will not gain funding.

39. The full impact on the council's business rate retention revenues following the revaluation will not be known until the 2017/18 forecasts (known as NNDR1) are completed by the districts and boroughs at the end of January 2017.

Transition Grant

40. The 2017/18 Transition Grant remains at £12.2m as published in the Final Settlement 2016-17.

Revenue Support Grant (RSG)

41. The council's 2017/18 RSG remains at £28.0m as published in Final Settlement 2016-17. This is a reduction of £39m from the 2016/17 allocation.

Public Health Grant

42. The council's Public Health Grant reduces to £37.5m. Responsibility for public health transferred to local authorities in 2013/14. To maintain stability in the system, the Government based grant allocations on the existing spending by the extant primary care trusts (PCTs). PCTs in Surrey had low public health spending and the council received a low grant on transfer. The Government intended to adjust Public Health Grant distributions to more closely match population and need indicators and move away from the distributions inherited from the PCTs. The Government has not revised the distribution of Public Health Grant and for 2017/18, Surrey has the lowest grant allocation per head of population (£31.46) of any local authority and is substantially below the average rate for England of £59.38. If the council was funded at the average rate, it would receive an additional £33m Public Health Grant.

Dedicated Schools Grant and Education Services Grant

43. The Government confirmed on 14 December 2016, through the launch of Phase 2 of the National Funding Formula for schools consultation, that the new national funding formula will be introduced from 2018/19, with full implementation by 2019/20.
44. The consultation illustrations show that had the Department for Education (DfE) fully implemented the proposed formula for 2016/17, Surrey schools would have received £18.0m more overall than they did.
45. The former general Education Services Grant no longer exists in 2017/18 but the council is receiving partial replacement funding from the following three main sources in 2017/18. All of these three figures are estimates and the funding shown will reduce as more schools convert to academies.
- A transitional grant for April to August 2017. The provisional allocation is £2.6m.
 - A new school improvement monitoring and brokering grant to support local authorities' residual school improvement responsibilities from September 2017. The provisional amount is £0.6m.
 - On 9 January 2017, Schools Forum agreed a levy of £25.65 per pupil from maintained schools. The estimated amount raised from this is £1.6m.

Scenario planning 2017/18 to 2019/20

46. The shock to the council's funding set out in the Final Settlement 2016-17, coupled with higher than anticipated cost and demand pressures have meant the council's planned levels of savings for 2016/17 have proved unachievable. This has delayed and disrupted work on the savings programme in MTFP 2016-21 and the council has focused effort firstly on developing a robust budget for 2017/18. The Government has provided indications of the council's funding through to 2019/20, when it expects to move to 100% business rates retention. Beyond 2019/20 the financial planning environment is potentially open to considerable change. For this latter period of the 2017-20 MTFP, the council has worked on the basis of a continuation of the position in 2019/20. Therefore the budget proposals within the MTFP should be considered in two parts:
- year 1 (2017/18) for which the council needs to set a council tax precept; and
 - years 2 and 3 (2018/19 and 2019/20) the remaining period for which indicative funding levels are available.
47. Usually the Council produces a 5 year Medium Term Financial Plan. However, in view of the long term uncertainty over Government funding levels and the financial climate, figures beyond 2019/20 would be potentially spurious and misleading. The Council is therefore only considering the next three financial years in this budget paper.

REVENUE BUDGET

Budget planning assumptions

48. The council began building its annual budget in June 2016. This involved reviewing the council's financial position and outlook at the end of the first quarter of 2016/17, revisiting the assumptions, pressures and savings included in the MTFP 2016-21. Table 3 shows the key cost, pressure and savings assumptions used to prepare the illustrative budgets.

Table 3 Budgetary assumptions 2017-20

Descriptor	2017/18	2018/19	2019/20
Pay inflation – Surrey pay	up to 1.6%	up to 1.6%	up to 1.6%
Pay inflation – National pay	1.0%	1.0%	1.0%
General, non-pay inflation	2.0%	2.0%	2.0%

Note: - differing percentages apply to contractual inflation

Forecast revenue budget outturn 2016/17

49. The council's overall revenue forecast outturn for 2016/17 as 30 November 2016 was an overspend of +£6.1m. A separate report on this agenda updates the position as at 31 December 2016 and provides more detail (Finance and budget monitoring report for December 2016).
50. Despite significant improvement from the +£22.0m overspend forecast at 30 September 2016, at 30 November 2016, the council still forecast to overspend by +£6.1m in a year when it had also planned one of its largest ever use of reserves to support the revenue budget (£24.8m). The underlying cause of the service overspend

is because planned levels of new savings for 2016/17 have proved unachievable in the context of significant demand pressures, exacerbated by the shock reduction in 2016/17 RSG the Government imposed upon the council in the Final Settlement 2016-17.

51. The council has taken action to bring the 2016/17 budget back into balance including:
- the Chief Executive and Director of Finance have agreed a series of actions with service directors and meet regularly to review progress;
 - all services have reinforced and reviewed all planned spending in year;
 - all services have reviewed options for managing service demands more effectively; and
 - Cabinet will, wherever sensible, not agree further spend commitments until a balanced budget is assured and progress towards a sustainable Medium Term Financial Plan (MTFP) is made.
52. Within the council's financial outturn, as part of longer term financial planning and subject to resource availability, 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 2017-18.

Service pressures

53. The council faces growing service pressures for reasons of: cost, volume and complexity. The council's service pressures do not include the effects of changes in funding.
54. Many of the actions to help bring the 2016/17 budget back into balance are short term measures and primarily do not tackle the overspends on an ongoing basis or compensate fully for savings the council planned, but found to be unachievable.
55. The forecast 2016/17 overspend and planned savings found to be unachievable add an ongoing pressure on the 2017/18 budget of £20m each year. These pressures largely arise from demand and price pressures preventing Adult Social Care from achieving its demanding £55m savings target for 2016/17.
56. For 2017/18 gross service pressures on the budget amount to £119m as shown in Table 4.

Table 4 Surrey County Council budget pressures 2017/18

	2017/18 £m	2017/18 £m
Pay Inflation	4.8	
Non pay inflation	19.0	
Total inflation		23.8
Demand		61.5
Market and service delivery		33.6
Total gross service pressures		118.9

57. Legislative changes resulting in expenditure reductions reduce the gross pressures in 2017/18 by £20m. Of these changes, £19m is due to schools' academy conversions, which take away the responsibility for spending on services. The impact in 2017/18 is net pressures of £99m.

58. Table 5 shows the further pressures on the budget for 2018/19 onwards.

Table 5 Surrey County Council budget pressures 2018/19 and 2019/20

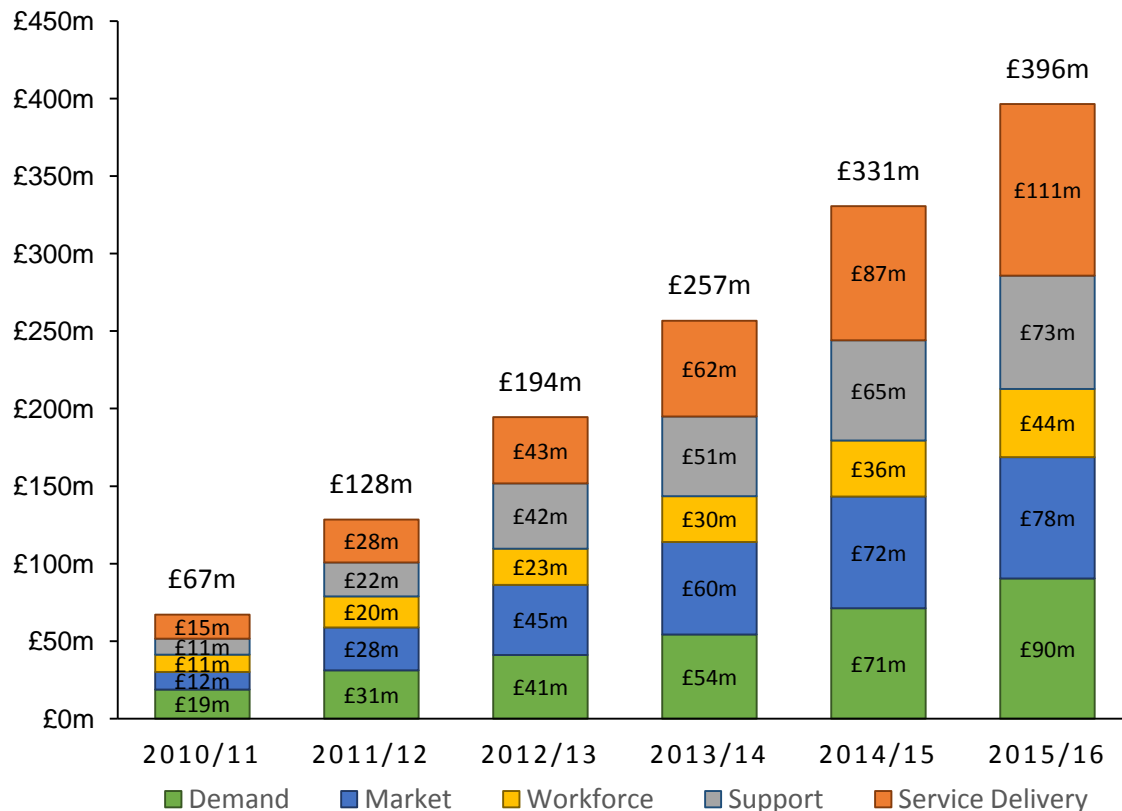
	2018/19 £m	2019/20 £m
Pay Inflation	3.6	3.6
Non pay inflation	19.4	19.5
Total inflation	23.0	23.1
Demand	30.9	21.5
Market and service delivery	8.0	15.3
Total gross pressures	61.9	59.9

Savings and service reductions

Savings and service reductions achieved 2010/11 to 2016/17

59. Over the six years 2010/11 to 2015/16, the council achieved £396m savings and service reductions as shown in Figure 1.

Figure 1 Surrey County Council savings achieved 2010/11 to 2015/16

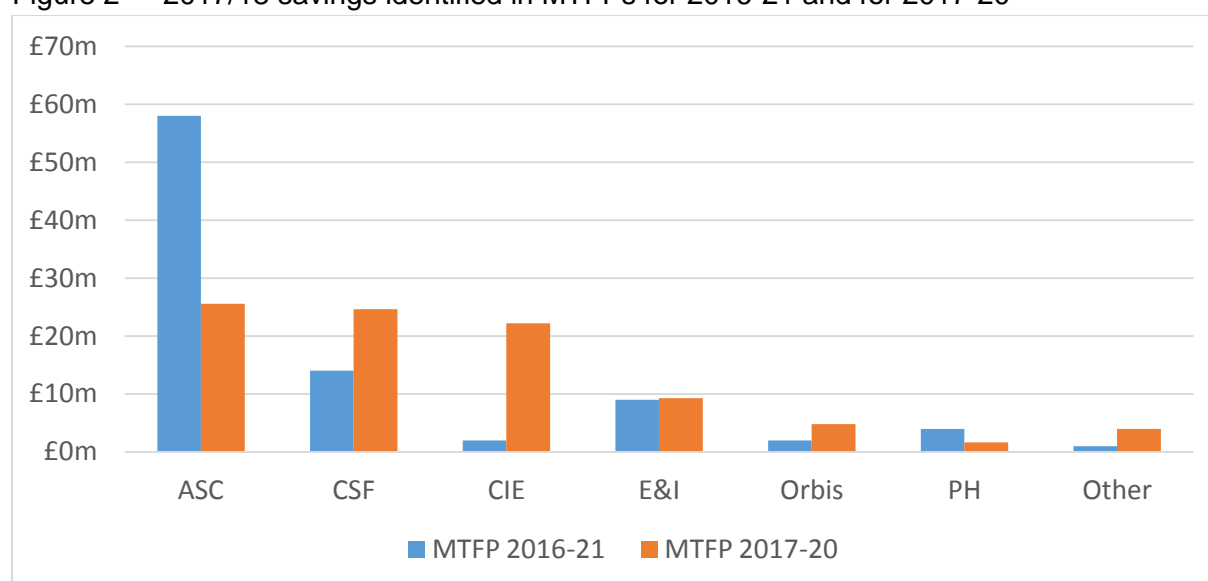


60. In 2016/17, the council forecasts to achieve a further £63m savings.

Savings and service reductions planned for 2017/18 and 2018/19 onwards

61. MTFP 2016-21 included £90m savings for 2017/18. The difficulties encountered in 2016/17 including the rise in demand pressures in adult social care, leading to the inability to achieve some of the year's planned savings and the growth of the savings gap during the year has led to a reconsideration and review of savings. Figure 2 compares savings identified by directorate for 2017/18 in the MTFPs for 2016/17 and 2017/18.
62. The impact of the reconsideration and review by senior directors is an increase in efficiency savings and reductions for 2017/18 to £93m. Importantly, this includes a shift in the distribution of savings from Adult Social Care (ASC) and Public Health (PH) to: Children, Schools & Families (CSF), Central Income & Expenditure (CIE) and Orbis. Savings for Environment & infrastructure (E&I) remain the same. Within these figures:
- ASC savings figures are now more realistic and achievable than originally planned for 2017/18;
 - ASC figures also include identified savings and actions to reduce budget pressures;
 - CIE savings now include £8m for the revised MRP (minimum revenue provision) policy and further savings due to changes in interest rate assumptions and the treasury management policy.

Figure 2 2017/18 savings identified in MTFPs for 2016-21 and for 2017-20



63. Despite the assurances given by the reconsideration and review of savings, significant challenges to delivery remain. The directors' review assessed the risks to achieving the savings on the following basis:
- Red – there is no plan to deliver the saving;
 - Amber – there is a plan to deliver the saving, although it is not currently on track;
 - Green – there is a plan to deliver the saving and it is on track.

64. Figure 3 shows the distribution of risk by value of 2017/18's savings. The amount of combined Red and Amber rated savings fits with advice from the council's financial resilience review and 2016/17's experience that delivering savings is ever harder. To ensure the council increases the rigour in its savings delivery, the Director of Finance is devising a process to track and monitor services' progress in achieving their planned savings to operate from 1 April 2017.

Figure 3 Risk rating of 2017/18 savings



65. For the remainder for the MTFP 2017-20 period (2018/19 and 2019/20), the council plans to achieve just over £76m savings, bringing the total for the three years to £170m. Table 6 shows the spread of savings over the MTFP 2017-20 and between efficiencies, service transformation and service reductions.

Table 6 Planned savings 2017-20

	2017/18 £m	2018/19 £m	2019/20 £m	2017-20 £m
Efficiency/ Service Transformation	-87.2	-48.0	-25.2	-160.4
Service reduction	-6.2	-2.1	-1.0	-9.3
Total planned savings	-93.4	-50.1	-26.2	-169.7

Total Schools Budget - as defined in legislation

66. 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.
67. The Total Schools Budget is a significant element of the proposed total budget for Children, Schools & Families services. Table 7 outlines the proposed Total Schools Budget for 2017/18 of £545.2m. This comprises:

- £532.1m Dedicated Schools Grant (DSG);
- £11.0m Education Funding Agency (EFA) sixth form grants; and
- £2.1m additional funding for high cost SEN pupils, which the council is funding.

Table 7 Analysis of Total Schools Budget for 2017/18

	Schools' delegated budgets	Centrally managed services	Total
	£m	£m	£m
DSG 2017/18	390.5	140.6	531.1
DSG brought forward from previous years	1.0	0	1.0
Total DSG	391.5	140.6	532.1
EFA sixth form grant	11.0		11.0
Surrey County Council contribution to the cost of placements and services for high cost SEN pupils		2.1	2.1
Total Schools Budget	402.5	142.7	545.2

Note: Total Schools Budget does not include the pupil premium grant, provisionally £16.3m, the primary PE and sports grant, provisionally £2.3m, or universal free meals grant, provisionally £10.5m. These grants, although not part of the legal definition, are also delegated to schools and are included in the total schools funding of £430.6m as in Appendix 4.

68. 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.
69. The council's 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.
70. 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 2017/18 funding formula in November 2016. In 2017/18 the formula limits any school level gains and losses to a 1.5% maximum loss per pupil (the Government's Minimum Funding Guarantee). To pay for the guarantee, the formula limits the per pupil increase (or ceiling) to a maximum of under 1%.
71. 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).

Pension fund actuarial valuation

72. The Surrey Local Government Pension Fund underwent its triennial valuation as at 31 March 2016, with results received in December 2016. In summary, the fund deficit has reduced significantly from £980m to £680m and the funding level for Surrey County Council has risen from 71.0% to 81.0%. Although the stabilisation policy means there will be no change to employer contribution rates, the actuary's advice is the council's contributions towards eliminating past deficits can reduce from that planned in the MTFP 2016-21 as shown in Table 8. The changes will take effect from 1 April 2017.

Table 8 Past deficit contributions

	2017/18 £m	2018/19 £m	2019/20 £m
MTFP 2016-21 assumption	13	15	17
Actuarial advice December 2016	11	11	11
Contribution reduction	-2	-4	-6

Overall impact of the Provisional Settlement (2017-18) announcements

73. As outlined in paragraphs 22 to 45, the overall impact of the Provisional Settlement 2017-18 changes for the council is a net £9m increase in funding if the council opts to take up the additional flexibility to bring forward the Adult Social Care precept and increase by 3% in 2017/18 and 2018/19, rather than the current planned 2% in each year, as summarised in Table 9.

Table 9 Changes due to the Provisional Settlement 2017-18

	2017/18 £m	2018/19 £m	2019/20 £m	2017-20 £m
Adult Social Care precept (potential additional 1%) *	6.2	6.5	-12.7	0.0
2017-18 Adult Social Care Support Grant	4.0	0.0	0.0	4.0
New Homes Bonus	-1.2	-0.3	-0.3	-1.8
Total potential change to MTFP	9.0	6.2	-130.0	2.2

* If the council uses the new flexibility around the Adult Social Care precept, it will attain the permitted 6% rise in 2017/18 and 2018/19 and would have to forgo the planned 2% rise in 2019/20 (as indicated by the -£12.7m)

74. The council's net £9m resource increase breaks down as follows.

- Flexibility for local authorities to raise up to 3% Adult Social Care precept (instead of 2%) in 2017/18 and 2018/19, provided the total increase over the three years to 2019/20 is no more than 6%. The impact of this is the council can gain an extra £6.2m income in 2017/18 and a further £6.5m in 2018/19, but no more in 2019/20.
- A new Adult Social Care Support Grant (ASCSG) of £241m in total for 2017/18 only. The new grant is available to adult social care authorities only and is allocated on the basis of the social care relative needs formula (RNF). The council supports

the move to allocate funding on the basis of need, but is disappointed there is no new money and by the lowly scale of the funding as initial analysis by the Local Government Association suggests at least £1.3bn could be needed immediately to stabilise the provider market and put it on a sustainable footing. The impact of the ASCSG is the council gains an extra £4.0m income in 2017/18 only, compared to annually increasing pressures of £12m.

- DCLG has funded ASCSG from reductions in New Homes Bonus (NHB) payments in 2017/18 by reducing the period of NHB payments from six years to five. The impact of this is the council loses £1.2m in NHB payments in 2017/18 and Surrey districts and boroughs together lose £5.0m, factoring in the council's £4.0m ASCSG grant gives a net loss to the Surrey area of £2.2m.

75. For the council, nearly 70% of the £9m increase comes from council tax. For other counties 55% of the net increase comes from council tax.

Business rates

100% Business rates retention

76. After 2019/20 the 100% business rates retention system is scheduled to be in operation. The Government asserts this will give local authorities around £12.5bn additional business rates receipts to spend on local services. Central and local government are currently discussing the scope and nature of these changes. To maintain fiscal neutrality across government, local authorities will gain new responsibilities, and some Whitehall grants will be phased out.
77. The limitations of the Provisional Settlement 2017-18 for the council and the potential for change with the introduction of 100% business rates retention add to the uncertainty about the council's future responsibilities and funding sources, including the adequacy and sustainability of funding at the start of the new system. A key element of the council's engagement with and responses to the development of and consultation on the 100% business rates retention proposals is to enable the new 100% business rates retention system to succeed, the council believes the Government must:
- ensure full and fair funding of existing local responsibilities before adding new ones;
 - on implementation of the new system, provide robust, sustainable funding built from a realistic starting point; and
 - ensure two-tier areas get the right balance of reward, risk and resourcing to make the system work effectively.

