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Friday, 26 January 2018

To: The Members of the **EXECUTIVE**
(Councillors: Moira Gibson (Chairman), Richard Brooks, Mrs Vivienne Chapman,
Colin Dougan, Craig Fennell, Josephine Hawkins, Alan McClafferty and
Charlotte Morley)

Dear Councillor,

A meeting of the **EXECUTIVE** will be held at Surrey Heath House on Tuesday, 6 February 2018 at 6.00 pm. The agenda will be set out as below.

Please note that this meeting will be recorded.

Yours sincerely

Karen Whelan

Chief Executive

AGENDA

Pages

Part 1 (Public)

1. Apologies for Absence

2. Minutes

3 - 8

To confirm and sign the minutes of the meeting held on 9 January 2018 (copy attached).

3. Declarations of Interest

Members are invited to declare any interests they may have with respect to matters which are to be considered at this meeting. Members who consider they may have an interest are invited to consult the Monitoring Officer or the Democratic Services Officer prior to the meeting.

4. Questions by Members

The Leader and Portfolio Holders to receive and respond to questions

from Members on any matter which relates to an Executive function in accordance with Part 4 of the Constitution, Section B Executive Procedure Rules, Paragraph 16.

5.	General Fund Estimates 2018/19	9 - 32
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14.	Reference from Performance and Finance Scrutiny Committee – Review of the Impact of Benefits Reforms on Surrey Heath Borough Council and Borough Residents	131 - 134
15.	Pay Policy Statement 2018/19	135 - 142
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**Part 2
(Exempt)**

17.	Exempt Minutes	145 - 146
	To confirm and sign the exempt minutes of the meeting held on 9 January 2018 (copy attached).	
18.	Lease of the Camberley Lawn Tennis Club, Southcote Park, Camberley	147 - 152
19.	Review of Exempt Items	153 - 154

To review those items or parts thereof which can be released as information available to the public.

**Minutes of a Meeting of the Executive
held at Surrey Heath House on 9
January 2018**

+ Cllr Moira Gibson (Chairman)

- | | |
|-----------------------------|--------------------------|
| + Cllr Richard Brooks | + Cllr Josephine Hawkins |
| + Cllr Mrs Vivienne Chapman | + Cllr Alan McClafferty |
| + Cllr Colin Dougan | + Cllr Charlotte Morley |
| + Cllr Craig Fennell | |

+ Present

In Attendance: Cllr Ian Cullen, Cllr Jonathan Lytle, Cllr Chris Pitt and Cllr Valerie White.

75/E Minutes

The minutes of the meeting held on 5 December 2017 were confirmed and signed by the Chairman.

76/E Revenue Grants 2018/19

The Council funded a number of voluntary organisations which either worked in partnership with the Council or performed functions on the Council's behalf.

The Executive considered a table providing a breakdown of these organisations' funding requests, together with supporting information. The table compared the funding requested against the grant awarded for 2017/18, the percentage of requested funding against annual running costs and, where appropriate, the in-kind financial support given to the organisations.

Members were also provided with information relating to the achievement of targets contained in each of the Service Level Agreements.

The Blackwater Valley Countryside Partnership, following a reduction in grant award in 2017/18, had requested that the grant be increased to its previous level. The Partnership had stressed that it was able to achieve greater benefits to residents of the Valley than any one partner working in isolation and that it provided best value for money through economy of scale. As a result it was proposed that a grant of £10,000 be made in 2018/19.