Business rates pilot areas

78. DCLG has reached agreement with authorities in the following areas to pilot 100% rates retention, starting in 2017/18: Greater London Authority, Greater Manchester, Liverpool City Region, Cornwall Council and the councils in the combined authority areas of West of England and West Midlands. The pilot authorities will each retain 100% of locally-raised business rates. In return they will forego RSG and a number of other funding streams. The pilot authorities' tariffs and top-ups will be adjusted to ensure cost neutrality. DCLG will test several elements of the 100% rates retention

scheme through the pilots, including revised safety net arrangements. These arrangements will not affect non-pilot authorities.

79. Notwithstanding the protections for non-pilot authorities, the council is disappointed the pilots do not include two tier areas.

Business rates revaluation

80. The business rates revaluation takes effect from 1 April 2017. Revaluation is a revenue neutral exercise across England, so the total rates bill stays the same in real terms, after allowing for appeals. At individual local authority level, overall rates bills will rise or fall depending upon whether rateable values in the area have increased by more or less than the average for England, after allowing for appeals. This creates change in the system outside local authorities' control.
81. To compensate individual local authorities, DCLG calculates an adjustment to tariffs and top ups based on the relative change in rateable values, before adjusting for inflation.

Business rates pooling

82. DCLG permits geographically adjacent authorities to apply to pool their business rates. Combining tariffs and top ups among pooled authorities can reduce the composite levy rate paid by the pool. This further incentivises business rates growth through collaborative effort and smooths the impact of volatility in business rates income across a wider economic area.
83. For 2017/18, Surrey County Council, London Borough of Croydon, Elmbridge Borough Council, Guildford Borough Council, Mole Valley District Council, Spelthorne Borough Council and Surrey Heath Borough Council submitted a bid to DCLG in October 2016 to form a business rates pool for the financial year 2017/18. The bid was successful. The pool's financial model, projects up to £4m additional income to the Surrey county area, which would otherwise be lost as levy payments. The pool agreement is for Surrey County Council to receive roughly a third of this additional income

Council tax

Council tax

84. Council tax, through the precept, is the council's main source of funding for its budget, excluding schools' budgets. The current council tax strategy is to increase general council tax by 2% and assume a 1% increase in the number of properties subject to the tax. The latter is often referred to as the council tax taxbase.
85. The Provisional Settlement 2017-18 indicated the general council tax referendum limit at 2% and introduced the additional flexibility to raise the adult social care (ASC) precept to 3% in 2017/18 and 2018/19 provided the total increase for 2017-20 is no more than 6%. This essentially achieves a cash flow advantage by enabling local authorities to bring an element of funding forward without increasing the total funding raised by the end of the full period. Given the intense and immediate pressure on adult

social care, the MTFP assumes full use of the ASC precept flexibility at 3% in 2017/18 and 2018/19.

86. Districts' and boroughs' annual returns showed an overall increase in the council tax taxbase in Surrey of 1.32%. In addition, the council's share of the districts' and boroughs' aggregate council tax collection fund surplus is £9m, which will be paid to the council as a one-off sum. These confirmed the council's estimates of future council tax growth as 1% annually and annual collection fund surpluses of £7m.

Balancing the revenue budget 2017/18 and MTFP 2017-20

Gross funding and expenditure

87. The council's gross estimated funding for 2017/18 from: Government grants, business rates, fees, charges and other income, plus council tax limited to the referendum threshold determined by the Secretary of State amounts to -£1,661m. Table 10 shows the council's funding limited to the referendum threshold increase determined by the Secretary of State, with 2016/17 funding provided for comparison.

Table 10 Surrey County Council funding at council tax referendum threshold 2017-20

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Council tax	-615	-635	-652	-671
ASC precept	-12	-31	-51	-53
Business rates	-46	-48	-49	-51
Top up	-59	-61	-62	-47
RSG	-67	-28	-5	0
Transition Grant	-12	-12	0	0
Dedicated Schools Grant	-533	-532	-532	-532
Other Government grants	-168	-163	-155	-152
Partner funding	-1	-1	-1	-1
Other income	-148	-155	-160	-163
Total funding	-1,661	-1,666	-1,668	-1,670

88. The council's gross estimated expenditure for 2017/18 is £1,696m. The shortfall in income is £30m. Table 11 shows the council's gross expenditure budgets by service for 2017/18 to 2020/21.

Table 11 Surrey County Council gross expenditure budgets 2016-20

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Adult Social Care	430	453	466	488
Public Health	39	38	37	36
Children, Schools & Families	365	387	382	381
Delegated Schools Budget	458	432	432	432
Environment & Infrastructure	139	141	144	149
Fire & Rescue Service	47	44	46	43
Customer & Communities	10	9	9	9
Legal, Democratic & Cultural services	32	33	31	31
Business Services & Orbis (70% SCC contribution)	45	44	42	41
Managed budgets	53	53	54	55
Organisational Leadership & Performance	10	10	10	10
Central Income & Expenditure	58	52	51	56
Additional pressures	0	0	5	12
Gross expenditure budget	1,686	1,696	1,709	1,743

89. Table 12 summarises the Council's overall net funding position at council tax referendum threshold.

Table 12 Surrey County Council overall funding position 2016-20

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Gross funding	-1,661	-1,666	-1,668	-1,670
Gross expenditure	1,686	1,696	1,709	1,743
Net expenditure	25	30	41	73

90. The council's general reserves stand at £21.3m. This is the minimum safe level the Director of Finance regards as appropriate given the risks and uncertainties the council faces. Table 13 shows the earmarked reserves the council forecasts to bring forward as at 1 April 2017. The £59.8m total the council forecasts to bring forward on 1 April 2017 relies on it achieving a balanced budget outturn for 2016/17.

Table 13 Forecast earmarked reserves brought forward as at 1 April 2017

	£m
Revolving Infrastructure & Investment Fund	11.1
Budget Equalisation Reserve	5.9
Eco Park Sinking Fund	4.4
Insurance Reserve	7.7
Investment Renewals Reserve	2.1
General Capital Reserve	5.2
Street lighting PFI Reserve	4.4
Vehicle Replacement Reserve	3.0
Economic Downturn Reserve	9.2
Public Health Reserve	0.0
Economic Prosperity Reserve	2.5
Equipment Replacement Reserve	2.0
Child Protection Reserve	0.0
Business Rate Appeals Reserve	1.3
Pension Stabilisation Reserve	0.0
Interest Rate Reserve	1.0
Total earmarked reserves	59.8

Council tax referendum

Legislation

91. The Local Government Finance Act 1992 (as amended by the Localism Act 2011) requires a council proposing an increase in council tax in excess of a limit set annually by the Government to hold a referendum. In the Provisional Settlement 2017-18, the Secretary of State for Communities and Local Government confirmed the limit on an increase in core council tax to be 2% or more.

A local authority proposing a council tax increase above the limit set by government must also prepare substitute calculations for a budget below the amount which the Secretary of State considers excessive. The substitute budget will take effect if the local authority loses the referendum. If the Full County Council agrees the budget and council tax increase recommended to it by Cabinet a referendum will be held on 4 May 2017.

Costs of a referendum

92. DCLG estimates the costs of a referendum at between £85,000 and £300,000 depending on the size of the authority and whether it is combined with a local election. In addition to this, there are the potential costs of re-issuing council tax bills in the event of a referendum loss. Based on other referendums held in recent years, re-billing is estimated at approximately £630,000.

Proposed budget

93. The council faces significant service pressures and substantial loss of Government grants over the MTFP period. Its £170m MTFP savings programme is stretching and ambitious on top of what the council has achieved already. To help ensure the council achieves its savings programme, the Chief Executive and the Director of Finance are required to:
- continue to ensure delivery of existing MTFP efficiencies for the remaining years of the MTFP 2017-20; and
 - continue to ensure demand and cost pressures are monitored and plans to mitigate their impact developed.
94. Despite determining a £170m MTFP savings programme including £93m in 2017/18, the intensity of its pressures and its loss of grant mean the council does not balance its budget in 2017/18 or the subsequent years of the MTFP. In setting council tax strategy, the council aims to balance its 2017/18 budget and to achieve a long term sustainable financial position for up to the next decade through a council tax rise of 15% (including 3% ASC precept). Tables 14 and 15 show the council's proposed gross funding and expenditure budgets for 2017/18 and over the MTFP 2017-20 period. Table 14 highlights the line of council tax revenue, as this is the main differentiator between the proposed and the substitute budgets.

Table 14 Surrey County Council proposed gross funding budget 2017-20

	2017/18	2018/19	2019/20
	£m	£m	£m
<i>Council Tax</i>	-696	-715	-736
ASC precept	-32	-55	-57
Bus Rates	-48	-49	-51
Top up	-61	-62	-47
RSG	-28	-5	0
Trans Relief	-12	0	0
DSG	-532	-532	-532
Gov Grants	-164	-156	-152
Partner Funding	-1	-1	-1
Other Income	-155	-160	-163
Proposed gross funding budget	-1,729	-1,735	-1,739

Table 15 Surrey County Council proposed gross expenditure budget and MTFP 2017-20

	2017/18	2018/19	2019/20
	£m	£m	£m
Adult Social Care	453	466	488
Public Health	38	37	36
Children, Schools & Families	387	382	381
Delegated Schools Budget	432	432	432
Environment & Infrastructure	141	144	149
Fire & Rescue Service	44	46	43
Customer & Communities	9	9	9
Legal, Democratic & Cultural services	33	31	31
Business Services & Orbis (70% SCC contribution)	44	42	41
Business Services managed budgets	53	54	55
Organisational Leadership & Performance	10	10	10
Central Income & Expenditure	52	51	56
Additional pressures	0	5	12
Proposed gross expenditure budget	1,696	1,709	1,743
Shortfall / Surplus (-) of gross funding to gross expenditure	-33	-26	4

95. By proposing a budget that exceeds the Secretary of State's view of an excessive rise, the council must put its proposal to a referendum and prepare a substitute budget that does not breach the Secretary of State's limit.

Substitute budget

96. In the event the council does not win the referendum, it must implement its substitute budget. Tables 16 and 17 show the council's substitute gross funding and gross expenditure budgets for 2017/18 and MTFP 2017-20. Rather than be in a position to sustain services as under the proposed budget, **the substitute budget requires further significant service reductions to be found of £30m in 2017/18, rising to £73m by 2019/20.**
97. Table 16 highlights the line of council tax revenues as this is the main differentiator between the proposed and substitute budgets. Table 14 shows the proposed budget raises £696m council tax in 2017/18, rising to £736m in 2019/20 compared to the substitute budget raising £635m council tax in 2017/18, rising to £671m in 2019/20. The substitute budget council tax rise in 2017/18 is 4.99% in line with the Secretary of State's determination of excessiveness. The council tax rises in 2018/19 and 2019/20 are in line with government guidance i.e. 5% and 2% respectively.

Table 16 Surrey County Council substitute gross funding budget 2017-20

	2017/18	2018/19	2019/20
	£m	£m	£m
<i>Council tax</i>	-635	-652	-671
ASC precept	-31	-51	-53
Business rates	-48	-49	-51
Top up	-61	-62	-47
RSG	-28	-5	0
Transition Grant	-12	0	0
Dedicated Schools Grant	-532	-532	-532
Other Government grants	-163	-156	-152
Partner funding	-1	-1	-1
Other income	-155	-160	-163
Substitute gross funding budget	-1,666	-1,668	-1,670

98. Table 17 has a line of unidentified service reductions which shows how much lower the council's expenditure would need to be to balance the substitute budget and that the actions to identify and implement those reductions have yet to be identified. This line does not appear in the proposed budget, because there are no further savings to find as the budget balances from the beginning of the year.

Table 17 Surrey County Council substitute gross expenditure budget and MTFP 2017-20

	2017/18	2018/19	2019/20
	£m	£m	£m
<i>Unidentified service reductions</i>	-30	-41	-73
Adult Social Care	453	466	488
Public Health	38	37	36
Children, Schools & Families	387	382	381
Delegated Schools Budget	432	432	432
Environment & Infrastructure	141	144	149
Fire & Rescue Service	44	46	43
Customer & Communities	9	9	9
Legal, Democratic & Cultural services	33	31	31
Business Services & Orbis	44	42	41
(70% SCC contribution)			
Business services managed budgets	52	51	56
Organisational Leadership & Performance	10	10	10
Central Income & Expenditure	53	53	56
Additional pressures	0	5	12
Substitute gross expenditure budget	1,666	1,668	1,670

Shortfall / Surplus (-) of gross funding to gross expenditure	0	0	0
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99. In addition to the actions required to manage the delivery of the proposed budget (see paragraph 93) there is a further requirement for a transparent Member led process, in conjunction with officers, to find and implement an additional £30m of cuts to achieve a balanced budget in 2017/18 and move towards a sustainable budget (noting that this

may require cuts greater than £30m to reflect that only a part year benefit will be achievable).

100. Because a referendum on the proposed council tax would not happen until 4 May 2017, the council would lose time beginning the extra work to achieve the additional £30m service reductions it would need to find within 2017/18. Given the late start, the requirement for consultation and equalities assessments, and time to agree plan and implement the service reduction measures, the time available to put actions in place and see the effects of the additional service reductions could be less than six months. Indeed during a review of the council's financial resilience carried out by the Chartered Institute for Public Finance and Accountancy (CIPFA) commented that it would only be realistic to achieve a quarter year reductions from actions not already planned. On average, the savings gap due to the late start will accrue at £2.5m each month. To achieve 2017/18's ongoing efficiency savings amounting to £30m within what is realistically a much shorter timescale, the council could:
- bring forward and implement all of 2018/19's savings on an annual ongoing basis during 2017/18 to make up for the shorter timescale to accrue the savings;
 - fill the ongoing efficiency gap with one-off reductions; or
 - a mixture of the two.

RISKS AND UNCERTAINTIES

101. In balancing the 2017/18 revenue budget and looking ahead for the remaining two years of the MTFP (2018-20), the council has taken account of the key risks and uncertainties it faces. The main areas of risk include:
- the outcome of the referendum on the proposed 2017/18 budget council tax increase;
 - is it possible for directors to identify and deliver sufficient service reductions to achieve a balanced budget and one that moves towards a sustainable budget;
 - the on-going effectiveness of the council's existing efficiencies, savings and service reductions programme included in the proposed budget;
 - the on-going growth in demographic demands on services; and
 - confirmation of outstanding grant allocations.

CAPITAL PROGRAMME 2017-20

Capital budget planning

102. The council set a five year capital programme totalling £638m in MTFP 2016-21. In April 2016, it approved a range of underspends to be carried forward, bringing the total for five years to £651.3m.
103. In year changes to the capital programme include additional approved schemes, additional grant notifications and reductions in planned expenditure for some schemes, specifically SEND (special educational needs and disabilities) and looked after children as well as some reductions and reprofiling in relation to new school places. In addition to these changes, the capital programme in MTFP 2017-20 takes account of the council's new financial environment. The revised proposed four year capital programme totals £408m. The focus remains on the continuing forecast growth in

school pupil numbers (£141m) and the importance residents place on good roads (£112m).

Capital position 2016/17

104. The forecast in-year variance on the 2016/17 capital programme as at 30 November 2016 is an underspend of £14m against the approved revised service budget of £153m. The main area of underspend relates to highways and transport.
105. 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 2017 and if approved, the amounts will be added to the capital programme for 2017-20.

Capital expenditure

106. For 2017/18 the capital investment in school places continues with a capital budget of £72m. Overall, for the period 2017-20, the council will invest an additional £141m to create a further 11,000 school places over the five years 2016-21.
107. Given the current pressures on the council's finances, and the impact of borrowing to fund the capital programme by incurring additional capital financing costs, the council has reduced the planned capital spend on highways which would need to be funded from borrowing from 2018/19 onwards. Investment in roads and transport continues to total £53m in 2017/18 and £112m across the three years to 2020/21.
108. The council plans to invest £13m in information technology over the three years to 2020/21. This includes £7.5m for new equipment and infrastructure and a £3.8m replacement and renewal programme. By making this investment, the council enables and supports further service efficiencies.
109. Table 18 summarises the council's £408m capital programme for the three years of MTFP 2017-20. Annex 5a sets out a more detailed version of the capital programme.

Table 18 Summary capital expenditure programme 2017-20

	2017/18 £m	2018/19 £m	2019/20 £m	2017-20 £m
Schools Basic Need	72	55	13	140
Highways recurring programme	30	26	24	80
Property & IT recurring programme	24	24	24	72
Property projects	33	11	9	53
Other capital projects	37	16	10	63
Total	196	132	80	408

110. Cabinet requires a detailed and robust business case before considering additional projects for approval.
111. If the referendum does not support the proposed budget, then the MTFP 2017-20 capital programme would require revisions to reduce the impact of borrowing on the

revenue budget. This would require removal of all the capital schemes funded by borrowing, with the exception of those schemes:

- that generate revenue savings or prevent revenue pressures; and
- that are already committed and where work has already begun.

Capital funding

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

Government grants

113. Government departments have announced some, but not all, capital grants for 2017/18 and even fewer for future years. The grant funding for capital from central government therefore remains unclear. Government departments commonly announce additional grants during the financial year, so the council includes a forecast for these.

114. 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.

115. Table 19 shows the grants expected for 2017/18.

Table 19 Government capital grants 2017/18

Expected Government capital grants	2017/18 £m
School places	59
Schools condition allocation	12
Integrated transport block	5
Highways maintenance	15
Local Growth Fund	18
Other capital grants	12
Total expected grants	121

116. Capital grants for years beyond 2017/18 are less certain and MTFP 2017-20 includes an estimate for each year. The council reviews this estimate each year and makes equivalent adjustments to the capital programme.

Third party contributions

117. The council also uses contributions from third parties to fund its capital programme. Third party contributions come largely from developers as community infrastructure levies (CIL) and planning gain agreements under Section 106. The MTFP 2017-20 capital programme relies on £6m third party funding in 2017/18.

Revenue reserves

118. The council uses reserves to fund some items of capital expenditure. It replenishes these reserves from service revenue budgets. The main service revenue reserve is the

IT Equipment Reserve. The MTFP 2017-20 capital programme relies on £19m funding from service revenue reserves in 2017/18.

Borrowing

119. The council borrows to fund the part of the programme remaining after applying the above three funding sources. Over the three years of MTFP 2017-20, the council expects to borrow £95m to balance the proposed capital programme.

120. Table 20 summarises the council's estimated capital funding for the period 2017-20.

Table 20 Capital funding 2017/18 to 2020/21

	2017/18 £m	2018/19 £m	2019/20 £m	2017-20 £m
Grants	121	85	67	273
Reserves	19	6	2	27
Third party contributions	6	4	4	14
Borrowing	50	37	7	94
Total	196	132	80	408

Capital receipts

121. The council can apply capital receipts more flexibly to fund its investments and it can use these resources to fund its additional portfolio of investments. The council currently has £46m in unapplied capital receipts.

122. During 2016 the Government announced an additional flexibility to allow councils to use capital receipts received between 2016 and 2019 to meet the revenue costs of transformation programmes, within certain conditions. The council is considering its options in relation to this new flexibility and if it chooses to use it, 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

123. In recent years the council has taken a strategic approach to investment. This allows it 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

124. The council sets its minimum level of available general balances at 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 as at 1 April 2017.
125. Going into 2017/18 the Director of Finance recommends the level of general balances remains the same. Although the current expected level of £21.3m is marginally in excess of this, the Director of Finance considers this is prudent to mitigate the increasing risk of non-delivery of service reductions and efficiencies in 2017/18 and to take account that it is usual for the council to receive notification of many revenue and capital grants after it has set its budget.
126. Earmarked reserves are funds set aside for specific purposes and agreed by the Cabinet. Table 13 shows the forecast total balance for all earmarked reserves brought forward at 1 April 2017 is £60m, down from £102m brought forward on 1 April 2016. The main reason for this is the use of £25m of reserves to support the 2016/17 budget. In the previous three years (since 2012/13) the council has drawn £110m from reserves to support the revenue budget.
127. As stated in paragraph 118 the council is planning to use £19m of reserves to support the 2017/18 capital programme budget. During the period 2012/13 to 2015/16, the council used £17m reserves to fund capital and forecasts to use another £6m in 2016/17.
128. 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

129. 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 strategy statement and Appendix 8 sets out the council's treasury management policy statement.
130. On 12 July 2016, as a result of changes in the economic and regulatory environment, specifically the combination of increased counterparty risk (less security arising from new bail in regulations) and further downward pressure on the interest rate environment, Full County Council approved a revised treasury management strategy. This resulted in the adoption of a more focused strategy of internal borrowing over the short term and a move away from long term borrowing towards short term borrowing in order to minimise borrowing costs and unnecessary cash balances.
131. Outstanding long term debt has stayed constant during 2016/17. Financial and geopolitical concerns (including the pending UK exit from the EU and the monetary policy response from the Bank of England) have led to a sharp dip in gilts yields and

therefore the cost of long term and short term debt, and has validated the revised strategy.