Resolved that, subject to the delivery of the service level agreements, revenue grants be allocated for the period 1 April 2018 to 31 March 2019 as follows:

<u>Organisation</u>	<u>Grant for 2018/19</u>
Surrey Heath Citizens Advice	£80,000

Voluntary Support North Surrey	£30,000
Surrey Heath Age Concern	£10,000
Tringhams, West End	£13,000
Camberley Central Job Club	£7,000
Basingstoke Canal Authority	£10,000
Blackwater Valley Countryside Partnership	£10,000
Surrey Heath Sports Council	£3,500
Surrey Heath Arts Council	£1,400

(Note: In accordance with the Surrey Heath Members Code of Conduct, the following Councillors declared non pecuniary interests as set out below:

- (i) Councillor Alan McClafferty as his wife was a Trustee of Surrey Heath Age Concern;
- (ii) Councillor Charlotte Morley as a Council's representative on the Surrey Heath Sports Council;
- (iii) Councillor Ian Cullen a Council's representative on the Surrey Heath Arts Council.)

77/E Update on the Surrey Pension Fund

The Surrey Pension Fund was managed and administered by Surrey County Council on behalf of all Districts, the County and a number of other organisations. Due, in the main, to investments performing well and the additional payments made in the past, the deficit had reduced significantly over the last few years. Given the current performance of the stock market, the Fund was likely to be fully funded at the current time.

The Fund was due to have its triennial actuarial review at 31 March 2019. Given the current performance of the Fund and the long term view taken by the actuaries, it was unlikely that contributions would increase as a result of the next review. However this would depend on the performance of global equities in that period.

Resolved to note the contents of the report.

78/E Community Infrastructure Levy

The Council had been collecting Community Infrastructure Levy (CIL) funding since the Charging Schedule come into effect on 1 December 2014. The CIL Regulations required that the Council, as the collecting authority, pay money over

to the parishes, decide how to use that the Fund and to publish details of its CIL income and expenditure.

The Council had received a total of £1, 333,529.40 for the reporting period 1 April – 30 September 2017. A breakdown of the CIL receipts was reported to the Executive.

The Executive was advised that payments to parishes in the reporting period 1 April 2017 – 30 September 2017 had been as follows.

- a) Windlesham £11,418.00
- b) West End £2,385.57
- c) Bisley £8,844.00

In March 2015, the Executive had agreed that a 15% proportion would also be made available to spend for non-parished areas according to local priorities. The amount collected within these areas had been as follows:

- a) Frimley £2,222.10
- b) Heatherside £8,146.44
- c) Town £395.17

It was proposed that Ward Councillors for the non-parished areas be asked to submit suggestions and bids for projects. Ward Councillors could also choose to save the money to roll forward to fund larger projects or combine across wards for jointly beneficial projects.

Local projects would then be put forward to the Executive for funding in 2018/19 in combination with any project taken forward from any remaining Planning Infrastructure Contributions.

In response to a question relating to the current level of the Fund, the Finance Portfolio agreed to email details to Members.

Resolved

- (i) to note the Community Infrastructure Levy monies received to date;**
- (ii) that Ward Councillors for the non-parished areas be asked to submit ideas to the CIL Governance Panel for spending CIL generated income within their wards; and**
- (iii) that the remaining CIL contributions held by the Council be retained for spending to support key priorities.**

79/E Surrey Heath Local Development Framework – Authorities Monitoring Report 2016/17

The Executive considered the Surrey Heath Authorities Monitoring Report (AMR) which had been produced in line with the requirements set out in the Localism Act

2011. The AMR monitored the period from 1st April 2016 to 31st March 2017. The purpose of the AMR was to provide details of the actions which had been taken to implement a Local Development Plan and the Local Development Scheme, to indicate the extent to which policies in the current Surrey Heath Local Plan had been achieved, and to identify any solutions and changes where targets were not being met.

Resolved that the Surrey Heath Local Plan Authorities Monitoring Report be approved for the purpose of making the document publically available at the Council offices and on the Council's website.

80/E Tenancy Strategy Review

All Local Housing Authorities were required by the Localism Act 2011 to have a Tenancy Strategy in place even when they themselves were not landlords. The Strategy was required to set out the Council's expectations for social landlords in relation to the kinds of tenancy they would grant; where tenancies were for a fixed term, the length of tenancies; the circumstances under which they would grant tenancies of a particular type; and, the circumstances under which a new tenancy might or might not be granted at the end of the fixed term, either in the same property or a new property.

The current Strategy had been reviewed and had been found to still be relevant. As result no changes were proposed.

Resolved to adopt the reviewed Tenancy Strategy for the period to March 2021, as set out at Annex A to the agenda report, as required by the Localism Act 2011.

81/E Response to Surrey County Council's Surrey Draft Waste Local Plan consultation

The Executive received a report which set out the response to Surrey County Council's consultation on the Surrey Draft Waste Local Plan 2018.

The Surrey Draft Waste Local Plan had implications for future waste management infrastructure within Surrey Heath. Whilst there were no sites shortlisted for the delivery of waste management infrastructure within the Borough, objections were raised in respect of the Surrey Waste Local Plan making provisions for the possibility of waste related development to be located on established employment sites. The sites shortlisted for the delivery of waste management infrastructure were generally welcomed, but it was noted that appropriate measures would need to be taken to mitigate the potential impacts of two sites shortlisted that were close to the Borough's Eastern border, due to the possible implications for air quality and transport.

Resolved to agree the response set out in the letter at Annex 1 of the agenda report as the Council's formal response to Surrey County Council's consultation on the Surrey Draft Waste Local Plan.

82/E Economic Development Strategy Update

The Executive received the annual update report for 2017 on the Council's Economic Development Strategy and the progress against its action plans. Members were reminded that the Strategy was for the long term and that this meant not all actions would have been started as yet, or where they had started, might be in the early stages of development.

The Transformation Portfolio Holder drew attention to some of the recent achievements such as the receipt of £3.5million grant funding from the Local Enterprise Partnership for the improvement of the public realm for Camberley High Street, the introduction of the Kevin Cantlon Shop Front Improvement Grant Scheme and the successful Camberley Expo. In addition, it had recently been announced that a Surrey wide bid to become a pilot scheme in respect of the retention of 100% of growth in Business Rates had been successful.

It was also noted the Strategy was currently being updated.

Resolved

- (i) to note the contents of the report; and**
- (ii) that a further report on an updated Strategy be made later in 2018.**

83/E Exclusion of Press and Public

In accordance with Section 100(A)(4) of the Local Government Act 1972, the press and public were excluded from the meeting for the following items of business on the ground that they involved the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Act as set out below:

Minute	Paragraph(s)
84/E	3
85/E	3

Note: Minutes 84/E is a summary of a matter considered in Part II of the agenda, the minute of which it is considered should remain confidential at the present time.

84/E Redevelopment Options for 63 High Street, Bagshot

The Executive made decisions relating to the redevelopment of 63 High Street, Bagshot.

(Note: In accordance with the Surrey Heath Members Code of Conduct, Councillor Valerie White declared a non pecuniary interest as a Trustee of Bagshot Library.)

85/E Review of Exempt Items

The Executive reviewed the report which had been considered at the meeting following the exclusion of members of the press and public, as it involved the likely disclosure of exempt information.

RESOLVED that the report at Agenda item 13 and Minute 84/E remain exempt until further notice.

Chairman

General Fund Estimates 2018/19

Summary

To consider and recommend to Council the General Fund Revenue Estimates for the Financial Year 2018/19.

Portfolio - Finance

Date Signed Off: 24 January 2018

Wards Affected - All

RECOMMENDATION

The Executive is advised to RECOMMEND to Council that

- (i) the 2018/19 General Fund Revenue Budget of £11,058,933 as set out in Annex A to this report, be approved;
- (ii) the support grant for parishes to compensate them for the effects of the local council tax support scheme be unchanged for 2018/19 compared to 2017/18;

The Executive is asked to CONSIDER whether it wishes to make a recommendation to Full Council in respect of the level of Council Tax to be set for 2018/19.