132. The proposed position can be summarised as follows.

- A continuation of the existing strategy to take advantage of the unprecedented low interest rates to borrow externally only when required for liquidity purposes and for the short term, while minimising surplus cash balances.
- Maintain the existing counterparty, duration and investment instrument criteria for the management of any surplus cash balances.
- In addition, a review of the calculation of the annual Minimum Revenue Provision (MRP) has been undertaken during 2016/17. Changes to the method of calculation are proposed in the minimum revenue provision policy (Annex 12). The revised calculation continues to ensure the council makes a prudent provision for the repayment of its external debt but does not put unnecessary pressure on the council's revenue budget

133. 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 approach to borrowing will continue to rely on internal funding for capital expenditure while it remains viable.

134. 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.

135. 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.

136. For 2017/18 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.

CONSULTATION

137. During July 2016 and January 2017, the Leader, Deputy Leader, Chief Executive and Director of Finance held a series of face-to-face briefing 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 member briefing sessions.

RISK MANAGEMENT IMPLICATIONS

138. 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 representatives from the Emergency Management team and Internal Audit. 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.
139. 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.
140. 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, partnership working and implementing new models of delivery to manage service delivery, optimise efficient service delivery and respond to the strategic infrastructure challenges facing the county;
 - the on-going uncontrollable growth in demographic demands on services.
141. After seven years the risk of non-delivery of efficiencies and service reductions is increasing and a number of mechanisms are in place to help manage the risks inherent in the council's budget assumptions, including:
 - monthly reporting to Cabinet on budget monitoring forecasts within three 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 robust arrangements to track and monitor demand growth, the delivery of new savings and determine any additional measures necessary.
142. 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.

143. 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

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

SECTION 151 OFFICER COMMENTARY

145. 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 have become even more serious since setting last year's budget. Whilst the councils recommended budget, which requires an increase in council tax of 15% and therefore a referendum, will move the Council to a long term balanced and sustainable financial position, assuming planned service changes are delivered, it does include risk. The key risk is that the planned service changes may not be straightforward to implement and must comply with equality duties.
146. If the referendum is unsuccessful, the substitute budget requires early and intense work led by Members to confirm an additional £30m of service reductions to achieve a balanced budget in 2017/18 and move towards a sustainable budget (noting that this will require the council to reduce its spending by £30m to achieve a balanced budget in less than a whole year). In recognition of the complexities in delivering this, there is a significant risk that there is likely to be an unplanned need to use reserves on a temporary basis to ensure a balanced budget in 2017/18. Any use of reserves would need to be replenished in 2018/19 to ensure safe levels are held as the council faces further financial uncertainty going into 2019/20 when the Government are planning to change the methodology for funding significant elements of local government (through changes to business rate retention as well as schools funding). It is therefore the view of the Director of Finance that the council should hold the current level of reserves going into 2017/18.

LEGAL IMPLICATIONS – MONITORING OFFICER

147. The Council is under a legal duty to set a balanced budget. This report sets out recommendations to Council for the adoption of a budget and the basis for the level of the council tax for 2017/18. The recommended budget would result in a council tax increase above that laid down in draft principles which have been published by the Secretary of State for 2017-18 and, assuming these become law, would trigger the requirement for a referendum of the Surrey electorate, which would be held on the same day as County elections. In accordance with the requirement of the Local Government Finance Act 1992 the report also set out substitute calculations, which would deliver a balanced budget below the 5% cap set out in the Secretary of State's principles. If Council adopt the recommended budget it would stand in the event that a referendum was successful. If, in a referendum the majority voted against the recommended budget the substitute calculations would take effect, without the requirement for any further Council decision.

148. Members will note that the Director of Finance points out that the recommended budget still requires significant service transformation and efficiencies. Delivering these will impact on public facing services. This budget report does not detail these reductions, but officers have been working to identify and develop options for implementation. This report sets out in paragraph 149 below the public sector equality duty by which Members are bound and follows this with a methodology for ensuring that any future decisions about services flowing from the recommended budget will comply with that duty. The Director of Finance also reminds Members that balancing a substitute budget would require the identification of further substantial and permanent service reductions for implementation in 2017/18 and subsequent years. Any such service reductions and their subsequent impacts have as yet to be identified. In choosing which services to reduce decision makers would have to comply with the public sector equality duty. This of course does not prevent difficult financial decisions, but the possible Member led process described in paragraph 99 of this report (which would be designed to find an additional £30m of cuts to achieve a balanced budget in 2017/18) would need to be conducted in a fair and transparent way and to be sufficiently informed and supported to take those difficult decisions in full consideration of the needs of the different individuals and communities the Council serves, in particular people in those groups defined by reference to protected characteristics.

EQUALITIES AND DIVERSITY

149. 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."
150. To inform decision making, an analysis of the potential impact of the proposals set out in the MTFP 2017-20 on Surrey's residents with one or more of the protected characteristics identified by the Equality Act 2010 will be made available at the meeting of the council's Cabinet on 28 March 2017. This analysis will also set out the actions that the council is taking, or will undertake, to mitigate any negative impacts that could arise.
151. The equality impact analysis undertaken for the proposed MTFP 2017-20 will build on the analysis of savings in the MTFP 2016-21. It will include full assessments of new savings proposals and further analysis of proposals where there is a significant change from those presented previously.
152. 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.

153. 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.
154. 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

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

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

WHAT HAPPENS NEXT

156. The Full County Council will set its budget and council tax precept on 7 February 2017.
157. The detailed budget will be presented to Cabinet on 28 March 2017.

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 2017-20
- Appendix 2 National economic outlook and public spending
- Appendix 3 Provisional government grants for 2017/18 to 2019/20
- Appendix 4 Revenue budget proposals
- Appendix 5 Capital programme proposals 2017/18 to 2019/20
- Appendix 6 Reserves & balances policy statement
- Appendix 7 Projected earmarked reserves and general balances 2016/17 and 2017/18

- 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 Annual minimum revenue provision (MRP) policy statement

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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 robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.
- 1.2. 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. This is particularly important this year in view of the serious financial challenges facing the council.
- 1.3. For Surrey County Council the Section 151 Officer is the Director of Finance, Sheila Little.
- 1.4. In the equivalent report in February 2016, the Director of Finance indicated that although the level of risk remained significant and the position was very serious, it was her view that the budget proposals recommended by the Cabinet for 2016/17 would produce a balanced budget that was deliverable, and develop a longer term budget that was sustainable so long as several things happened, specifically:
 - Government provided transitional relief in the Final Settlement 2016/17;
 - all existing savings plans were delivered in full, and;
 - that the Public Value Transformation (PVT) programme was adopted, managed and monitored to ensure it identified considerable base budget reductions in costs as soon as is manageable.
- 1.5. Since then although the Government did allocate transitional relief grant over two years to the council this fell short of covering the full extent of the 'shock' reduction in Government grant announced without consultation in the 2016/17 Financial Settlement; of the planned savings for 2016/17 of £83m, the current end of year forecast is for delivery of these planned savings is £63m, a shortfall of £20m. Within this £17m is covered through one-off actions showing even further just how difficult it is to sustain and increase year on year efficiencies in a climate of continuing rises in service demands and reducing Government grant. The Discovery phase of the PVT clarified that the savings already identified are the upper limit of what can be achieved through the transformation programme. Further, the council do not have transformational proposals in place that would meet the additional £50m required.

- 1.6. Although there has been progress in each of these areas none have been to the level needed meaning that **the financial challenges facing Surrey County Council as it sets the budget for 2017/18 are now even more serious.**
- 1.7. In expressing her opinion, the Director of Finance has considered the financial, governance and 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.
- 1.8. The council's proposed budget, which includes a council tax increase of 15%, is subject to a referendum, which means the council is required to also agree a substitute budget with a council tax increase of 5%, that would be put in place if the proposed budget is not supported.
- 1.9. In this context the remainder of this report provides a commentary on the robustness of the two budget proposals and the level of reserves in place to support the Council.

Economic and financial position

- 1.10. Strategically the financial and economic context facing the council remains similar to recent years, which is a continuation of austerity, significant reduction in central Government funding at the same time as increasing demographic pressures for core council services, adult and children's social care in particular.
- 1.11. The Government again announced the Provisional Financial Settlement in December, 15 December 2016. There was little change from the level of funding that was anticipated on the basis of the four year settlement announced the previous year. Although the overall core spending power (CSP) only very marginally changes over the four year period, the Provisional Settlement does confirm the very significant reduction of core central Government funding (-£88m over the period from 2016/17 to 2019/20), met by the very significant increase assumed in locally raised funding from council tax (£103m).
- 1.12. Although there was no new funding announced in the Provisional Settlement, there was some re-distribution of funding: allocating £241m from New Homes Bonus (NHB) to a new grant for one year only to support Adult Social Care, and permitting adult social care authorities to bring forward a 1% ASC precept for each of the next two years. The latter would allow councils to raise the social care precept by 6% over 2 years, i.e. 3% in 2017/18 and 2018/19 rather than the originally announced flexibility of 6% over three years i.e. 2% each year to 2019/20.
- 1.13. It is important to note that the net effect in the Surrey area of the other Provisional Settlement changes is a net outflow of resources from Surrey to elsewhere in the country of £2.2m (the County and Districts & Boroughs

receiving £6.2m less NHB and the County receiving £4m for the adult social care support grant).

- 1.14. Although the four year settlement offer made in the Final Settlement last year (covering 2016/17 to 2019/20) was intended to add certainty, it is worth noting that this covered only around half of the total gross funding of the council. Further, in October 2016 this council decided not to accept the Government's four year offer, one implication of which was to expose the council to the risk of further grant loss if Government needed to find more fiscal reductions in future years. Although Government haven't been required to do this for 2017/18, there remains a risk that this could occur in the remaining two years of the four year offer (2018/19 and 2019/20). This increases the level of uncertainty and the council may need to draw on reserves if the allocated amounts vary from those planned for.
- 1.15. The Government has confirmed the general council tax precept limit, i.e. ignoring the adult social care precept, at 2% without referendum as expected. As mentioned this can be augmented by the addition of the adult social care precept if adopted at up to 3% per year for the next two years or at up to 2% per year for the next three years. It is clear that this does not change the underlying base income after three years in either scenario. It is only a total of 6% either way and therefore adds no capacity over and above the pre-existing capacity announced last year and already assumed in the councils budget plans approved by the Council last year.
- 1.16. At the same time, the Council continues to face significant pressures from the care market as well as increasing year on year demographic demand for targeted services, in particular, but not exclusively, for social care. Public expectation about the level of service from universal service areas (e.g. Highways, Libraries) also continues to increase.
- 1.17. In September 2016 the Council forecast an in year over spend on the revenue budget of £22m if no actions to contain expenditure were implemented. Since then the Chief Executive and Directors have put in place a series of measures and actions to stop or delay expenditure. As a result the current year's budget is moving closer to being balanced at the yearend although as many actions are one-off or short term, there remains an underlying pressure moving into future years' budgets of £22m in 2017/18.
- 1.18. The Council has made over £450m of savings and service reductions since 2010 but its ability to continue to achieve this level of savings in the context of growing demand for its services and reductions in Government funding is increasingly difficult without leading to potential service failures. The Public Value Transformation review conducted this year to find additional changes confirmed this view.

Financial Resilience Review

- 1.19. In recognition of the seriousness of the financial challenges facing the Council the Director of Finance, supported by the Chief Executive and Leader, requested the Chartered Institute of Public Finance and Accountancy (CIPFA) to carry out a financial resilience review in November 2016. As well as looking at comparative spending and costs, the review focused on the accuracy of the council's budget planning assumptions and figures and the long term financial resilience of the Council. The key conclusions were:
- The budget planning assumptions and figures were sound
 - The Council's financial resilience is not sustainable over the short or medium term unless it identifies and implements the Full scale of savings required as soon as possible to match its currently allowed income profile going forward.
- 1.20. CIPFA confirmed that the Council could not manage until 2019/20 through reliance wholly on reserves, which are already somewhat depleted. Furthermore they advised that any service reductions not yet planned would only have a part year impact in 2017/18 due to the need for public consultation and equality impact assessment ahead of implementation. They estimated only a quarter year effect of savings not already planned.

Reserves and balances

- 1.21. The Council holds general balances that allow the council to respond to unexpected emergencies and earmarked reserves set aside for specific purposes. Between 2009-12 this council sensibly increased the level of reserves in anticipation of austerity impacting. Since 2012/13 the Council has applied £110m of reserves to support the Budget. As explained below, it is the view of the Director of Finance that the level of reserves are now at a minimum safe level in light of the continuing and significant risks facing the council in terms of on-going increasing demands and limited local ability to manage the level of funding to keep pace with growing service demands.
- 1.22. The final accounts for 2015/16 show available general balances at 31 March 2016 of £21.3m. The latest budget monitoring position for 2016/17 forecasts that this level will be maintained at £21.3m by 31 March 2017. 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 and 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 increasingly high level of service reductions and efficiencies required for the last 6 years (the average between 2010 and 2015 was around £66m, and this was consistently delivered), but this has increased to £83m for 2016/17 and as at 30 November 2016 only £63m of that is forecast to be delivered
- 1.23. Details of all the Council's earmarked reserves are set out in Appendix 7. These are funds set aside for specific purposes and agreed by the Cabinet.

The forecast total balance for all earmarked reserves carried forward at 1 April 2017 is £60m, down from £102m brought forward on 1 April 2016.

Risks and mitigating actions

- 1.24. 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 2016/17 and will continue into 2017/18. 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 2017/18.
- 1.25. 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, partnership working and implementing new models of delivery to manage service delivery, optimise efficient service delivery and respond to the strategic infrastructure challenges facing the county;
 - the on-going uncontrollable growth in demographic demands on services.
- 1.26. After seven years the risk of non-delivery of efficiencies and service reductions is increasing and to recognise 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 three 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 robust arrangements to track and monitor demand growth, the delivery of new savings and determine any additional measures necessary.

Proposed and substitute budget

- 1.27. Despite determining a £170m savings programme for the next three years including £93m in 2017/18, the intensity of its pressures, desire to minimise service cuts and its loss of Government grant mean the Council does not balance its budget in 2017/18 or the subsequent years of the MTFP (£30m 2017/18, rising to £41m in 2018/19 and rising further to £73m by 2019/20). In setting council tax strategy, the council proposes to balance its 2017/18 budget and to achieve a long term sustainable financial position (up to the next decade), through a council tax rise of 14.99% (including 3% ASC precept), followed by a total of 4.99% in 2018/19 and 1.99% in 2019/20 in line with existing flexibilities.
- 1.28. This level of council tax increase proposed for 2017/18 breaches the limit set by the Secretary of State for the Department of Communities and Local Government (DCLG) (and will require a referendum on 4 May 2017. If not supported, the council tax increase will be 4.99%. Since the referendum must take place after the financial year has started, the substitute budget would have less than a full year in which to achieve the service reductions required to produce a balanced budget for 2017/18.

Prudential Indicators

- 1.29. 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 current Treasury Strategy, which was updated and approved in July 2016, the Council has not entered into any additional long-term borrowing during 2016/17. Short-term borrowing from other local authorities has been used to manage cash-flow requirements.
- 1.30. Looking ahead in to 2017/18, it is planned to continue the strategy of maximising internal borrowing in order to minimise cash balances and borrowing costs.

Conclusion: Proposed budget

- 1.31. In agreeing the proposed budget the Council would effectively 're-set' the level of baseline funding and **it is the Director of Finance view that this would mean the council's finances become sustainable for the long term future so long as the substantial planned on-going service efficiencies and transformations totaling £93m are delivered.** This years' experience of difficulty in delivering year on year service reductions requires that the current, already minimum safe level of reserves and balances are retained going into 2017/18.

Conclusion: Substitute budget

- 1.32. The substitute budget that the Council will be required to implement if the proposed budget is not supported through the referendum represents a very serious threat to the council's financial sustainability. As well as **requiring significant additional savings** to be identified in detail (a further £30m for 2017/18 rising to £41m for 2018/19 and £73m for 2019/20), **the need to implement this budget part way through the year exacerbates the seriousness and means that the £30m would need to be found over only 10 months.** In reality probably even less time due to the inevitable consultation and other processes that would be required for actual implementation in the event of a failure to carry the proposed council tax increase.
- 1.33. **It is the view of the Director of Finance that the substitute budget includes significant risk of not balancing as additional and material service reductions, in addition to already stretching service reduction plans, are required to be delivered and have not at this stage been identified.** Although the Cabinet plan to require members to lead a process to confirm the additional service cuts to identify a balanced budget and make progress towards a sustainable budget in the event of the substitute budget being required, in reality some of these savings are likely to be one off or only capable of delivering part year savings in 2017/18, clearly one off savings in 2017/18 are of limited help in moving the Council towards a sustainable position. It is the view of the Director of Finance that the Council will be required to make a **significant unplanned use of earmarked reserves** in particular in 2017/18 in the possible range of £20m to £30m. This will take reserves **below the safe minimum levels advised by the Director of Finance unless they are replenished in the following year**, especially those earmarked for other purposes. To achieve that and the more underlying challenge of sustainable service spending and finances will require a fundamental review of the delivery of all council services.

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Treasury Management Strategy Statement and Prudential Indicators 2017/18 to 2020/21

Key issues and decisions

To set the Council's prudential indicators for 2017/18 to 2020/21, approve the minimum revenue provision (MRP) policy for 2017/18 and agree the treasury management strategy for 2017/18.

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. On 12 July 2016, as a result of changes in the economic and regulatory environment, specifically the combination of increased counterparty risk (less security arising from new bail in regulations) and further downward pressure on the interest rate environment, a revised treasury management strategy was approved by full council. This resulted in the adoption of a more focused strategy of internal borrowing over the short term and a move away from long term borrowing towards short term borrowing in order to minimise borrowing costs and unnecessary cash balances. A revised strategy may be brought to full council for approval should circumstances demand.
- 2.3. Outstanding long term debt has stayed constant during 2016/17. Financial and geopolitical concerns (including the pending UK exit from the EU and the monetary policy response from the Bank of England) have led to a sharp dip in gilts yields and therefore the cost of long term and short term debt, and has thus validated the revised strategy.
- 2.4. The proposed position can be summarised as follows.
 - A continuation of the existing strategy to take advantage of the unprecedented low interest rates to borrow externally only when required for liquidity purposes and for the short term, whilst minimising surplus cash balances;
 - Maintain the existing counterparty, duration and investment instrument criteria for the management of any surplus cash balances;
 - In addition, a review of the calculation of the annual Minimum Revenue Provision (MRP) has been undertaken during 2016/17. Changes to the method of calculation are proposed in the policy (Appendix 12). The revised calculation continues to ensure that the Council makes a prudent provision for the repayment of its external debt but does not put unnecessary pressure on the Council's revenue budget.

Reporting requirements

- 2.5. 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;
 - a 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.
- 2.6. 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.
- 2.7. The Council employs Arlingclose as its advisor on all treasury aspects. The monitoring reports will update the Audit and Governance Committee on Arlingclose's progress and performance in advising council officers.

Treasury management strategy for 2017/18

- 2.8. The strategy for 2017/18 covers two main areas:
- Capital:
 - the capital plans and the prudential indicators;
 - the minimum revenue provision (MRP) strategy.

- Treasury Management:
 - the current economic position;
 - the borrowing strategy;
 - treasury indicators which limit the treasury risk and activities of the Council;
 - the investment strategy; and
 - creditworthiness policy.