The Executive is asked to NOTE

- (iii) That the budget contains £816,390 per paragraph 10 chargeable to reserves;
- (iv) That a minimum revenue provision of £1.353m is required to repay debt;
- (v) There is no Revenue Support Grant from Government to support services;
- (vi) The inclusion of £200,000 for a pay increase within the budget;
- (vii) The provisional NNDR baseline of £1,508,666 and the final settlement will be reported to Council at its meeting on 21st February 2018;
- (viii) That the Council is a member of the Surrey Business Rates pilot consisting of Surrey County Council and all Surrey Districts;
- (ix) That a full report, setting out Council Tax proposals for 2018/19 will be presented to Council on 21st February 2018;
- (x) That further savings and income generation through investment will be required as a result of anticipated reductions in Government funding and funding the capital programme in the future; and

- (xi) The increase in the tax base from new housing which delivers an extra £47,000 a year in Council Tax.

1. Resource Implications

2018/19 Budget

- 1.1 The budget has been prepared on the assumption that Council Tax will be increased by 2.97% being just under the maximum permitted without requiring a referendum. Should this not be the case then other options can be considered at the meeting.
- 1.2 **It is a matter for Full Council to decide upon the level of Council Tax set however Executive can make a recommendation.**
- 1.3 In 2016/17 the Council lost the remaining £357k Revenue Support Grant and will receive nothing in 2018/19. The Council is due to have to pay £933k of “negative grant” back to the Government in 2019/20, however the Minister announced that this is being reviewed.
- 1.4 The Net Cost of Services for 2018/19 as presented has increased compared to last year. This is due in part to one off items such as grounds maintenance funded from commuted sums and the implementation of the waste contract funded from reserves. However there are also been increases in payroll and contract costs due to the high level of inflation. The Council is still able to have a balanced budget due to higher income from Council Tax and Business Rates and an increase in income from the Council’s property investments.
- 1.5 Wages and salaries have increased this year due to not only investment in staffing as the Council moves in to new areas, but also pressures driven by inflation on wages costs and recruitment. An amount has also been included within the budget to for an annual pay increase.
- 1.6 The summary budget is shown in Annex A. A full set of budget pages detailing each service are available on the Escene and in the member’s room.
- 1.7 A number of fees and charges have been increased and have been approved in accordance with financial regulations. These changes are reflected within the budget. The Government has announced that they will approve an increase in planning fees in 2018/19, if not sooner, but has not been reflected in the budget.
- 1.8 2018/19 marks the 3rd year of the 4 year local Government Settlement announced in 2015. Based on past experience it is likely that the settlement for 2018/19 will be in line with this Settlement. This contentious issue of a “Negative Tariff” for 2019/20, where effectively Surrey Heath pays money back to the Government, has been recognised as an issue by the Minister and will be looked at in the coming year. The Government has also announced a

technical consultation “Fair Funding” which may impact future Council funding as it seeks to redistribute Government funding across the country.

- 1.9 This figures provisional figures announced on the 19th December 2017 have been used in this budget. These are expected to be confirmed early in the new year.
- 1.10 The Government consulted again during the year on making further changes to the New Homes Bonus (NHB). This included increasing the “floor”, for which no bonus is paid, from 0.4% and further restricting payments on houses granted on appeal or without a local plan. The Government announced on the 19th December 2017 that in order to provide certainty no changes would be made for 2018/19. That said the changes already made, such as reducing payments from 6 to 4 years and the 0.4% floor, is making NHB a less attractive incentive for housing delivery. It is worth stating again that NHB is not new money but rather top sliced business rates which are then redistributed to those Councils which build the most houses.
- 1.11 Expenses totalling £816k are being charged directly to reserves and this is explained in more detail later in this paper. The General fund is estimated to be at least £2m at the end of 2018/19 if the budget is delivered as shown.