2.9. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

Capital

2.10. 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 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.

2.11. 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.

2.12. Cash being held for other purposes, e.g., earmarked reserves or working capital, can be utilised 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.

2.13. 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 related capital expenditure and may be deferred or borrowed in advance of need. 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.

2.14. 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 2016, with forward projections:

Table 2.1: Current and projected portfolio position

	2015/16 Actual £m	2016/17 Projected £m	2017/18 £m	2018/19 £m	2019/20 £m
External debt					
Capital Finance Requirement at 31 March	903.8	1,084.0	1,143.7	1,154.7	1,124.8
Less Other Long Term Liabilities	160.5	186.7	182.5	162.7	144.1
Borrowing Requirement	743.3	897.3	961.2	992.0	980.7
Actual External Debt at 31 March	429.3	429.3	429.3	429.3	429.3
Under/(over) borrowing	314.0	468.0	531.9	562.7	551.4
Net Financing Need	-	37.6	50.3	37.6	7.4

- 2.15. The table shows the actual external debt (PWLb, the £10m Barclays loan and balances held on behalf of the Police) against the underlying capital borrowing need, the majority of which is held with the Public Works Loans Board (PWLb). The external debt does not include any short term liquidity loans. The authority has adopted a treasury management strategy that favours fixed rate borrowing to provide certainty over borrowing costs and rates of interest. Net financing need will be met by short term liquidity borrowing.
- 2.16. The Council is currently operating 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 2017, the projected level of under-borrowing amounts to £468.0m. This strategy is designed to limit the net cost of borrowing by utilising existing balances as well as reducing the overall exposure to counterparty risks by reducing available investment balances.
- 2.17. Within the prudential indicators, there are a number of key indicators to ensure that the Council operates 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.
- 2.18. 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.

Capital prudential indicators 2017/18 to 2020/21

- 2.19. 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.
- 2.20. 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.
- 2.21. The prudential indicators are set out in Appendix 9.

Minimum revenue provision

- 2.22. 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) and is the method by which local authorities charge their revenue accounts over time with the cost of their capital expenditure which is funded by borrowing. The Council has a statutory obligation to make a prudent provision for the repayment of its external debt, the Council's policy on (MRP) is shown in Appendix 12.

Economic Environment

- 2.23. The Treasury Strategy is heavily influenced by the economic environment and particularly in relation to interest rates, for both borrowing and investment. The council employs Arlingclose as an external treasury advisor, one key area is to assist the Council to formulate a view on interest rates. Table 2.2 provides Arlingclose's central case for interest rates.

Table 2.2: Prospects for interest rates

	Bank	PWLB borrowing rates			
	Base Rate	5 year	10 year	20 year	50 year
	%	%	%	%	%
March 2017	0.25	1.30	1.75	2.30	2.20
June 2017	0.25	1.25	1.70	2.25	2.15
September 2017	0.25	1.25	1.70	2.25	2.15
December 2017	0.25	1.25	1.70	2.25	2.15
March 2018	0.25	1.30	1.75	2.30	2.20
June 2018	0.25	1.30	1.75	2.30	2.20
September 2018	0.25	1.30	1.75	2.30	2.20
December 2018	0.25	1.35	1.80	2.35	2.25
March 2019	0.25	1.40	1.85	2.40	2.30
June 2019	0.25	1.45	1.90	2.45	2.35
September 2019	0.25	1.50	1.95	2.50	2.40
December 2019	0.25	1.55	2.00	2.55	2.45
March 2020	0.25	1.60	2.05	2.60	2.50

- 2.24. A major external influence on the Authority's treasury management strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Financial markets, wrong-footed by the referendum outcome, have since been weighed down by uncertainty (subject to some clarification in January 2017) over whether leaving the European Union also means leaving the single market. Negotiations are expected to formally start once the UK triggers Article 50, expected in March 2017 and last for at least two years. Uncertainty over the UK's future economic prospects will therefore remain throughout 2017/18.
- 2.25. The fall and continuing weakness in Sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation (CPI) will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through short term inflation overshoots over the course of 2017/18 when setting interest rates so as to avoid derailing the economy.
- 2.26. Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of a leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18.

- 2.27. Looking overseas, with the US economy and its labour market showing steady improvement, the US Federal Reserve increased interest rates in December 2016. The Eurozone meanwhile has continued to struggle with very low inflation and lack of momentum in growth, and the European Central Bank has left the door open for further monetary action.
- 2.28. The impact of political risk on financial markets remains significant over the next year. With challenges such as immigration, the rise of populist, anti-establishment parties and negative interest rates resulting in savers being paid nothing for their frugal efforts or even penalised for them, the French presidential and general elections (April to June 2017) and the German federal elections (August to October 2017) have the potential for upsets.
- 2.29. Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.
- 2.30. 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 European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. 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, however, continue to fall.
- 2.31. The Authority's treasury advisor Arlingclose's central case is for the UK Bank Rate to remain at 0.25% during 2017/18. The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the bank rate look less likely. A negative UK bank rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of sharp falls in GDP growth and concerns over leaving the European Union.
- 2.32. Since the US presidential election, gilt yields have risen, but remain at low levels. The Arlingclose central case is for yields to decline when the Government triggers Article 50. Long-term economic fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a possibility in order to keep long-term interest rates low.
- 2.33. Against this background and the risks within the economic forecast, caution will be adopted with the 2017/18 treasury operations. Markets will continue to be monitored carefully and the Council will adopt a pragmatic approach to changing circumstances in relation to its borrowing strategy. Further analysis of the UK and global economic outlook is shown as Appendix 10.

Borrowing strategy

- 2.34. The Authority currently holds £397.2m of long term loans as part of its strategy for funding previous years' capital programmes. The authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.
- 2.35. Given the significant budgetary pressure facing the Council both from sources of funding and service demands, the authority's borrowing strategy continues to address the key issue of affordability without compromising the long-term stability of the debt portfolio.
- 2.36. The proposed borrowing strategy for 2017/18 will be a continuation of the use of internal and short term external borrowing to meet the capital strategy. With the large gap between short term and long term interest rates likely to continue for the medium term there is a significant advantage for the Council to utilise short term borrowing.
- 2.37. By doing so, the authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates may rise. Arlingclose will assist the authority with this 'cost of carry' and breakeven analysis. Significant changes in current or forecast interest rates may mean that longer term borrowing becomes more cost effective, but this outcome is not expected.
- 2.38. Alternatively, the authority may arrange forward starting loans during 2017/18, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

Sources of borrowing

- 2.39. The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board (PWLB) and any successor body
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - UK public and private sector pension funds (except Surrey Pension Fund)
 - capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
 - UK Local Authorities and other public bodies.
- 2.40. The Authority has previously raised the majority of its long-term borrowing from the PWLB. For short term borrowing the Council will likely use other sources rather than the PWLB, such as other local authorities, public bodies and pension funds as the cost of borrowing is significantly lower in the short term.

Municipal Bond Agency

- 2.41. The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association (LGA) as an alternative source of funds to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable.

LOBOs

- 2.42. The Authority held a £10m LOBO (Lender's Option Borrower's Option) loan where the lender had the option to propose an increase in the interest rate as set dates, following which the authority had the option to either accept the new rate or to repay the loan at no additional cost. This LOBO has since been converted into a fixed term, fixed rate loan for the original duration of the instrument and is now classified in the authority's balance sheet as a fixed rate bank loan.

Debt Rescheduling

- 2.43. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Treasury management limits on activity

- 2.44. There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function, thereby managing risk and limiting exposure to 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.
- 2.45. Cabinet is asked to recommend the Council approves the treasury indicators and limits in Table 2.3.

Table 2.3: Treasury indicators and limits

	2017/18 to 2021/22		2016/17 year end projection	
Upper limits on fixed interest rates	100%		100%	
Upper limits on variable interest rates	25%		0%	
Maturity structure of external borrowing	Lower	Upper	£m	
Under 12 months	0%	50%	0	0%
12 months to 2 years	0%	50%	0	0%
2 years to 5 years	0%	50%	0	0%
5 years to 10 years	0%	75%	10	2%
10 years and above	25%	100%	387	98%
Total external borrowing			397	100%

UK Treasury Management Delegation

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

Investment Strategy

- 2.47. The Authority is currently operating with limited investment funds. The strategy of internal borrowing, supplemented by short term borrowing when necessary has significantly reduced current and forecast investment balances for the year.
- 2.48. Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the optimal rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 2.49. If the UK enters into a recession in 2017/18, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which may feed through to negative interest rates on many low risk, short-term investment options. This situation already exists in a number of other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 2.50. Given the increasing risk and lower returns from short-term unsecured bank investments, the authority will aim to place its surplus cash balances in secure, liquid asset classes during 2017/18. All of the authority's surplus cash is currently invested in short-term deposits with local authorities, money market or enhanced cash funds
- 2.51. The borrowing strategy as outlined will lead to reduced investment balances and a requirement to maintain readily accessible funds to limit the amount of borrowing required.

- 2.52. The Director of Finance, under delegated powers, will undertake the most appropriate form of investments depending on the 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 duration or value limits need to be revised, amendments will be recommended to the Audit & Governance Committee.

Creditworthiness policy

- 2.53. The primary principle governing the Council's investment criteria is the security of its investments, followed by the availability or liquidity of the funds with the yield or return on the investment is also a key consideration. The Council will ensure it:
- maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security (this is set out in the specified and non-specified investment sections below); and
 - has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed (these procedures also apply to the Council's prudential indicators covering the maximum principal sums invested).
- 2.54. The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.
- 2.55. The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by three agencies with two 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.
- 2.56. Any counterparty failing to meet the criteria would be omitted from the counterparty 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.
- 2.57. The criteria for investment counterparties and instruments is set out below (both specified and non-specified investments).

- **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.
The council will only use banks meet the following criteria
 - Short term: F1/P1/A1 (Fitch, Moodys, S&P)
 - Long term A-/A3/A-
 - UK domiciled
 - are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAA
 - HSBC as the Council' main bank provider for transactional purposes with minimal overnight balances if the bank does not meet the credit rating criteria above.
 - Bank subsidiaries where the parent bank has provided an appropriate guarantee and meets the rating criteria.
- **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.
- **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 AAA ratings (from two of the three rating agencies) up to a maximum of £175m (with a maximum of £25m per Money Market Fund)
- **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. Deposits with a single local authority or public body are limited to £20m, with no such limit in place for a UK national government body, e.g DMO.
- **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 with a maximum exposure of £20m.
- **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) with a maximum combined limit of £20m for enhanced cash/bond funds.

- **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. The strategy has set a maximum combined limit of £20m for pooled property funds.

Country restrictions

2.58. 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 up to a maximum of £40m per country. This restriction does not apply to the UK, which has seen its AAA rating reduced. The following countries are rated AAA:

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

Time and monetary limits applying to investments

2.59. 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 day:** Unsecured Banks Building Societies A- and above
- **6 months:** Unsecured Banks Building Societies A and above
- **13 months:** Unsecured Banks Building Societies AA- and above
- **2 years:** Corporate Bonds
- **5 years:** Bank/Building Society (Secured) Covered Bonds, Debt Management Office, Supranational Institutions, Local Authority

2.60. Further internal restrictions may be applied based upon market conditions or recommendations from Arlingclose.

2.61. The proposed criteria for specified and non-specified investments are shown in table 2.4

Table 2.4: 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

Use of additional information other than credit ratings

- 2.62. 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.

Investment returns expectations

- 2.63. The Bank Rate is forecast by Arlingclose to remain unchanged at 0.25% for some considerable time. Arlingclose forecasts the financial year ends (March) as follows:

2016/17	2017/18	2018/19	2019/20
0.25%	0.25%	0.25%	0.25%

- 2.64. 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.

- 2.65. 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:

2016/17	0.40%
2017/18	0.40%
2018/19	0.40%
2019/20	0.65%

Specified Investments

- 2.66. 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.

- 2.67. 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 Investment Limits

- 2.68. 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 2.5 below.

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

Table 2.5: Non Specified Investment Limits

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

Investment risk benchmarking

- 2.70. A development in the revised Code on Treasury Management and the CLG consultation paper, as part of the improvements to reporting, is the consideration and approval of security and liquidity benchmarks. Whereas yield benchmarks are currently widely used to assess investment performance, security and liquidity benchmarks are new reporting requirements. These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or annual report.

Security

- 2.71. The Council's maximum security risk benchmark for the current portfolio, when compared with these historic default tables, is:

- 0.05% historic risk of default when compared to the whole portfolio.

Liquidity

- 2.72. The Council currently restricts deposits with each counterparty to term deposits only, the length of which is based upon individual assessment of each counterparty. In respect of its liquidity, the Council seeks to maintain the following:

- Bank overdraft: £100,000;
- No minimum target relating to liquid short term deposits;
- Weighted average life benchmark is expected to be less than three months.

Yield

- 2.73. The Council benchmarks the return on deposits against the 7-day LIBID (London Interbank Bid Rate), and reports on this as part of the treasury monitoring reports.

Policy on Use of Financial Derivatives

- 2.74. 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).

- 2.75. 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.
- 2.76. 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

- 2.77. 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.
- 2.78. 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

- 2.79. 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.

2.80. These indicators will be reported to the Audit & Governance Committee in the quarterly and half yearly reports, due after 30 September 2017, and the treasury management outturn report for 2017/18.

End of year investment report

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

Training

2.82. 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 regular newsletters and regular update calls/meetings will be held with Arlingclose.

2.83. 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.

External fund managers

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

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 – 2017/18 – 2020/21
Appendix 10	Global economic outlook and the UK economy
Appendix 11	Treasury management scheme of delegation
Appendix 12	Annual minimum revenue provision 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

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PURPOSE

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

Page 175

VISION

ONE place
ONE budget
ONE team for Surrey

VALUES



Listen



Responsibility



Trust



Respect

Context

The Conservative government has confirmed it plans to continue the programme of deficit reduction over the lifetime of this Parliament. The themes in the Chancellor's 2016 Autumn Statement reflect downgraded economic forecasts, looser fiscal rules and investment to support the economy. Within this, public services are expected to provide taxpayers and resident ever better value and work more in partnerships to improve outcomes. As the move to 100% business rates retention and more local financial independence nears, the devolution agenda increases, passing greater powers and responsibilities to local authority areas. Meanwhile, demands for council services continue to grow. In particular social care services supporting vulnerable adults and children.

SECURING STEWARDSHIP:

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



ENSURING SUSTAINABILITY:

Long term planning to envisage future needs and opportunities and enable effective, sustainable outcomes.



ENABLING TRANSFORMATION:

A proactive and practical outcome-focused approach to achieve future orientation.



BUILDING PARTNERSHIPS:

Openly build trust and common round to achieve productive relationships and better value outcomes.



Our strategic approach

1. Principles

We will better value outcomes through continual improvement by:

- Working with partners to improve value and outcomes throughout the whole system
- Continuing to manage activities to reduce and control costs
- Continuing to seek opportunities to generate income and reduce 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 meet future demands within resources
- Proactively managing key risks and opportunities facing the council
- Providing strong financial governance and accountability

3. Actions

Our financial management arrangements will provide:

- Strong financial leadership that communicates clearly and openly
- Transparent reporting, including publishing 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. The Government has formally abandoned its ambition to balance the budget during the current Parliament and public sector borrowing is now expected to fall much more slowly than was thought last year. The Office for Budget Responsibility (OBR) assessed this in its November 2016 report and forecast that the cyclically adjusted current budget (CACB) will move from a deficit of 2.0% of GDP in 2015/16 to a surplus in 2018-19. The surplus will then rise to 1.6% 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 0.7% of Gross Domestic Product (GDP) by 2021/22 compared with 4.0% in 2015/16. However, OBR expects the Government's cumulative borrowing or total amount of debt owed, Public Sector Net Debt (PSND), to rise to 90.2% of GDP in 2017/18 before beginning to fall in the years thereafter, and it is not expected to fall below current levels until 2021/22.

Table A2:1: UK borrowing levels as a percentage of GDP between 2015/16 and 2021/22

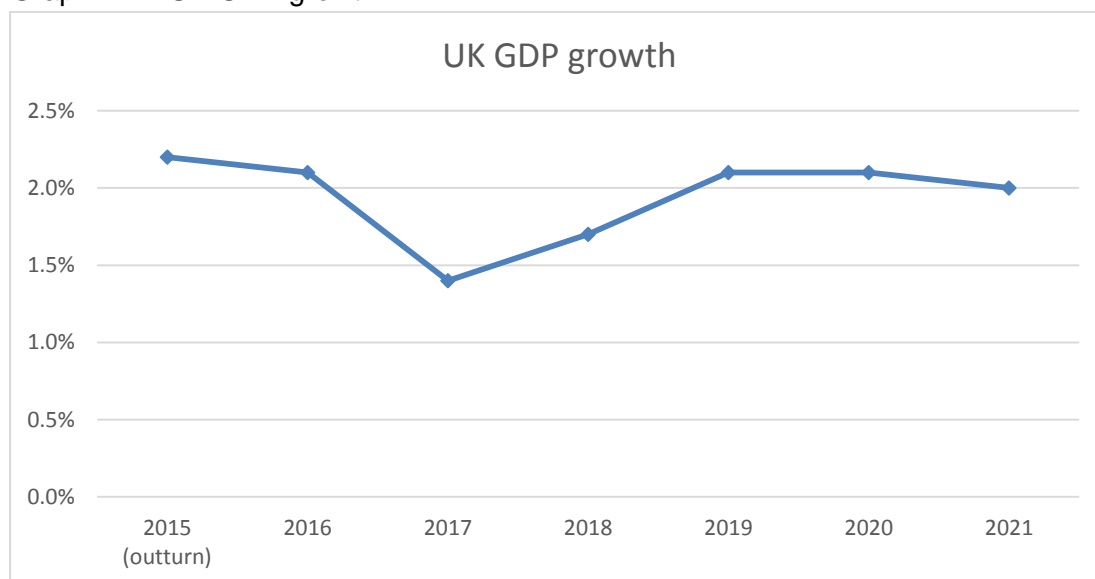
	Percentage of GDP						
	Outturn 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Cyclically adjusted current budget deficit	2.0	1.4	0.5	-0.1	-1.1	-1.5	-1.6
Public Sector Net Borrowing ¹	4.0	3.5	2.9	2.2	1.0	0.9	0.7
Public Sector Net Debt	84.2	87.3	90.2	89.7	88.0	84.8	81.6

¹ Excluding Royal Mail and APF Transfers

Source: Office for Budget Responsibility, *Economic and Fiscal Outlook November 2016*

A.2.4. Graph A2:1 shows the OBR's growth figures for the next five years. OBR's forecast for growth in 2017 falls to 2.1% however, growth is then expected to rise year on year until 2019, when it will become more stable. This immediate predicted fall in growth is based on lower consumption caused by higher inflation weighing on household incomes and post-referendum uncertainty. This is somewhat offset by the growth anticipated as a result of the Chancellor's loosening of fiscal targets as announced in the Autumn Statement. From 2018 onwards, growth is expected to rise again as business investment and consumer spending increase while inflation eases.

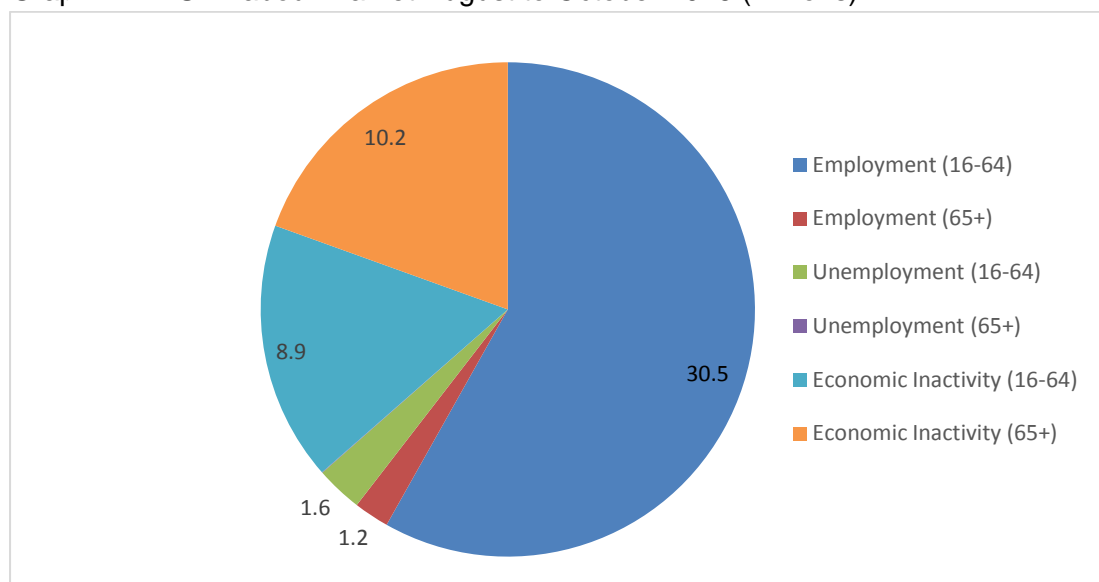
Graph A2:1 UK GDP growth:



Source: Office for Budget Responsibility, *Economic and Fiscal Outlook November 2016*

A.2.5. National unemployment is continuing to decline. For the period August and October 2016, compared with the same period in 2015, the number of people in employment increased by 342,000 to 31.8 million. Meanwhile, the number of unemployed people fell by 103,000 to 1.6 million and the number of people aged from 16 to 64 not in the labour force fell by 56,000 to 9 million. In the third quarter of 2016, the unemployment rate currently stood at 4.8% of the labour force, but the OBR predicts that while GDP growth is slow, this will rise again in 2017 and reach 5.5% by the end of 2018.

Graph A2:2: UK Labour Market August to October 2016 (millions)

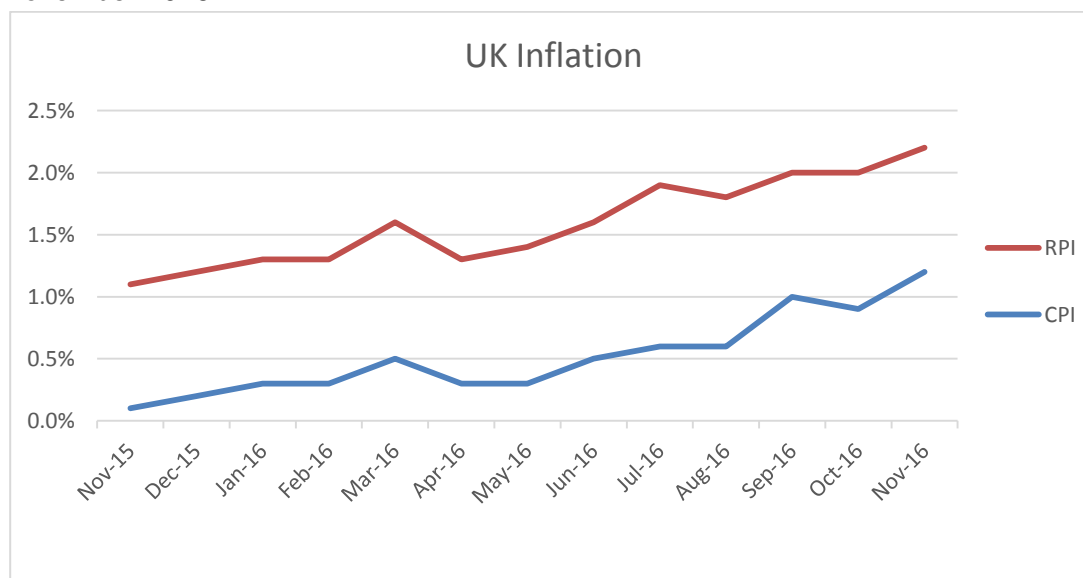


Source: Office for National Statistics, *UK Labour Market Dec 2016*

A.2.6. Graph A2:3 shows UK Consumer Price Index (CPI) and Retail Price Index (RPI) inflation between November 2015 and November 2016. In the year to November 2016, CPI rose by 1.2%, compared to a rise of 0.9% in the year to October. This rate of 1.2% is the highest since October 2014 when it began falling to remain at or

around 0 for much of 2015 and 2016. The rise in CPI is caused by the increase in price of most goods, with the notable exceptions of food and non-alcoholic beverages.

Graph A2:3: UK annual inflationary measures of CPI and RPI between November 2015 and November 2016.



Source: Office for National Statistics, Consumer Price Inflation November 2016

- 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 remained until August 2016, when it was cut again to 0.25%, an all-time low. The base rate is expected to stay very low for the next five years, reaching just 0.9% by 2021.
- A.2.8. On 23 November 2016, the Chancellor of the Exchequer, Phillip Hammond, presented his Autumn Statement and Spending Review 2016. The main headlines from this were the downgrade of economic forecasts and the consequent downgrade in forecast living standards, and the abandoning of the aim to have a budget surplus by the end of the Parliament. The OBR have revised their projections for national income in 2020/21 down by £30 billion, the equivalent of £1,000 per household. The projected surplus in 2019-20 has now been turned into a £20 billion deficit.
- 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 in 2017;
 - *Spread economic growth through a devolution revolution*
New powers to be given to local authorities including the implementation 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 as soon as possible in the next Parliament and to maintain a surplus thereafter. 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
- continuation of the social care precept, allowing local authorities to raise the council tax in their area by up to 6% over the next three years above the existing threshold for use exclusively on adult social care.

A.2.11. The national economic outlook has changed significantly in the past year due to the change in leadership in government and the uncertainty surrounding the negotiation of a new relationship with the EU. Since the referendum GDP growth has lowered due to lower net inward migration and lower trend productivity growth. Inflation has also risen as the fall in the pound since the referendum pushes up import prices.

Government Grants				
	Current 2016/17 £'000	2017/18 £'000	Estimates 2018/19 £'000	2019/20 £'000
Adult Community Learning	2,287	2,207	2,196	2,130
Adult Social Care support grant	0	4,000	0	0
Surrey Area of Outstanding Natural Beauty	103	103	103	103
Asylum Seekers	3,300	3,300	3,300	3,300
Better care fund	25,000	25,000	25,000	26,500
Bikeability	221	213	212	206
Bus service operator grant	1,069	1,069	1,069	1,069
Business Rate cap grant	1,523	1,523	1,523	1,523
Business Rate retention Scheme	1,546	1,546	1,546	1,546
Care Act Implementation Funding	2,984	2,984	2,984	2,984
Dedicated School Grant	532,510	528,606	528,606	528,606
Dedicated School Grant - Corporate Allocation	3,493	3,493	3,493	3,493
Schools direct training grant	181	0	0	0
Education Funding Agency	13,891	11,086	11,086	11,086
Education Services Grant	9,319	3,781	2,781	0
Extended Rights to Travel	128	123	119	115
Sustainable Travel Grant	61	58	58	56
Fire Pension	9,396	8,151	11,456	10,603
Fire Revenue	80	80	80	80
Fire Joint Transport	302	289	287	276
Independent Living Fund	1,791	1,791	1,791	1,791
Health & Wellbeing	435	419	417	405
Mental Health Deprivation of Liberty	80	80	80	80
Mental Health Transformation Challenge Award	500	0	0	0
Music Grant, Surrey Arts	1,388	1,388	1,388	1,388
New Homes Bonus	6,221	5,055	2,430	1,970
New Homes Bonus returned funding	0	0	0	0
PE & Sport	2,334	2,185	2,185	2,185
Private Financing Initiative	11,045	19,022	16,702	16,702
Police & Crime Panel	61	59	58	57
Public health grant	38,452	37,504	36,529	35,579
Pupil Premium	17,572	17,498	17,498	17,498
Registration deaths	17	17	16	16
Remand Grant	32	32	32	32
Send Implementation	720	0	0	0
Woodland Officer	5	5	5	5
Sustainable Development Fund	30	30	30	30
SE Protected Landscape grants	36	36	36	36
Staying put	275	221	166	166
Troubled Families	972	972	972	972
Universal Infant school Meals	11,470	10,542	10,542	10,542
Youth Justice Board	696	696	696	696
Total Government Grants	701,526	695,164	687,472	683,826
From Appendix 4, Overall Subjective table:				
DSG	532,510	532,099	532,099	532,099
Gov Grants	169,016	163,065	155,373	151,727
Total	701,526	695,164	687,472	683,826

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		Overall			
		Current	Estimate		
		16/17	17/18	18/19	19/20
		£'000	£'000	£'000	£'000
Services					
Adults So	Adult Social Care	368,607	389,623	399,972	420,687
Public He	Public Health	324	324	324	324
Children,	Children, Schools & Families	197,657	201,082	195,563	194,244
Schools	Delegated Schools Budget	0	0	0	0
Environm	Environment & Infrastructure	124,598	126,497	128,790	134,390
Fire & res	Fire & Rescue Service	33,197	32,238	30,133	28,717
Customer	Customer & Communities	7,533	7,259	6,895	6,887
Legal, De	Legal, Democratic and Cultural services	17,976	19,109	16,990	16,958
Orbis	Orbis	38,045	37,405	34,649	33,852
Managed	Business Services - Managed services	42,493	41,944	43,010	44,328
	Organisational Leadership and				
Deputy Ci	Performance	9,390	8,866	8,627	8,568
Central is	Central Income & Expenditure	-814,997	-897,010	-890,798	-884,436
Draft Net Budget		24,823	-32,663	-25,846	4,518
Movements					
Open		3,698	24,823	-32,663	-25,846
Funding		13,988	-63,011	-3,965	-3,394
	Pay Inflation		4,800	3,605	3,545
	Non Pay inflation		19,024	19,364	19,530
	Demand		61,515	30,941	21,538
	Legislation		-19,990	-986	-49
	Market / Service Delivery		33,560	7,950	15,347
Pressures		88,203	98,908	60,874	59,911
		105,889	60,720	24,246	30,672
	Efficiency/ Service Transformation		-87,167	-47,965	-25,187
	Service reduction		-6,217	-2,127	-966
	Unidentified savings		0	0	0
Savings		-81,067	-93,384	-50,091	-26,154
Saving Proposals		0	0	0	0
Draft Net Budget		24,823	-32,663	-25,846	4,518
Subjective					
Council Tax		-614,903	-696,226	-714,831	-736,134
ASC precept		-11,829	-32,305	-55,077	-56,735
Bus Rates		-45,468	-48,300	-49,389	-50,503
Top up		-59,406	-60,567	-62,362	-47,093
RSG		-67,078	-28,000	-4,450	0
Trans Relief		-11,926	-12,175	0	0
DSG		-532,510	-532,099	-532,099	-532,099
Gov Grants		-169,016	-163,065	-155,373	-151,727
Partner Funding		-1,033	-926	-882	-874
Other Income		-147,994	-154,983	-159,909	-163,387
Funding		-1,661,164	-1,728,646	-1,734,372	-1,738,552
Expenditure		1,685,986	1,695,982	1,708,527	1,743,070
Draft Net Budget		24,823	-32,663	-25,846	4,518

Director for:**Adult Social Care**

	Current	Estimate		
	16/17	17/18	18/19	19/20
	£'000	£'000	£'000	£'000
Services				
Adult Social Care	368,607	389,623	399,972	420,687
Draft Net Budget	368,607	389,623	399,972	420,687
Movements				
Open	371,800	368,607	389,623	399,972
Funding	-4,139	-2,589	-2,270	-1,837
Pay Inflation	574	1,957	474	439
Non Pay inflation	7,014	7,737	7,535	7,649
Demand	23,623	22,149	20,887	20,640
Legislation	702	-500	0	0
Market / Service Delivery	24,365	17,824	3,701	3,787
Pressures	56,277	49,166	32,597	32,515
Efficiency/ Service Transformation	-55,332	-25,561	-19,978	-9,963
Service reduction	0	0	0	0
Unidentified savings	0	0	0	0
Savings	-55,332	-25,561	-19,978	-9,963
Draft Net Budget	368,607	389,623	399,972	420,687
Subjective				
Gov Grants	-580	-80	-80	-80
Other Income	-60,351	-63,439	-65,710	-67,547
Funding	-60,931	-63,520	-65,790	-67,627
Expenditure	429,538	453,142	465,762	488,313
Draft Net Budget	368,607	389,623	399,972	420,687

Director for:**Public Health**

	Current	Estimate		
	16/17	17/18	18/19	19/20
	£'000	£'000	£'000	£'000
Services				
Public Health	324	324	324	324
Draft Net Budget	324	324	324	324
Movements				
Open	324	324	324	324
Funding	3,085	948	975	950
Pay Inflation	0	45	45	46
Non Pay inflation	0	18	19	19
Market / Service Delivery	-2,735	666	-1,039	-1,015
Pressures	-2,735	729	-975	-950
Efficiency/ Service Transformation	-350	-1,677	0	0
Service reduction	0	0	0	0
Unidentified savings	0	0	0	0
Savings	-350	-1,677	0	0
Draft Net Budget	324	324	324	324
Subjective				
Gov Grants	-38,452	-37,504	-36,529	-35,579
Other Income	0	0	0	0
Funding	-38,452	-37,504	-36,529	-35,579
Expenditure	38,776	37,828	36,853	35,903
Draft Net Budget	324	324	324	324

Director for:**Children, Schools & Families**

	Current	Estimate		
	16/17	17/18	18/19	19/20
	£'000	£'000	£'000	£'000
Services				
Children's Services	96,761	105,947	105,024	102,883
Schools & SEND	63,037	61,164	61,022	61,873
Commissioning and Prevention	37,859	33,971	29,517	29,488
Draft Net Budget	197,657	201,082	195,563	194,244
Movements				
Open	178,411	197,657	201,082	195,563
Funding	0	-17,940	0	0
Pay Inflation	1,800	1,700	2,000	2,001
Non Pay inflation	4,498	4,600	5,000	5,000
Demand	10,340	22,345	4,100	1,400
Legislation	6,047	17,460	-1,000	0
Market / Service Delivery	7,361	390	-450	0
Pressures	30,046	46,495	9,650	8,401
Efficiency/ Service Transformation	-9,100	-21,430	-15,169	-9,720
Service reduction	-1,700	-3,700	0	0
Unidentified savings	0	0	0	0
Savings	-10,800	-25,130	-15,169	-9,720
Draft Net Budget	197,657	201,082	195,563	194,244
Subjective				
DSG	-119,131	-137,071	-137,071	-137,071
Gov Grants	-6,293	-6,288	-6,284	-6,280
Other Income	-42,232	-42,381	-42,940	-43,511
Funding	-167,656	-185,740	-186,295	-186,862
Expenditure	365,313	386,822	381,858	381,106
Draft Net Budget	197,657	201,082	195,563	194,244

Director for:

Delegated Schools Budget

	Current	Estimate		
	16/17	17/18	18/19	19/20
	£'000	£'000	£'000	£'000
Services				
Delegated Schools Budget	0	0	0	0
Draft Net Budget	0	0	0	0
Movements				
Open	0	0	0	0
Funding	11,376	25,981	0	0
Demand	0	11,576	0	0
Legislation	0	-36,868	0	0
Market / Service Delivery	-11,376	-689	0	0
Pressures	-11,376	-25,981	0	0
Savings	0	0	0	0
Draft Net Budget	0	0	0	0
Subjective				
DSG	-413,379	-391,535	-391,535	-391,535
Gov Grants	-44,283	-40,146	-40,146	-40,146
Funding	-457,662	-431,681	-431,681	-431,681
Expenditure	457,662	431,681	431,681	431,681
Draft Net Budget	0	0	0	0

Director for:**Environment & Infrastructure**

	Current	Estimate		
	16/17	17/18	18/19	19/20
	£'000	£'000	£'000	£'000
Services				
Environment & Planning	79,721	81,380	84,138	89,416
Highways & Transport	44,375	44,627	44,174	44,509
Emergency Management	502	490	478	465
Draft Net Budget	124,598	126,497	128,790	134,390
Movements				
Open	124,601	124,598	126,497	128,790
Funding	1,666	-291	-307	-268
Pay Inflation	439	446	454	461
Non Pay inflation	3,799	4,127	4,205	4,171
Demand	8,934	5,345	5,954	-502
Legislation	970	0	0	0
Market / Service Delivery	-10,240	1,589	-2,586	3,597
Pressures	3,902	11,507	8,027	7,727
Efficiency/ Service Transformation	-4,621	-7,417	-3,766	-893
Service reduction	-950	-1,900	-1,661	-966
Unidentified savings	0	0	0	0
Savings	-5,571	-9,317	-5,427	-1,859
Draft Net Budget	124,598	126,497	128,790	134,390
Subjective				
Gov Grants	-1,525	-1,514	-1,513	-1,505
Other Income	-12,604	-12,926	-13,254	-13,550
Funding	-14,129	-14,440	-14,767	-15,055
Expenditure	138,727	140,937	143,557	149,445
Draft Net Budget	124,598	126,497	128,790	134,390

Director for: Fire & Rescue Service

	Current 16/17 £'000	17/18 £'000	Estimate 18/19 £'000	19/20 £'000
Services				
Surrey Fire & Rescue Service	33,197	32,238	30,133	28,717
Draft Net Budget	33,197	32,238	30,133	28,717
Movements				
Open	34,883	33,197	32,238	30,133
Funding	-1,480	2,707	-3,327	826
Pay Inflation	0	0	0	0
Non Pay inflation	514	517	515	537
Demand	0	0	0	0
Legislation	-640	-13	0	0
Market / Service Delivery	1,220	-1,000	3,207	-979
Pressures	1,094	-496	3,722	-442
Efficiency/ Service Transformation	-1,300	-3,170	-2,500	-1,800
Service reduction	0	0	0	0
Unidentified savings	0	0	0	0
Savings	-1,300	-3,170	-2,500	-1,800
Draft Net Budget	33,197	32,238	30,133	28,717
Subjective				
Gov Grants	-9,778	-8,520	-11,823	-10,959
Other Income	-3,794	-3,502	-3,526	-3,564
Funding	-13,572	-12,022	-15,349	-14,523
Expenditure	46,769	44,260	45,482	43,240
Draft Net Budget	33,197	32,238	30,133	28,717

Director for:**Customer & Communities**

	Current	Estimate		
	16/17	17/18	18/19	19/20
	£'000	£'000	£'000	£'000
Services				
Coroner	1,775	1,740	1,716	1,730
Community Partnership & Safety	2,833	2,731	2,500	2,504
Trading Standards	2,006	1,923	1,842	1,826
CC Directorate Support	919	865	837	827
Draft Net Budget	7,533	7,259	6,895	6,887
Movements				
Open	7,116	7,533	7,259	6,895
Funding	-78	-39	-26	-14
Pay Inflation	0	0	0	0
Non Pay inflation	112	129	138	136
Demand	0	0	0	0
Legislation	543	0	0	0
Market / Service Delivery	110	57	26	2
Pressures	765	186	164	138
Efficiency/ Service Transformation	-270	-316	-266	-132
Service reduction	0	-105	-236	0
Unidentified savings	0	0	0	0
Savings	-270	-421	-502	-132
Draft Net Budget	7,533	7,259	6,895	6,887
Subjective				
Gov Grants	0	0	0	0
Partner Funding	-1,033	-926	-882	-874
Other Income	-932	-1,107	-1,239	-1,282
Funding	-1,965	-2,033	-2,121	-2,156
Expenditure	9,498	9,292	9,016	9,043
Draft Net Budget	7,533	7,259	6,895	6,887

Director for:**Legal, Democratic and Cultural services**

	Current	Estimate		
	16/17	17/18	18/19	19/20
	£'000	£'000	£'000	£'000
Services				
Legal Services	3,915	3,962	3,884	3,909
Democratic Services	4,500	5,851	4,535	4,552
Cultural Services	9,560	9,296	8,571	8,497
Draft Net Budget	17,975	19,109	16,990	16,958
Movements				
Open	18,362	17,976	19,109	16,990
Funding	-230	-77	-147	-97
Pay Inflation	0	0	0	0
Non Pay inflation	469	510	516	519
Demand	0	100	0	0
Legislation	286	-80	-12	-66
Market / Service Delivery	-94	1,331	-1,334	1
Pressures	661	1,861	-830	454
Efficiency/ Service Transformation	-818	-283	-1,042	-389
Service reduction	0	-367	-100	0
Unidentified savings	0	0	0	0
Savings	-818	-650	-1,142	-389
Draft Net Budget	17,976	19,109	16,990	16,958
Subjective				
Gov Grants	-3,753	-3,671	-3,658	-3,591
Other Income	-9,928	-10,087	-10,247	-10,411
Funding	-13,681	-13,758	-13,905	-14,002
Expenditure	31,656	32,867	30,895	30,960
Draft Net Budget	17,976	19,109	16,990	16,958