Future Resource Implications

- 1.12 The Department for Communities and Local Government (DCLG) as part of the Autumn settlement in 2016 published a “multi-year settlement” so that Councils would know the amount of funding they can expect up to 2019/20. The Government announced on the 19th December 2017 that it would be running a consultation on “Fairer funding” which will look at how funding is distributed across the sector as well as the implications of the “negative grant” in 2019/20.
- 1.13 The Government has also signalled its intention to rebase Business Rates in 2020/21 and to move to a system where Councils can retain 75% of any growth. How this interacts with the “fairer funding” remains to be seen. That said Surrey was successful with its application to be a pilot area for business rates which should see significant sums retained within the county rather than being redistributed across the country. The full financial implications of this change are still being considered.
- 1.14 The Government deferred any changes to New Homes Bonus for 2018/19. Information is awaited as to the impact on future years but further reductions can be anticipated.
- 1.15 The Council has over the years made significant internal efficiency savings however it is recognised that the scope for further major reductions is limited. Hence the Council’s strategy is now one of generating income in line with Key Priority 2. A number of property investments were made in 2016/17 and further investments are being sought to generate income. This will need to

continue to ensure that the Council has sufficient resources to maintain services independent of Government funding changes.

2. **Key Issues**

3. Introduction

3.1 The level of budget set and the allocation of resources fundamentally impacts across all the Council's services. This report:

- reviews the current year's budget position
- recommends to Executive for recommendation to Council the Budget for 2018/19
- gives details of the Government grant settlement for 2018/19
- includes a financial projection going forward

3.2 2018/19 marks the second year that the Council receives no Government Grant for its services. All the Council's services are now paid for by local taxpayers through Council Tax and Business Rates as well as any income the Council can generate itself.

4. General Fund Estimates 2018/19

4.1 This year a different approach has been taken to presenting the budget with the aim of making it clearer and easier to understand. Under previous CIPFA rules all support costs, such as finance, legal, ICT, contact centre etc had to be allocated to front facing services. This was done by a series of complicated formulas which resulted in a number of recharges being made to each budget page. Following a change in the rules this is no longer required and the "support" services now have their own pages and no recharges are made. This has the advantage of:

- Service budget pages only show costs the manager can control
- Showing how much each support service costs in its entirety
- Reduces the need for complicated calculations to allocate costs – that said allocations will still be needed for Government returns but can be much simpler

4.2 As 2018/19 is the first year this change has been made it has created variances on a service level when compared with 2017/18 which was done on the old basis. This will resolve itself in 2019/20.

4.3 The budget has increased due to a number of factors such as :

- one off costs funded from reserves such as the implementation of the waste contract etc, which are included in the net cost of services;
- Increase in staffing costs driven by investment in additional staff and increases costs driven by inflation
- Reduction in grants from Surrey County Council particularly in recycling;

- Increased costs driven by the high rate of inflation and the fall in the value of sterling.
- The Council's income not keeping pace with inflation

A detailed budget book which includes details for every service is published on the website.

5. Funding from Business Rates

- 5.1 The Government invited applications last autumn for Councils to participate in a business rates pilot for 2018/19. Councils selected would be able to retain 100% of any growth generated in their local area rather than it being shared with Government. Surrey Heath was part of a joint Surrey bid and it was announced on December 19th that the application had been successful. This will result in more business rates being retained within Surrey with an element coming to Surrey Heath. As the announcement was only made recently and the final figures have not been released no uplift in respect of the pilot has been included within the budget. It was a condition of the application that any additional income received by Districts as a result of the pilot has to be used on economic development.
- 5.2 Under the current arrangements for each additional £1 collected above the initial baseline 50p goes to Government, to be redistributed as grants such as New Homes Bonus etc, 10p goes to Surrey CC, 20p goes to fund a safety net for areas suffering large reductions in rateable income and 20p remains in Surrey Heath. As a result of being in a pilot no levy is applied on growth above the baseline meaning it is all retained within Surrey and shared between the County and Districts in the ratio 70:30. However being a pilot does not mean that ALL business rates collected in Surrey remain in Surrey – a tariff will still be applied to redistribute Business Rates across the country leaving Councils with identical baselines to those they would have had they not been in the pilot – it is only the growth above this baseline that remains in the county.
- 5.3 Councils in a pilot can only call on the safety net if their Business Rates collectively fall below the safety net threshold. Hence if one Council falls in to the safety net this will be covered by a first call on the gains of the others. That said the Government has promised that no Council will be worse off in the pilot than if they had stayed out.
- 5.4 The table below shows the level of business rates the Government expects Surrey Heath to collect and how this translates in to actual funding:

Total Business Rates and Council Share 2018/19 to 2019/20

	Non-Pilot 2017/18 Actual £000	Pilot 2018/19 Provisional £000	Non-Pilot 2019/20 Assumed £000
Baseline - assumed minimum collected	33,475	33,963	35,723
Less: 50% to Government	-16,738		-17,861
Less: 10% to SCC	-3,348		-3,572
Less: 70% to SCC		-23,774	
Share for SHBC	13,390	10,189	14,289
Less Fixed Tariff	-11,925	-8,680	-12,747
Business Rates for SHBC	1,465	1,509	1,542
Less Tariff Adjustment	0	0	-933
Remining share of Business Rates	1,465	1,509	609
%age share	4.4%	4.4%	1.7%
Safety Net	1,355	1,398	1,448

- 5.5 The above table reflects the figures released in the provisional settlement on the 19th December 2017. It is difficult to predict with any accuracy what will happen beyond 2019/20 and so no details have been included. Factors which will influence this include the introduction of Localisation of Business Rates for the entire sector, impact of changes to the “Fairer funding formula” and in 2020/21 the “baseline reset”. The 2019/20 figures, released with the December settlement, continue to include the “negative tariff” however the Government recently said they would be addressing this issue.
- 5.6 The Council has worked hard to increase economic activity in the borough through hard development. However due to the way the system currently works the amount of benefit the Council actually receives is quite small. If, for example, the Council manages to build a new business premises with an RV of £1m, equivalent roughly to the size of the Waitrose in Bagshot, then this will result in the borough gaining an additional £95k in Business Rates under the current system. That said efforts have also been made to ensure that all properties that attract business rates are placed on the register and billed as quickly as possible, new premises have been built resulting in the fact that the actual income received from business rates is likely to exceed the baseline. It is worth noting though that the way the current system is accounted for any

additional Business Rates collected in say 2017/18 does not actually benefit the Council's income until the following year.

5.7 The Executive approved the application for a Pilot in October 2017 and gave a delegation to the Executive Head of Finance to agree the final terms. It is likely that a Memorandum of Understanding will be agreed shortly between all the Surrey Authorities to put the Pilot in to effect.

6. Local Government Settlement 2018/19

6.1 As part of the multiyear settlement announced in 2015 the Council was informed that it would receive no grant in 2018/19. This was confirmed when the provisional settlement was announced on the 19th December 2017.

	Final Allocation 2012/13	Final Allocation 2013/14	Final Allocation 2014/15	Final Allocation 2015/16	Final Allocation 2016/17	Final Allocation 2017/18	Provisional Allocation 2018/19	Anticipated Allocation 2019/20
	£0	£0	£0	£0	£0	£0	£0	£0
Core Funding								
Revenue Support Grant	63	1,415	1,441	965	357	0	0	0
Share of Business Rates	3,080	1,370	1,304	1,330	1,435	1,465	1,509	1,542
Transitional Grant					133	84	0	
Tariff adjustment								-933
	3,143	2,785	2,745	2,295	1,925	1,549	1,509	609
Other Grants rolled in:								
Council Tax Freeze Grant	176	176	176	174				
Homelessness Grant		50	50	49				
Returned funding			3	0				
Council Tax Support Funding		419						
	3,319	3,430	2,974	2,518	1,925	1,549	1,509	609