Director for:**Orbis (70% Contribution)**

	Current	Estimate		
	16/17	17/18	18/19	19/20
	£'000	£'000	£'000	£'000
Services				
Orbis (70% contribution)	38,045	37,405	34,649	33,852
Draft Net Budget	38,045	37,405	34,649	33,852
Movements				
Prior year position	49,490	53,105	50,529	47,602
Funding	-152	-151	-154	-157
Pay Inflation	874	867	828	784
Non Pay inflation	79	107	110	111
Demand	0	0	0	0
Legislation	1,247	0	0	0
Market / Service Delivery	2,794	220	140	0
Pressures	4,994	1,194	1,078	895
Efficiency/ Service Transformation	-1,227	-3,619	-3,851	0
Service reduction	0	0	0	0
Unidentified savings	0	0	0	0
Savings	-1,227	-3,619	-3,851	0
Draft Net Combined Budget	53,105	50,529	47,602	48,340
Subjective				
ESCC Contribution	15,916	15,144	14,267	14,488
SCC Contribution	37,189	35,385	33,335	33,852
Draft Net Combined Budget	53,105	50,529	47,602	48,340
SCC Contribution	37,189	35,385	33,335	33,852
SCC Investment	856	2,020	1,314	
Expenditure	38,045	37,405	34,649	33,852
Draft Net Budget	38,045	37,405	34,649	33,852

Director for:**Business Services - Managed Budgets**

	Current	Estimate		
	16/17	17/18	18/19	19/20
	£'000	£'000	£'000	£'000
Services				
Human Resources and Organisation	4,590	4,256	4,339	4,424
Technology	12,461	12,365	12,510	12,764
Property	21,266	21,423	22,125	23,015
Procurement	853	868	884	900
Business Operations	227	237	247	257
Finance	3,096	2,795	2,905	2,968
Draft Net Budget	42,493	41,944	43,010	44,328
Movements				
Open	43,634	42,493	41,944	43,010
Funding	23	-38	12	-22
Pay Inflation	24	24	25	25
Non Pay inflation	1,370	1,184	1,237	1,293
Demand	0	0	0	0
Legislation	90	0	0	0
Market / Service Delivery	21	515	38	22
Pressures	1,505	1,723	1,300	1,340
Efficiency/ Service Transformation	-2,669	-2,234	-246	0
Service reduction	0	0	0	0
Unidentified savings	0	0	0	0
Savings	-2,669	-2,234	-246	0
Draft Net Budget	42,493	41,944	43,010	44,328
Subjective				
Gov Grants	0	0	0	0
Other Income	-10,524	-10,683	-10,796	-10,996
Funding	-10,524	-10,683	-10,796	-10,996
Expenditure	53,017	52,627	53,806	55,324
Draft Net Budget	42,493	41,944	43,010	44,328

Director for:**Organisational Leadership and Performance**

	Current	Estimate		
	16/17	17/18	18/19	19/20
	£'000	£'000	£'000	£'000
Services				
Strategy & Performance	2,891	2,711	2,677	2,639
Strategic Leadership	1,009	915	931	948
Communications	1,997	1,870	1,757	1,742
Customer Services	3,493	3,370	3,262	3,239
Draft Net Budget	9,390	8,866	8,627	8,568
Movements				
Open	9,341	9,390	8,866	8,627
Funding	346	9	-6	4
Pay Inflation	0	0	0	0
Non Pay inflation	140	147	149	152
Demand	0	0	0	0
Legislation	-260	-16	-2	-12
Market / Service Delivery	-16	0	1	0
Pressures	-136	131	148	140
Efficiency/ Service Transformation	-161	-520	-252	-204
Service reduction	0	-145	-130	0
Unidentified savings	0	0	0	0
Savings	-161	-665	-382	-204
Draft Net Budget	9,390	8,866	8,627	8,568
Subjective				
Gov Grants	-435	-419	-417	-405
Other Income	-480	-487	-494	-502
Funding	-915	-906	-911	-907
Expenditure	10,305	9,772	9,538	9,474
Draft Net Budget	9,390	8,866	8,627	8,568

Director for: Central Income & Expenditure

	Current 16/17 £'000	17/18 £'000	Estimate 18/19 £'000	19/20 £'000
Services				
Central Income & Expenditure	-814,997	-897,010	-896,036	-896,439
Additional pressures	0	0	5,238	12,003
Draft Net Budget	-814,997	-897,010	-890,798	-884,436

Movements

Open	-818,753	-814,997	-897,010	-890,798
Funding	4,729	-71,576	1,238	-2,826
Pay Inflation	0	0	0	0
Non Pay inflation	0	0	0	0
Demand	0	0	0	0
Legislation	-27	27	28	29
Market / Service Delivery	1,992	11,551	7,218	11,246
Pressures	1,964	11,579	7,247	11,275
Efficiency/ Service Transformation	-2,937	-22,016	-2,273	-2,086
Service reduction	0	0	0	0
Unidentified savings	0	0	0	0
Savings	-2,937	-22,016	-2,273	-2,086
Draft Net Budget	-814,997	-897,010	-890,798	-884,436

Subjective

Council Tax	-614,903	-696,226	-714,831	-736,134
ASC precept	-11,829	-32,305	-55,077	-56,735
Bus Rates	-45,468	-48,300	-49,389	-50,503
Top up	-59,406	-60,567	-62,362	-47,093
RSG	-67,078	-28,000	-4,450	0
Trans Relief	-11,926	-12,175	0	0
DSG	0	-3,493	-3,493	-3,493
Gov Grants	-63,917	-64,923	-54,923	-53,182
Other Income	-495	-3,610	-4,836	-5,047
Funding	-875,022	-949,598	-949,360	-952,186
Expenditure	60,025	52,588	58,562	67,751
Draft Net Budget	-814,997	-897,010	-890,798	-884,436

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Capital Programme 2017 to 2020

Scheme	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Adult Social Care				
Major Adaptations	800	800	800	2,400
In-house capital improvement schemes	100	100	100	300
Adult Social Care	900	900	900	2,700
Children, Schools & Families				
Schools devolved formula capital	1,606	1,606	1,606	4,818
Foster carer grants	300	300	300	900
Adaptations for children with disabilities	299	299	299	897
Children, Schools & Families	2,205	2,205	2,205	6,615
Community Partnership & Safety: Local Committee Allocations	385	385	385	1,155
Surrey Fire & Rescue Service				
Fire-Vehicle & Equipment Replacement	2,835	1,120	926	4,881
Fire Joint Transport Project	4,800	0	0	4,800
Surrey Fire & Rescue Service	7,635	1,120	926	9,681
Highways & Transport				
Highway maintenance	14,099	14,774	13,116	41,989
Bridge strengthening	3,215	2,510	2,229	7,954
Flooding & drainage	1,715	1,339	1,189	4,243
Local transport schemes	3,000	400	400	3,800
Safety barriers	1,179	920	817	2,916
Traffic signal replacement	1,286	1,004	891	3,181
Highways Vehicle Replacement	214	167	0	381
Strategic Economic Plan Schemes	22,715	6,427	1,170	30,312
National Productivity Investment Fund	3,451	3,451	3,451	10,353
Flood resilience schemes	536	418	371	1,325
River Thames scheme	500	500	500	1,500
Developer funded schemes	1,200	1,200	1,200	3,600
Highways & Transport	53,110	33,110	25,334	111,554
Environment & Planning				
Maintenance at closed landfill sites	100	100	0	200
Rights of way and byways	85	85	85	255
Road safety schemes	200	200	200	600
Secondary Shopping Areas	750	750	750	2,250
Developer funded schemes	400	400	400	1,200
Cross Directorate CIL schemes	909	1,488	1,796	4,193
Environment & Planning	2,444	3,023	3,231	8,698

Business ServicesRecurring programmes:

Schools capital maint, inc.childrens centres & DDA	12,080	12,080	12,080	36,240
Carbon reduction – Corporate	1,300	1,300	1,300	3,900
Fire risk assessments/minor works/DDA	700	687	600	1,987
Non schools structural maintenance	6,300	6,300	6,295	18,895
Recurring programmes	20,380	20,367	20,275	61,022

Projects:

Fire Station reconfiguration	4,064	1,589	0	5,653
Replace aged demountables	1,200	0	0	1,200
SEN strategy	4,804	1,443	0	6,247
SEND (2 special schools)	0	750	8,750	9,500
Land acquisition for waste	3,667	0	0	3,667
Projects to enhance income	1,200	450	0	1,650
Regeneration projects	868	0	0	868
Projects to reprovision and deliver capital receipts	1,010	0	0	1,010
Reigate Priory School	360	0	0	360
Cranleigh Schools	6,000	3,700	300	10,000
Lindon Farm Autism Unit - ASC	4,000	1,764	0	5,764
Winter Maintenance Depots (Salt Barns)	2,118	1,392	0	3,510
Horley Library	1,000	0	0	1,000
Short Stay Schools	2,161	0	0	2,161

Projects	32,452	11,088	9,050	52,590
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Schools Basic Need	72,229	55,474	13,070	140,773
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IT Equipment Replacement Reserve	1,300	1,000	1,500	3,800
IT Project Investment	2,500	2,500	2,500	7,500
Other IMT projects	84	420	883	1,387

Information Management & Technology	3,884	3,920	4,883	12,687
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Business Services	128,945	90,849	47,278	267,072
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Legal & Democratic services: Community

Buildings Grant scheme	150	150	150	450
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Chief Executive's Office	150	150	150	450
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Total Capital Programme	195,774	131,742	80,409	407,925
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Reserves & balances policy statement

Introduction

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

Statutory position

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

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

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

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

Purpose of balances and reserves

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

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

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

Level of balances and reserves

A.6.8. In recent years it has been considered prudent to maintain a minimum level of available general balances of between 2.0% to 2.5% of the sum of council tax plus settlement funding, i.e. between £16m to £20m. This is normally sufficient to cover unforeseen circumstances and the risk of higher than expected inflation. The council brought forward £21.3 m general balances at 1 April 2016. The council has applied none of this to support the 2016/17 budget. Going into 2017/18 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 2017/18.

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 2017/18 recommends holding general balances of £21.3m.

Proposed policy for 2017/18

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 1 Apr 16 £m	Forecast balance at 31 Mar 17 £m	Proposed use to support 2017/18 budget £m	Forecast balance at 1 Apr 16 £m
Revolving Infrastructure & Investment Fund	21.1	11.1		11.1
Budget Equalisation Reserve	13.1	11.7	-5.8	5.9
Eco Park Sinking Fund	11.7	4.4		4.4
Insurance Reserve	11.9	7.7		7.7
Investment Renewals Reserve	8.8	2.1		2.1
General Capital Reserve	5.2	5.2		5.2
Street lighting PFI Reserve	5.1	4.4		4.4
Vehicle Replacement Reserve	3.9	0.0		0.0
Economic Downturn Reserve	9.2	9.2		9.2
Public Health Reserve	2.7	0.0		0.0
Economic Prosperity Reserve	2.5	2.5		2.5
Equipment Replacement Reserve	2.1	4.0		4.0
Child Protection Reserve	1.1	0.0		0.0
Business Rate Appeals Reserve	1.3	1.3		1.3
Pension Stabilisation Reserve	1.1	0.0		0.0
Interest Rate Reserve	1.0	1.0		1.0
Earmarked Reserves	101.8	64.6	-5.8	58.8
 General Fund Balance	 21.3	 21.3	 0.0	 21.3

Purpose of earmarked reserves

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

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

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

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

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 was set up to fund the costs until 2015/16, when the base budget will be increased to cover these costs. The balance has been fully utilised in 16/17.

Public Health Reserve held the carry forward of previous years' unspent Public Health Grant 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 2017/18.

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

- A.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

- A.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

- A.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

- A.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

- A.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

- A.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.
- A.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

- A.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.

- A.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

A.9.1. Table 9.1 sets out actual and estimated capital expenditure and its funding for 2015/16 to 2019/20. This prudential indicator is a summary of the Council's annual capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Actual and estimates of capital expenditure are set out for the previous, current and future years.

Table 9.1: Actual and estimated capital expenditure 2015/16 - 2019/20

	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Projected	← ----- Estimated ----- →		
	£m	£m	£m	£m	£m
Capital programme expenditure	174.7	143.3	195.7	131.8	80.4
Financed by:					
Government grants	94.5	89.8	120.7	85.1	67.3
Revenue, reserves and third party contributions	19.8	15.9	24.7	10.0	5.7
Net financing need for the year*	60.4	37.6	50.3	36.7	7.4

*Capital expenditure to be met by borrowing.

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

A.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).

A.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.

A.9.4. The CFR includes any other long term liabilities, e.g., PFI schemes and 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.

A.9.5. In addition to the capital programme, the Council invests in opportunities identified as part of the long term capital strategy. These investments form part of the CFR and increase the Council's underlying need to borrowing, however, they do not create a pressure on the revenue interest paid or MRP budgets as they are funded from the investment returns of such investments.

Table 9.2: Capital financing requirement (CFR) 2015/16 to 2019/20

	2015/16 Actual £m	2016/17 Projected £m	2017/18 ← ----- Estimated ----- → £m	2018/19 £m	2019/20 £m
Opening CFR	781.6	903.8	1,084.0	1,143.7	1,154.7
MRP	-30.6	-18.0	-20.8	-23.1	-24.7
PFI* and Finance Leases	29.9	47.1	-3.0	-19.8	-18.7
Net Financing Need	60.4	37.6	50.3	36.7	7.4
Long term capital strategy spend	62.5	113.5	33.2	17.2	6.1
Closing CFR	903.8	1,084.0	1,143.7	1,154.7	1,124.8
Total CFR Movement	122.2	180.2	59.7	11.0	-29.9

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

The Council's gross borrowing requirement

A.9.6. 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 2015/16 to 2019/20

	2015/16 Actual £m	2016/17 Projected £m	2017/18 ← ----- Estimated ----- → £m	2018/19 £m	2019/20 £m
External Debt	429.3	429.3	429.3	429.3	429.3
CFR	903.8	1,084.0	1,143.7	1,154.7	1,124.8

The Council's operational boundary

A.9.7. 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 2015/16 to 2019/20

	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Projected	← - - - - - Estimated - - - - - →		
	£m	£m	£m	£m	£m
Borrowing	448.4	490.2	511.8	509.6	481.4
Other long term liabilities	160.5	186.7	182.5	162.7	144.1
Total	608.9	676.9	694.3	672.3	625.5
External debt	429.3	429.3	429.3	429.3	429.3

The Council's authorised limit

A.9.8. 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 2015/16 to 2019/20

	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Projected	← - - - - - Estimated - - - - - →		
	£m	£m	£m	£m	£m
Borrowing	722.4	741.4	1,091.5	1,092.8	1,021.4
Other long term liabilities	160.5	186.7	182.5	162.7	144.1
Total	882.9	928.1	1,274.0	1,255.5	1,165.5
External debt	429.3	429.3	429.3	429.3	429.3

Ratio of financing costs to net revenue stream

A.9.9. 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

	2016/17	2017/18	2018/19	2019/20
	Projected	← - - - - - Estimated - - - - - →		
Ratio of financing costs to net revenue stream	1.15%	1.32%	1.47%	1.57%

Incremental impact of capital investment decisions on Council Tax 2017/18 to 2019/20

A.9.10. 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 three-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 2017/18 to 2019/20

	2017/18	2018/19	2019/20
Band D Council Tax	£1.79	£8.04	£11.64

A.9.11. These prudential indicators show the full revenue costs of the proposed capital programme and do not reflect the impact of the current internal borrowing strategy which has the effect of reducing the actual finance costs as the external borrowing entered into is reduced.¹

A.9.12. The revenue implications of potential, yet to be identified, investment opportunities that meet the Council's long term capital strategy criteria, will be funded from the investment returns of such investments. If there is a delay in the realisation of sufficient returns then costs will be funded from the Council's Revolving Infrastructure & Investment Fund.

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

Global economic outlook and the UK economy

- A.10.1. The medium term outlook for the UK economy is dominated by the negotiations to leave the European Union. The long-term position of the UK economy will be largely dependent on the agreements the Government is able to secure with the EU and other countries.
- A.10.2. The global environment is also riddled with uncertainty, with repercussions for financial market volatility and long-term interest rates. Donald Trump's victory in the US general election and Brexit are symptomatic of the popular disaffection with globalisation trends. The potential rise in protectionism could dampen global growth prospects and therefore inflation. Financial market volatility will remain the norm for some time.
- A.10.3. However, following significant global fiscal and monetary stimulus, the short-term outlook for the global economy is somewhat brighter than earlier in the year. US fiscal stimulus is also a possibility following Trump's victory.
- A.10.4. Recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.
- A.10.5. Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.
- A.10.6. The currency-led rise in CPI inflation (currently 1.6% December 2016) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.
- A.10.7. The depreciation in Sterling will, however, assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand. Export volumes will increase marginally.
- A.10.8. Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.
- A.10.9. Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely.
- A.10.10. Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.
- A.10.11. The likely path for the Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.

A.10.12. Gilt yields have risen since the US presidential election, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

Treasury management scheme of delegation

Full Council

A.11.1. Approval of annual strategy.

Audit & Governance Committee

A.11.2. Receiving and reviewing monitoring report and outturn report.

Director of Finance

A.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.

Annual Minimum Revenue Provision (MRP) policy statement 2017-18

- A.12.1. 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.
- A.12.2. The Secretary of State under section 21(1A) of the Local Government Act 2003 issued guidance on the calculation of MRP in February 2008, 2008/09 was the first year of operation. Following a review, changes have been made to the method adopted to calculate the MRP from 2016/17 onwards. The Council has assessed the Minimum Revenue Provision and are satisfied that the guidelines for their annual amount of MRP set out within this policy statement will result in their making the prudent provision that is required by the guidance.
- A.12.3. Where capital expenditure was incurred before 1 April 2008, MRP will be charged by writing down the remaining Capital Financing Requirement relating to this period over the next 50 years. For capital expenditure incurred on or after 1 April 2008 and funded through borrowing, the Council will calculate MRP using the asset life annuity method. MRP will be based on the estimated life of the assets purchased from unsupported borrowing.
- A.12.4. In accordance with provisions in the guidance, MRP will be first charged in the year following the date that an asset becomes operational.
- A.12.5. 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.
- A.12.6. 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.
- A.12.7. The Council reserves the right to determine alternative MRP approaches where material in particular cases, in the interests of making prudent provision. Officers will take account of local circumstances, including specific project timetables and revenue-earning profiles.
- A.12.8. Each year a new MRP statement will be presented.

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SURREY COUNTY COUNCIL**CABINET****DATE: 31 JANUARY 2017****REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE****LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE****SUBJECT: LEADERSHIP RISK REGISTER****SUMMARY OF ISSUE:**

The Surrey County Council Leadership risk register is presented to Cabinet each quarter and this report presents the Leadership risk register as at 30 November 2016.

RECOMMENDATIONS:

It is recommended that the Cabinet note the content of the Surrey County Council Leadership risk register (Annex 1) and endorse the control actions put in place by the Statutory Responsibilities Network.

REASON FOR RECOMMENDATIONS:

To enable the Cabinet to keep Surrey County Council's strategic risks under review and to ensure that appropriate action is being taken to mitigate risks to a tolerable level in the most effective way.