6.2 Members should note that not only has there been a steep reduction in funding over the last 5 years but that this is set to continue going forward. In addition grants given for new responsibilities, such as Council Tax Benefit, have now disappeared completely. This means that it is more important than ever for Councils to generate their own income if services are to be maintained

7. Council Tax

7.1 Council Tax will be set by the Full Council at its meeting on the 21st February 2018.

7.2 The Minister has confirmed that there will be a cap on council tax increases as follows:

- 6.00% - For those Councils with Adult Social Care responsibilities
- £5 or 3% for Shire Districts – whichever is the higher
- £12 for Police commissioners
- No cap for Parishes and towns

7.3 Any Council which sets a precept above the capping limits will have to hold a local referendum on the proposed increase in Council Tax at its own expense.

- 7.4 The budget has been prepared on the assumption that Council Tax will be increased by just under 3%, the maximum allowed, however members can chose any amount up to this level. Any reduction in this increase would have to be covered either by additional income and savings or cuts to services. The increase in the cap by the Government from the previous £5 to 3% has resulted in an additional charge of £1.12 per year for a Band D resident
- 7.5 The current Surrey Heath band D Council Tax is £206.30. An increase of just under 3%, the maximum allowed, to £212.42 coupled with the growth in the tax base will generate an additional £275k for the year.

7.6 **The Council is at liberty to set whatever level of Council Tax it wishes.**

Increases deemed to be “excessive” i.e. over 3% will trigger a local referendum (at the Council’s expense) on the increase requested.

- 7.7 Details of Parish, Surrey County Council and Surrey Police precepts will be included within the paper for Full council. However indications are that Surrey CC will push for the maximum increase allowed, just under 6%, and the Police commissioner likewise, £12.

8. **Tax Base, Parish Support and Collection Fund**

- 8.1 The tax base has risen overall during the year due to the construction of new properties. This can be seen in the table below:

Council Tax Base

	2017/18	2018/19	Change
Bisley	1,566.16	1,587.78	21.62
Chobham	1,960.49	1,969.27	8.78
Frimley and Camberley	23,664.75	23,871.57	206.82
West End	2,027.92	2,020.58	-7.34
Windlesham	8,098.72	8,091.42	-7.30
Total	37,318.03	37,540.62	222.58

- 8.2 Although the overall tax base has risen it has fallen in two Parishes. This is because of a number of downward re-bandings that has reduced the overall base. The overall increase of 222 generates an additional £45k for the borough and shows the value in financial terms of delivering new housing.
- 8.3 The Chancellor of the Exchequer announced in the November Budget that Council’s would be able to charge a 100% supplement on empty properties instead of the current 50%. Although details are awaited if this were to be implemented in Surrey Heath it would increase the tax base by 25.73 and generate an additional £5,300 for the borough. Increasing the charge on

empty properties encourages them to come back in to use more quickly. It is unlikely that legislation will be in place before April 2019

- 8.4 The Council pays a special grant to parishes to compensate them for the change to the tax base due to the introduction of the Local Council Tax support scheme (LCTSS). This grant will remain unchanged from that paid in 2017/18 despite the fact that it is no longer funded by central government. This is shown in the table below:

Support for Parishes due to the LCTSS

Parish/Town	Support given in 2017/18 & 2018/19
Bisley	1,334.30
Chobham	2,962.87
Frimley and Camberley	8,116.98
West End	1,591.65
Windlesham	5,937.64
TOTAL	19,943.44