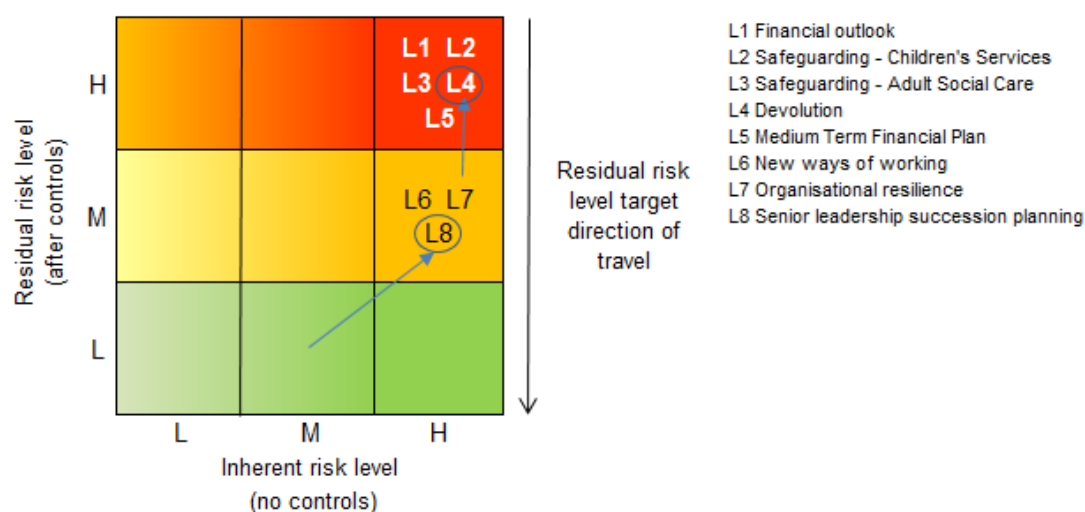
LEADERSHIP RISK REGISTER:

1. The Surrey County Council Leadership risk register (Annex 1) is owned by the Chief Executive and captures Surrey County Council's key strategic risks. The risk register focuses specifically on the strategic risks that have the potential to significantly destabilise the organisation.
2. The role of the Cabinet is to assure itself that Surrey County Council's strategic risks are captured on the risk register and that appropriate actions are being taken to effectively mitigate the risks to a tolerable level.
3. The Leadership risk register is reviewed monthly by the Statutory Responsibilities Network, bi-monthly by the Strategic Risk Forum and the Audit and Governance Committee at each meeting.
4. Scrutiny Boards continue to give further consideration to risk through reviewing directorate and service risk registers.

5. Since the risk register was last presented to the Cabinet in October 2016, risk levels have been increased on the following risks:
 - Devolution (L4) – the residual risk level has been increased from medium to high; and
 - Senior Leadership Succession Planning (L8) – the inherent risk level has been increased from medium to high and the residual risk level has been increased from low to medium.
6. Updates have also been made to the following risks:
 - Financial Outlook (L1) – risk description, processes and controls updated to further reflect the financial position;
 - Safeguarding – Children’s Services (L2) and Safeguarding – Adult Social Care (L3) – processes updated;
 - Devolution (L4) – changes to risk description to broaden the scope of the risk, updates to processes and controls;
 - Medium Term Financial Plan (L5) – updates to the processes to reflect changes and communication regarding the financial position; and
 - Organisational Resilience (L7) – additional processes specifically related to information governance.

Residual risk level

7. The Surrey County Council Leadership risk register includes both the inherent and residual risk levels for each risk. Inherent risk is the level of risk before any control activities are applied. The residual risk level takes into account the controls that are already in place or are being put in place, detailed on the risk register as both ‘processes in place’ and ‘controls.’
8. There are eight risks on the Leadership risk register and following the recent changes to some risk level, all the risks now have high inherent risk levels, as illustrated in the table below. Despite mitigating actions, five of these risks have a high residual risk level (L1,L2,L3,L4,L5) and three risks have a medium residual risk level (L6,L7,L8): showing the significant level of risk that the council is facing despite the processes and controls being put in place to manage the risks.



CONSULTATION:

9. The Surrey County Council Leadership risk register has been reviewed by a number of senior officer groups and the Audit and Governance Committee.

RISK MANAGEMENT AND IMPLICATIONS:

10. Effective management of risks and financial controls supports the council to meet its objectives and enable value for money.

Financial and Value for Money Implications

11. There are no direct financial implications relating to the Surrey County Council Leadership risk register.

Section 151 Officer Commentary

12. The Section 151 Officer is well sighted of current and emerging risks through being chair of the Strategic Risk Forum, a member of the Statutory Responsibilities Network and a direct report to the Chief Executive. Her attendance at key strategic meetings provides further insight and ensures an integrated risk approach.

Legal Implications – Monitoring Officer

13. There are no direct legal implications relating to the Surrey County Council Leadership risk register.

Equalities and Diversity

14. There are no direct equalities implications but any actions taken need to be consistent with the council's policies and procedures.

WHAT HAPPENS NEXT:

15. The Surrey County Council Leadership risk register is presented to the Cabinet on a quarterly basis.

Contact Officer:

Rawdon Phillips, Risk Manager
Tel: 01273 481593

Consulted:

Strategic Risk Forum, Statutory Responsibilities Network, Chief Executive and direct reports, Audit and Governance Committee, Cabinet

Annexes:

Annex 1 – Leadership risk register

Sources/background papers:

None

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Leadership risk register as at 30 November 2016 (covers rolling 12 months)

Owner: David McNulty

Strategic risks – have the potential to significantly disrupt or destroy the organisation

Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place (ie the 'how' risks are being mitigated)	Controls (i.e. decisions needed)	Lead risk owner	Residual risk level (after existing controls)
L1	CSF7 EAI1 FN1 ORB10	Financial outlook Lack of funding, due to constraints in the ability to raise local funding and/or distribution of funding, results in significant adverse long term consequences for sustainability and service reductions leading to significant implications for residents.	High	<ul style="list-style-type: none"> Structured approach to ensuring Government understands the council's Council Tax strategy and unsustainable impact of current funding mechanism. Targeted focus with Government to secure a greater share of funding for specific demand led pressures (in particular Adult Social Care). Proactive engagement with Government departments to influence Government policy changes (especially relative needs assessment, 100% business rate retention strategy and Better Care Fund). Continued horizon scanning of the financial implications of existing and future Government policy changes. Development of alternative / new sources of funding (e.g. bidding for grants). <p>Notwithstanding actions above, there is a significant risk of Central Government policy changes /austerity measures due to changes in ministerial responsibilities impacting on the council's long term financial sustainability.</p>	<ul style="list-style-type: none"> Members make decisions to stop new spending, reduce spending and or generate alternative sources of funding, where necessary, in a timely manner. Officers unable to recommend MTFP unless a credible sustainable budget is proposed. Members proactively take the opportunities to influence central Government. Officers continue to analyse events and create budget scenarios. The organisation uses external expertise to confirm the facts relating to its sustainability. 	Director of Finance	High
L2	CSF3,4,9	Safeguarding – Children's Services Avoidable failure in Children's Services, through action or inaction, including child sexual exploitation, leads to serious harm, death or a major impact on well being.	High	<ul style="list-style-type: none"> Working within the frameworks established by the Children's Safeguarding Board and the Social Care Services Board ensures the council's policies and procedures are up to date and based on good practice. The Adult Social Care and Children, Schools and Families Multi-Agency Safeguarding Hub went live on 5 October 2016. 	<ul style="list-style-type: none"> Timely interventions by well recruited, trained, supervised and managed professionals ensures appropriate actions are taken to safeguard and promote the well being of children in Surrey. Actively respond to feedback from regulators. 	Deputy Chief Executive and Strategic Director of Children's Schools and Families	High

Key to references:

ASC = Adult Social Care risk

CSF = Children, Schools and Families risk

C&C = Customers and Communities risk

EAI = Environment and Infrastructure risk

FN = Finance Service risk

ORB = Orbis risk

Leadership risk register as at 30 November 2016 (covers rolling 12 months)

Owner: David McNulty

Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place (ie the 'how' risks are being mitigated)	Controls (i.e. decisions needed)	Lead risk owner	Residual risk level (after existing controls)
L3	ASC6,7,13,14	Safeguarding – Adult Social Care Avoidable failure in Adult Social Care, through action or inaction, leads to serious harm, death or a major impact on wellbeing.	High	<ul style="list-style-type: none"> The Children's Services Improvement Plan was refreshed in October 2016 and is being delivered to address the improvement notice dated 26 January 2016 and strengthen service and whole system capability and capacity. Ofsted visit on a quarterly basis to monitor progress. Assistant Director roles and responsibilities have been reshaped to strengthen leadership and governance. Appointees are now all in place. 	<ul style="list-style-type: none"> Robust quality assurance and management systems in place to identify and implement any key areas of learning so safeguarding practice can be improved. The Children's Safeguarding board (chaired by an independent person) comprises senior managers from the County Council and other agencies facilitating prompt decision making and ensuring best practice. An Improvement Board (chaired by the Deputy Leader) oversees progress on the Improvement Plan and agrees areas of action as required. 	Strategic Director of Adult Social Care & Public Health	High
				<ul style="list-style-type: none"> Working within the framework established by the Surrey Safeguarding Adults Board ensures that the council's policies and procedures are up to date and based on good practice. The Adult Social Care and Children, Schools and Families Multi Agency Safeguarding Hub went live on 5 October 2016. Established a locality safeguarding advisor to assure quality control. Strong leadership, including close involvement by Associate Cabinet Member for Adult Social Care in safeguarding functions. 	<ul style="list-style-type: none"> Continue to work with the Independent Chair of the Surrey Safeguarding Adults Board to ensure feedback and recommendations from case reviews are used to inform learning and social work practice. Actively respond to feedback from regulators. One year on from the implementation of the Care Act, a new strategic plan for safeguarding within ASC will be implemented. 		

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Leadership risk register as at 30 November 2016 (covers rolling 12 months)

Owner: David McNulty

Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place (ie the 'how' risks are being mitigated)	Controls (i.e. decisions needed)	Lead risk owner	Residual risk level (after existing controls)
L4		Devolution Failure to achieve a devolution deal leaves Surrey County Council without a coherent response to the strategic infrastructure challenges facing the county.	High	<ul style="list-style-type: none"> 3SC internal governance arrangements agreed - including a Strategic Oversight Group which manages 3SC risks (and 3SC risk register developed/approved). Programme office and workstream sponsors and leads agreed with roles and responsibilities defined. Regular meetings of local authority Leaders and Chief Executives. Regular engagement with 3SC partners. Regular engagement with central government at both political and official level. Negotiation with Government underway – Heads of Terms sent to officials as basis for negotiations: draft deal document to follow. Establishment of a shadow Sub National Transport Body to support the delivery of major strategic transport infrastructure. 	<ul style="list-style-type: none"> Keep all processes under active review. Strategic Oversight Group reviewing risk register quarterly. Next 3SC Leaders' Board in February 2017. 	Chief Executive	High

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Cross cutting risks – high level risks that can be mitigated more effectively through cross working.

Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place (ie the 'how' risks are being mitigated)	Controls (i.e. decisions needed)	Lead risk owner	Residual risk level (after existing controls)
L5	ASC1,2,12 C&C4 CSF1,2,7 EAI1,3 FN2 ORB01,	Medium Term Financial Plan (MTFP) 2016-21 Failure to achieve the MTFP, which could be a result of: <ul style="list-style-type: none"> Not achieving savings Additional service demand and/or 	High	<ul style="list-style-type: none"> Monthly reporting to Continuous Improvement and Productivity Network and Cabinet on the forecast outturn position is clear about the impacts on future years and enables prompt management action (that will be discussed informally with Cabinet). Budget support sessions (Chief Executive and Director of Finance) continue to review and 	<ul style="list-style-type: none"> Prompt management action taken by Directors / Leadership Teams to identify correcting actions (evidenced by robust action plans). Members (Council, Cabinet, Scrutiny Boards) make the necessary decisions to 	Director of Finance	High

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Leadership risk register as at 30 November 2016 (covers rolling 12 months)

Owner: David McNulty

Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place (ie the 'how' risks are being mitigated)	Controls (i.e. decisions needed)	Lead risk owner	Residual risk level (after existing controls)
Page 222	10	<ul style="list-style-type: none"> Over optimistic funding levels. <p>As a consequence, lowers the council's financial resilience and could lead to adverse long term consequences for services if Members fail to take necessary decisions.</p>		<p>challenge the robustness of MTFP delivery plans and report back to Cabinet as necessary.</p> <ul style="list-style-type: none"> Weekly review of the financial position at Chief Executives Direct Reports meeting. Budget planning discussions held with Cabinet and Scrutiny Boards. Early conversations are undertaken with all relevant stakeholders to ensure consultations about service changes are effective and completed in a timely manner. Cross service networking and timely escalation of issues to ensure lawfulness and good governance. Increased challenge and rigour on cost control. 	<p>implement action plans in a timely manner.</p> <ul style="list-style-type: none"> Members have all the relevant information to make necessary decisions. 		
	L6 ASC2 CSF1,2, 5,6,8 ORB01, 02,07	<p>New ways of working</p> <p>Failure to identify and manage the impacts / consequences of implementing a range of new models of delivery leads to severe service disruption and reputational damage.</p>	High	<ul style="list-style-type: none"> Shared and aligned strategies to ensure no unintended consequences. Robust governance arrangements (eg. Inter Authority Agreements, Health and Social Care Integration Board, Health and Wellbeing Board, financial governance framework) in place with early warning mechanisms. Regular monitoring of progress and risks against transformation programmes. Effective transition arrangements with continuous stakeholder engagement. Continuous focus on building and maintaining strong relationships with partners through regular formal and informal dialogue. Close liaison and communication with customers. 	<ul style="list-style-type: none"> Leadership and managers recognise the importance of building and sustaining good working relationships with key stakeholders and having early discussions if these falter. Work with Clinical Commissioning Groups on models of integrated care. Members continue to endorse approaches to integration across the council. 	Chief Executive	Medium

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Leadership risk register as at 30 November 2016 (covers rolling 12 months)

Owner: David McNulty

Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place (ie the 'how' risks are being mitigated)	Controls (i.e. decisions needed)	Lead risk owner	Residual risk level (after existing controls)
L7	ASC4, 5,8 CSF5 EAI2,3,4 ORB0 2,03,08	Organisational resilience Failure to plan for and/or respond effectively to a significant event results in severe and prolonged service disruption and loss of trust in the organisation.	High	<ul style="list-style-type: none"> Developing an employment framework that supports flexibility in service delivery and organisational resilience. Robust governance framework (including codes of conduct, IT security policies, health and safety policies, complaints tracking). Information Governance Board monitors information governance requirements and changes and reviews information governance risks. Review of third party information governance risks. External risks are regularly assessed through the Local Resilience Forum and reviewed by the Statutory Responsibilities Network. Active learning by senior leaders from external experiences / incidents informs continual improvement within the council. Close working between key services and the Emergency Management Team to proactively update and communicate business continuity plans and share learning. 	<ul style="list-style-type: none"> Regular monitoring of effectiveness of processes is in place and improvements continually made and communicated as a result of learning. Robust change management processes. 	Chief Executive	Medium
L8		Senior Leadership Succession Planning A significant number of senior leaders leave the organisation within a short space of time and cannot be replaced effectively resulting in a reduction in the ability to deliver services to the level required.	High	<ul style="list-style-type: none"> Enhance distributed leadership by focus on organisational goals and scorecard for organisational performance. Workforce planning linked to business continuity plans. High Performance Development Programme in place to increase skills, resilience and effectiveness of leaders. Career conversations built into appraisal process looking forward five years Shaping leaders programme. Senior leadership appraisal process 	<ul style="list-style-type: none"> Transparent and effective succession plans. 	Chief Executive	Medium

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FN = Finance Service risk

ORB = Orbis risk

Leadership risk register as at 30 November 2016 (covers rolling 12 months)

Owner: David McNulty

Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place (ie the 'how' risks are being mitigated)	Controls (i.e. decisions needed)	Lead risk owner	Residual risk level (after existing controls)
				incorporates feedback (shaping leaders) and succession planning into appraisal process.			

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Movement of risks

Ref	Risk	Date added	Inherent risk level when added	Movement in residual risk level		Current residual risk level
L1	Financial outlook	Aug 12	High	Jan 16	↑	High
L2	Safeguarding – Children's Services	May 10	High	Jan 15	↑	High
L3	Safeguarding – Adult Social Care	May 10	High	Jan 15	↑	High
L4	Devolution	Jan 16	High	Nov 16	↑	High
L5	Medium Term Financial Plan	Aug 12	High	-	-	High
L6	New ways of working	Jan 16	High	-	-	Medium
L7	Organisational resilience	May 10	High	Aug 12	↓	Medium
L8	Senior Leadership Succession Planning	Mar 15	High	Nov 16	↑	Medium

Risks removed from the register in the last 12 months

Risk	Date added	Date removed
<i>National policy development</i>	<i>Feb 13</i>	<i>Jan 16</i>
<i>Waste</i>	<i>May 10</i>	<i>Jan 16</i>
<i>Comprehensive Spending Review 2015</i>	<i>Sept 14</i>	<i>Jan 16</i>
<i>Reputation</i>	<i>Oct 14</i>	<i>Jan 16</i>
<i>Staff resilience</i>	<i>May 10</i>	<i>Jan 16</i>
<i>Information governance</i>	<i>Dec 10</i>	<i>Jan 16</i>
<i>Supply chain / contractor resilience</i>	<i>Jan 14</i>	<i>Jan 16</i>

Leadership level risk assessment criteria

Due to their significance, the risks on the Leadership risk register are assessed on their inherent risk level (no controls) and their residual risk level (after existing controls have been taken into account) by high, medium or low.

Risk level	Financial impact	Reputational impact	Performance impact	Likelihood
	<i>(% of council budget)</i>	<i>(Stakeholder interest)</i>	<i>(Impact on priorities)</i>	
Low	< 1%	Loss of confidence and trust in the council felt by a small group or within a small geographical area	Minor impact or disruption to the achievement of one or more strategic / directorate priorities	Remote / low probability
Medium	1 – 10%	A sustained general loss of confidence and trust in the council within the local community	Moderate impact or disruption to the achievement of one or more strategic / directorate priorities	Possible / medium probability
High	10 – 20%	A major loss of confidence and trust in the council within the local community and wider with national interest	Major impact or disruption to the achievement of one or more strategic / directorate priorities	Almost certain / highly probable

SURREY COUNTY COUNCIL**CABINET****DATE: 31 JANUARY 2017****REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL****LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE****SUBJECT: FINANCE AND BUDGET MONITORING REPORT TO
31 DECEMBER 2016****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 2016 (month nine).

Given the large forecast variance reported as at 30 September 2016 and despite the improvement reported as at 30 November 2016, the Section 151 Officer remains of the view that the financial situation facing the Council is serious and has instigated a series of actions by each service director to get the budget back into balance.

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

RECOMMENDATIONS:

Recommendations to follow.

REASON FOR RECOMMENDATIONS:

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

DETAILS:**Revenue budget overview**

1. Surrey County Council set its gross expenditure budget for the 2016/17 financial year at £1,686m. A key objective of MTFP 2016-21 is to increase the council's overall financial resilience. As part of this, the Council's 2016/17 budget includes plans to make efficiencies totalling £83m.
2. The budget monitoring report to 30 September 2016 showed an unprecedented forecast year end overspend of +£22.4m. The following actions have been agreed to manage this position with the aim of bringing the 2016/17 budget back into balance by the end of the financial year:
 - the Chief Executive and Director of Finance have agreed a series of actions with service directors and are meeting regularly to review progress;
 - all services are reinforcing an approach to reviewing all spending in year;
 - all services are reviewing service demands with a view to managing more efficiently; and

- Cabinet will, wherever sensible, not agree further spend commitments until a balanced budget is assured and progress towards a sustainable Medium Term Financial Plan (MTFP) made.
3. The Council aims to smooth resource fluctuations over its five year medium term planning period. To support the 2016/17 budget, Cabinet approved use of £24.8m from the Budget Equalisation Reserve and carry forward of £3.8m to fund continuing planned service commitments. The Council currently has £21.3m in general balances.
 4. In February 2016, Cabinet approved the Council's Financial Strategy 2016-21. The Financial Strategy aims to:
 - secure the stewardship of public money;
 - ensure financial sustainability and
 - enable the transformation of the council's services.

Capital budget overview

5. 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 2016-21's £651m capital programme, which includes £207m spending planned for 2016/17.

Budget monitoring overview

6. The Council's 2016/17 financial year began on 1 April 2016. This budget monitoring report covers the financial position at the end of the ninth month of 2016/17 (31 December 2016). The report focuses on material and significant issues, especially monitoring MTFP efficiencies. The report emphasises proposed actions to resolve any issues.
7. The Council has implemented a risk based approach to budget monitoring across all services. The approach ensures the Council focuses effort on monitoring those higher risk budgets due to their value, volatility or reputational impact.
8. 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).
9. 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).

10. Annex 1 to this report sets out the Council's revenue budget forecast year end outturn as at 31 December 2016. The forecast is based upon year to date income and expenditure and financial year end projections using information available as at 31 December 2016.
11. 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.
12. Annex 1 to this report also updates Cabinet on the Council's capital budget. Appendix 1 provides details of the MTFP efficiencies, revenue and capital budget movements.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

14. 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

15. The report considers financial and value for money implications throughout and future budget monitoring reports will continue this focus.

Section 151 Officer Commentary

16. The Section 151 Officer confirms the financial information presented in this report is consistent with the Council's general accounting ledger and forecasts have been based on reasonable assumptions, taking into account all material, financial and business issues and risks.
17. In light of the large forecast variance reported as at 30 September 2016 and despite the improvement reported as at 30 November 2016, the Section 151 Officer remains of the view expressed in her Budget Report to the Council in February 2016 that the financial situation facing the Council is serious and the Council needs to apply appropriate strategies to manage expenditure.
18. The Chief Executive and Director of Finance have agreed a series of actions with service directors to recover the position in year and are meeting regularly with the directors to monitor the effectiveness of these actions. Progress will be reported in each subsequent budget monitoring report to Cabinet.
19. As well as these actions to bring the in-year budget back into balance, each directors is reviewing their service approaches to manage down the financial consequences for future years.

Legal Implications – Monitoring Officer

20. The Local Government Finance Act requires the Council to take steps to ensure that the Council's expenditure (that is expenditure incurred already in year and anticipated to be incurred) does not exceed the resources available. In view of the situation reported as at 30 September 2016, Cabinet should be aware that if the Section 151 Officer, at any time, is not satisfied that appropriate strategies and controls are in place to manage expenditure within the in-year budget she must formally draw this to the attention of the Cabinet and Council and they must take immediate steps to ensure a balanced in-year budget.

Equalities and Diversity

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

WHAT HAPPENS NEXT:

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

Contact Officer:

Sheila Little, Director of Finance Tel: 020 8541 7012

Consulted:

Cabinet, Strategic Directors, Heads of Service.

Annexes:

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

Sources/background papers:

- None

SURREY COUNTY COUNCIL**CABINET****DATE: 31 JANUARY 2017**

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

**MRS LINDA KEMENY, CABINET MEMBER FOR SCHOOLS,
SKILLS, AND EDUCATIONAL ACHIEVEMENT**

LEAD

OFFICER: JOHN STEBBINGS, CHIEF PROPERTY OFFICER

**SUBJECT: APPROVAL TO USE A RANGE OF FRAMEWORK AGREEMENTS
FOR ASSETS AND INFRASTRUCTURE CONTRACTS AND APPROVAL OF
SCHEME OF DELEGATION FOR AWARDED CONSTRUCTION CONTRACTS**

<u>SUMMARY OF ISSUE:</u>

In order to meet the timescales for delivering assets and infrastructure projects including those which form part of Schools Expansion Programme approval to use a range of framework agreements and to delegate authority to award contracts over £500,000 are requested.

Cabinet will exercise control over commitment of expenditure via a forward plan tracker, member updates and by the continuing need for Cabinet approval for the Business Case of projects before they are formally tendered.

<u>RECOMMENDATIONS:</u>

It is recommended that:

1. Cabinet approves the use of a range of existing framework agreements to deliver Surrey County Council's (SCC) construction projects.
2. In order to reduce timescales for awarding these contracts Cabinet delegates authority to award contracts above £500,000 in value, either where a competitive tender procedure has been followed under a Framework Agreement compliant with the Public Contracts Regulations 2015, or where a local procedure has been followed in accordance with Procurement Standing Orders for contracts below the Regulations Thresholds. Authority would be delegated to the Chief Property Officer in consultation with the Leader of the Council, Cabinet Portfolio Holder as appropriate, Assistant Director of Procurement and Section 151 Officer.

<u>REASON FOR RECOMMENDATIONS:</u>

Property Services are responsible for delivery of construction projects including the Schools Basic Needs Programme which together are estimated to be £200m over the next 4 years.

In order to deliver this Programme Property and Procurement Services are developing a Delivery Model for Orbis which will involve the use of a suite of complementary procurement arrangements. These include existing regional construction frameworks and other frameworks for construction works and services which are used by the Council, as listed in paragraph 4 below.

The Delivery Model will be supplemented with a new Orbis Construction Framework and Orbis Professional and Technical Services Framework which are being procured concurrently. The recommendation to award/use these two Orbis Construction Frameworks will be presented to Cabinet for approval in June 2017.

In order to reduce timescales for awarding contracts above £500,000 in value Cabinet is requested to delegate authority to award contracts. This proposed scheme builds on the principles established under previous delegations for contracts over £500,000 in value approved by Cabinet on 25 September 2012 and on 4 February 2014.

DETAILS:

Business Case

1. SCC's Construction Capital Programme is anticipated to be £200m over the next 4 years.
2. Schools Basic Need projects form a significant part of the Programme. SCC has a statutory obligation to provide school places. It is estimated that SCC will have to provide 11,000 primary and secondary school places over the next five years to meet growing demand. In order to meet the timescales for delivering construction projects including Schools Basic Need projects, approval to delegate authority to award contracts is requested in order to reduce the timescales for awarding these contracts.
3. Orbis Property and Procurement Services are developing the strategy for the procurement arrangements for the management and delivery of construction projects and programmes across the two founding partners East Sussex County Council and Surrey County Council. This will be scalable to incorporate wider requirements of future Partner and Client Organisations who choose to adopt Orbis as their preferred partner of choice.
4. The resulting Orbis Delivery Model for Major Projects will consist of the range of complementary procurement arrangements. These will include the existing regional construction frameworks and other frameworks for construction works and services which are currently used by SCC, namely:
 - The Sussex Cluster Construction Framework
 - The Southern Construction Framework
 - The Southern Modular Buildings Framework
 - The South East Consortium Framework

Providers on each of these frameworks will competitively bid for individual projects.

5. The regional Southern Construction Framework has been developed in collaboration with Local Authorities in the South including SCC. The Framework has been developed with specific focus on major projects in the Education

Sector. Under the Delivery Model this Framework has been adopted for use for procurement of building contractors for major projects or programmes of work such as for construction of new secondary schools.

6. The Southern Modular Buildings Framework encompasses a range of innovative modular methods of construction of buildings. It has been developed in collaboration with SCC and other Authorities. The Framework has adopted SCC classroom specifications as standard for schools expansion projects. Therefore, under the Delivery Model this Framework has been adopted for use for school expansion projects as well as other construction projects which would benefit from the modular method of construction.
7. The South East Consortium has established a range of framework agreements specifically for the residential sector. These frameworks have been adopted by SCC for non-schools projects which will benefit from the expertise of designers and building contractors who are grouped under these frameworks.
8. The Sussex Cluster Construction Framework is owned and managed by Orbis. It is due to expire on the 28 February 2017. The Framework will be replaced with a new Orbis Construction Framework which is being procured concurrently with Orbis Professional and Technical Services Framework. In accordance with Orbis Partnership's priorities the Orbis Construction Framework will be delivered by a range of contractors including SME's. The recommendation to award the Orbis Construction Framework will be presented to Cabinet for approval in June 2017. This framework will typically be used for projects up to a maximum value of £10m and will cover a range of new build work, extensions, improvements and refurbishment works.
9. In accordance with Public Contracts Regulations 2015 SCC is obliged to procure contracts which exceed certain thresholds by following strict tendering procedures.
10. The Orbis Delivery Model includes the range of pre-qualified Frameworks outlined above to enable rapid contractor deployment. This covers contracts both in excess of and below the Contract Regulations threshold for Works of £4.1m. However, local markets also exist which are capable of delivering cost effective schemes. As freedom exists within the regulations to tender locally for contracts up to the £4.1m threshold, the Delivery Model allows for tendering to local contractors in accordance with the Council's Procurement Standing Orders. This has proved a very successful approach for school extensions and refurbishments and other minor capital works and is recommended as a means of supporting the local economy.
11. These Frameworks and local arrangements will ensure that the most appropriate route to market is available for projects of different types in order to deliver an effective assets and infrastructure programme over the next four years.

CONSULTATION:

12. No formal consultation was required. However, various members of Procurement and Property Services across Surrey and East Sussex County Councils have been involved in the procurement of the frameworks, feeding in their expert knowledge around the design of the specification and evaluating tenders and agreeing contract award. Legal Services were also consulted to ensure what was being proposed was legally compliant. Similarly, Procurement and Property Services have worked closely on the development of the local arrangements for contracts up to the £4.1m threshold.

RISK MANAGEMENT AND IMPLICATIONS:

13. These framework agreements are not a commitment by SCC to purchase any works or services. Commitment to purchase will only be made by SCC when it issues an official Purchase Order under the terms of the framework agreement.
14. SCC does not guarantee the value or volume of instructions it may place with any of the contractor under any of these frameworks.
15. Should SCC's service requirements change the new Orbis Construction Framework agreement can be terminated by giving 3 months' notice.
16. All framework contractors will have successfully completed satisfactory financial checks as well as checks on competency in delivery of similar contracts at the pre-qualification stage in order to be awarded a place on a framework.
17. There are no minimum spend commitments in place as part of the local contractors arrangements for contracts up to the £4.1m threshold. Nevertheless all contractors are subject to pre-qualification covering financial, health and safety, equalities and environmental checks before being included on any tender lists.

Financial and Value for Money Implications

18. It is estimated that the value of the SCC spend across this suite of procurement arrangements will be between £30m and £50m per annum over the next 4 years.
19. The use of a combination of complementary procurement arrangements will ensure best value is obtained particularly in terms of quality of service and reduced contract award timescales.
20. Control will be exercised over commitment of expenditure via a forward plan tracker, member updates and by the continuing need for Cabinet approval for the Business Case of projects before they are formally tendered. In this way, should financial issues arise a project can be stopped at an early stage. In addition the Leader and Cabinet Portfolio Holder can choose not to approve the award of a contract under this proposed delegated authority should financial circumstances change between Business Case approval and contract award stage.

Section 151 Officer Commentary

21. The Section 151 Officer notes the delegation of authority and that any award of contract will be on the basis of prior approval by Cabinet or Cabinet Member of the business case to proceed with each project. Further control and oversight is provided by the requirement for the Section 151 Officer to be consulted prior to the award of contract.

Legal Implications – Monitoring Officer

22. Section 13 of the Education Act 1996 places a general duty on local education authorities to secure that efficient primary education is available to meet the needs of the population in its area. In doing so, the Council is required to contribute to the spiritual, moral, mental and physical development of the community. Section 14 of the Education Act 1996 places a duty on the Council to secure that sufficient schools are provided for the purpose of providing primary and secondary education

are available in its area. There is a legal duty on the Council therefore to secure the availability of efficient education in its area and sufficient schools to enable this.

23. The proposed delegation will enable the Chief Property Officer to take timely decisions, in consultation with Cabinet Members and key Council officers. In view of the budget made available for these construction projects and this specific delegation to the Chief Property Officer, subsequent exercise of this delegation will not be treated as a "Key Decision".
24. SCC will be responsible for the governance and delivery of its own projects in accordance with the principles of each framework agreement and SCC own Standing Orders. The risks which SCC exposes itself to under these frameworks is the risk related to its own purchases.

Equalities and Diversity

25. All works will comply with DDA (Disabilities Discrimination Act) regulations as appropriate.
26. Construction projects will provide employment and apprenticeships opportunities in the area.
27. The expanded schools will be for children in the communities served by the schools. If there is sufficient provision available, then it would be beneficial for all children.
28. The schools will be expected to contribute towards community cohesion and will be expected to provide the normal range of before and after schools clubs as are provided in a typical Surrey County Council school.
29. Where appropriate for individual projects an Equalities Impact Assessment will be carried out with information included in the Contract Award report when presented for delegated authority approval.

Corporate Parenting/Looked After Children

30. The projects covered by this proposal would provide increased education provision in the County, which would be of benefit to all in the communities served by the schools. This means it would therefore also be of benefit to any looked after children who will attend the schools.

Climate change/carbon emissions implications

31. The design philosophy used for assets and infrastructure projects is to create new build elements that will support low energy buildings to meet or exceed the requirements of Building Regulations in terms of thermal insulation and energy consumption and this will be achieved by a high performance thermal envelope which will reduce the overall heating demand with minimal heating provided to compensate for fabric losses only.

WHAT HAPPENS NEXT:

32. The proposed delegated authority will be used to award contracts for School Basic Needs and other major Assets and Infrastructure projects totalling approximately £200m over the next 4 years. Exercise of the delegated authority will facilitate timely and speedy delivery of these projects over the next four years.

Contact Officer:

Artur Krzyzanski (Acting Senior Category Specialist - Procurement)
Tel: 020 8541 8080

Consulted:

Consultation has also been undertaken with senior representatives of Property, Legal and Procurement Services.

Annexes:

None

SURREY COUNTY COUNCIL**CABINET****DATE:** 31 JANUARY 2017**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 2017

CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENTIAL EXPERIENCE

(I) AWARD OF CONTRACT FOR THE SUPPLY OF CLEANING MATERIALS AND JANITORIAL SUPPLIES VIA THE WEST SUSSEX COUNTY COUNCIL FRAMEWORK AGREEMENT

Details of decision:

It was agreed that the Cabinet Member for Business Services and Resident Experience agrees to award a call off contract to Whiteman and Parrish Ltd from 1 February 2017 for 12 months with an option to extend for a further period of 12 months for Surrey County Council (SCC) following consultations of the financial details and recommendations outlined in the part 2 report. The term will align with future procurement opportunities as part of the Orbis Facilities Management Strategy.

Reasons for decision:

Following an assessment of a number of options it was decided that a medium term call off contract using the West Sussex County Council Janitorial Supplies Framework Agreement was deemed the most appropriate route to market at this time, following the consultations of the financial details and recommendations outlined in the Part 2 report.

The tender to establish this framework was in compliance with the requirements of Public Contracts Regulations 2015 and the Council's Procurement Standing Orders (PSO's).

The recommendation, following a thorough evaluation process, currently provides best value for money for this contract and an appropriate and flexible service for the Council.

To ensure continued value for money is obtained, benchmarking will continue against other available frameworks to compare prices and if required a procurement exercise will be undertaken in the next 12 months to obtain a solution that better meets the overall needs of the Council.

(Decision taken by the Cabinet Member for Business Services and Residential Experience – 17 January 2017)

LEADER OF THE COUNCIL

(II) INVESTMENT DISPOSAL

Details of decision

It was agreed that the Leader of the Council approves the sale of shares in a specified joint venture owned by Surrey County Council.

Reasons for decision

For the reasons and recommendations set out in the Part 2 report.

(Decision taken by the Leader of the Council – 17 January 2017)

CABINET MEMBER FOR SCHOOLS, SKILLS AND EDUCATIONAL ACHIEVEMENT

(III) PETITION TO ALLOW 2 FORM ENTRY TO DANETREE YEAR 3 FOR SEPTEMBER 2017 INTAKE

Details of decision

That the response, attached as Appendix 1, is approved.

Reasons for decision

To respond to the petition.

(Decision taken by the Cabinet Member for Schools, Skills and Educational Achievement – 17 January 2017)

(IV) TULK TRUST FOR SCHOOL SPORTS FACILITIES

This item was deferred.

(V) PROPOSED AMALGAMATION OF DOWNS WAY SCHOOL AND ST. MARY'S C OF E JUNIOR SCHOOL

Details of decision

It was agreed that the Cabinet Member for Schools, Skills and Educational Achievement approves the publication of a statutory notice to close Downs Way School, as an integral element of the proposed amalgamation of this school with St. Mary's C of E Junior School, inclusive of the expansion of Key Stage 2 provision, effective from 1 September 2018.

Reasons for decision

The schools serve the same geographic area and are on adjacent sites. The proposal will formalise existing partnership working; augment the cohesiveness of the school community; provide for more streamlined transitions between key stages; and allow for the most efficient allocation of resources. The proposal to expand the school is in response to the local demand for junior school places at this school and a basic need for more school places in the Oxted & Limpsfield area. In particular, as infant provision in the area has recently been expanded, through the enlargement of Downs Way, this amalgamation provides an appropriate opportunity to expand what would become corresponding junior provision in an amalgamated all-through primary school.

In line with this, Surrey County Council has undertaken the requisite first stage of informal consultation to inform the decision making process and a significant majority of respondents confirmed their agreement with the proposed alterations. For these reasons, it is recommended that the Cabinet Member for Schools, Skills and Educational Achievement approves the publication of a Statutory Notice (appended to this report as Annex 1), formally proposing the closure of Downs Way School, as an integral element of the proposed amalgamation of this school with St. Mary's C of E Junior School.

(Decision taken by the Cabinet Member for Schools, Skills and Educational Achievement – 17 January 2017)

CABINET MEMBER FOR SCHOOLS, SKILLS AND EDUCATIONAL ACHIEVEMENT

Tuesday 17 January 2017

RESPONSE TO PETITION TO ALLOW 2 FORM ENTRY TO DANETREE YEAR 3 FOR SEPTEMBER 2017 INTAKE**The Petition**

As current parents of year 2 children, in schools that are converting next year to Primary's, we are very concerned about the one form entry intake at Danetree. When we applied for our original school places, the schools were infants and our intentions were always to move our children to Danetree. We understand that SCC have authorised a one form, 30 pupil entry into Danetree in 2017 and that siblings will be considered for these places first. As there are more siblings than places on offer this is a major concern and gives parents extremely limited choice in terms of their child's ongoing education. It also puts parents with children of Year 3 entry age and Reception age in an impossible position if they wish both children to be in Danetree as places are so limited for year 3. The pressure on the converting schools is high and distributing this pressure out by offering more year 3 places at Danetree would seem sensible. Parents want the security of knowing there is a 2 form intake if demand for those places is there.

Submitted by Gemma Davies

Signatures: 119 confirmed, 11 unconfirmed

Response

Surrey County Council, as the Local Authority, has a legal duty to ensure that there are sufficient school places in its area of jurisdiction. This includes negotiating with academies, like Danetree, which are not managed by the Local Authority.

When Surrey County Council consulted parents on a proposal to change the pattern of primary education in Ewell, and make three schools (Danetree Junior, West Ewell Infant and Ewell Grove Infant) into all through primary schools, there was overwhelming support for this from parents and from the schools themselves. The Council has therefore proceeded on this basis.

This re-organisation has been complex and costly but the Council accepts that it is what the majority of local parents want. It is committed to completing the re-organisation in time for the September 2017 academic year and supporting the successful transition of all three primary schools.

Part of the planning for the transition of the three schools has included ensuring that there would be sufficient Reception and Year 3 places for all pupils in the area. It has been agreed with all three schools that their Published Admission Numbers (PAN) would change to reflect the capacity of each newly formed primary school and the forecast demand for school places in 2017 and beyond. These figures were published in the consultation document and were discussed at the public meetings. The

intention was always that each school would keep its Year 2s into Year 3 once the Council had provided the accommodation. No promises were given to any individual parents that they would be guaranteed a change of school for their child, however Danetree agreed to retain a small number of Y3 places to enable some siblings to move schools.

Danetree is committed to admitting 5 classes into Reception in 2017 (PAN 120 plus a bulge class to help us meet the demand for places for 5 year olds) and to reducing its junior PAN to 30 with a view to finally eliminating it in 2019. It has published its admission criteria for 2017 and they state that the school will only be admitting 30 Y3 places. The school does not have sufficient accommodation to provide classrooms for extra Year 3s over a 4 year period. Also as the Local Authority does not require more Year 3 places in 2017 it is not minded to commission additional Y3 places at Danetree over and above its published PAN.

Furthermore the two converting infant schools are looking forward to retaining most of their current Y2 pupils to make up their first Year 3 cohorts in September 2017. The schools have planned for this change in their staffing and will both rely on 60 Y3 pupils being on roll to attract sufficient funding. Surrey County Council has no wish to do anything to de-stabilise their successful transition to primary status. The overall number of school places available has been discussed with all three schools and they are in agreement that this is the right solution.

Mrs Linda Kemeny

Cabinet Member for Schools, Skills and Educational Achievement

17 January 2017

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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