- 8.5 Due to better than predicted collections and additional properties it is predicted that the collection fund will be in surplus at the end of 2017/18. The Sec 151 officer has therefore determined that a surplus of £3,000,000 can be declared for the year. Of this will £2,242,200 will be paid to Surrey County Council, £378,300 to the Police and the remaining £379,500 to the borough. This will be used to support the budget for 2018/19
9. Investment income and borrowing costs
- 9.1 The 2018/19 estimates include a provision of £160k for investment income to be generated from external investment. This is less than last year due to the fact that investments were sold to repay debt and therefore reduce the Council's borrowings. Services are charged with the full cost of borrowing, be that at the PWLB borrowed rate for long term loans or at notional rate of 2% for short term and internal borrowing. An allowance therefore of £150,000 has been included within the budget representing the lost interest "earned" by using internal rather than external borrowing. The Council may make additional income if it can achieve an interest rate lower than 2% on its borrowings – this is not reflected within the budget.
10. Items funded from reserves
- 10.1 As in previous years £816,390 of expenditure is funded directly from reserves as follows:
- £75,000 of expenditure relating to community grants included in the budget is being funded from the community fund.

- £250,000 of costs related to Transformation is being financed from the Capital Revenue reserve as it is deemed to be an investment to deliver transformational change to Council services and thus deliver savings in the medium term. This may become an additional budget pressure going forward
- £62,390 for grounds maintenance from the SANGS reserve
- £109,000 for grounds maintenance and playgrounds from commuted sums
- £140,000 from reserves for Family Support.
- £180,000 from Recycling reserve to support the implementation of the new joint waste contract

11. Funding transferred to Reserves

11.1 Unused new homes bonus is budgeted to be transferred to reserves

12. Minimum Revenue Payment (MRP)

12.1 MRP is an amount required under the Prudential Regulations to be charged to revenue to pay back debt. In the budget £1,353,000 has been allowed to meet this requirement in accordance with the Council's MRP policy.

13. New Homes Bonus (NHB)

13.1 In 2010 the Government introduced an incentive to encourage house building. This rewarded local authorities for the number of houses they constructed and also provided an additional payment for any affordable units built. The payment was calculated each year using the tax base growth and was originally paid in the 6 years following the increase in the base. i.e. if a house was completed in year 1 then the council would receive payments in years 2 to 7.

13.2 In December 2016 the Government announced a number of changes to the NHB going forward. These were as follows:

- In 2017/18 the incentive will be paid for 5 years rather than 6;
- In 2018/19 and onwards the incentive will be paid for 4 years rather than 5;
- There will be an assumed housing delivery of 0.4% of the tax base each year For Surrey Heath this is equal to 149 units which will not qualify for NHB. This %age may well increase in the future

Although further changes were expected for 2018/19 these have been deferred by the Government.

13.3 The Settlement announced on the 19th December 2017 has indicated that Surrey heath can expect to receive £863,886 in New Homes Bonus for

2018/19. Of this £251,603 has been generated by the increase in the tax base over 2017/18. The Government has committed to retaining New Homes Bonus as an incentive in the future although its value may well decline over time.

- 13.4 NHB is not “new” money and instead comes out of redistributed local authority funds – mainly by top slicing business rates. However although it was a useful source of revenue and a valuable incentive for housing delivery its effectiveness will decrease as the reward is reduced on future years.
- 13.5 The Government has assumed that New Homes Bonus is there to support on-going services and indeed include it in their calculation of “Core Spending Power” which lists the resources councils have to deliver services. Despite this it has continued to reduce the level of funding payable under this method.

14. Impact of Property Purchase in 2017/18

- 14.1 The Council made substantial investments in property in 2016/17 which have had a positive impact on the budget in 2018/19 as shown in the table below:

Property Investment contribution to General fund 2018/19						
			Albany	Square	St Georges	Total
			£000	£000	£000	£000
Rent			1,077	4,789	511	6,377
Property costs			0		65	65
Professional costs			18		16	34
			18	0	81	99
Profit before interest			1,059	4,789	430	6,278
Interest costs			-314	-2,094	-259	-2,667
Profit after interest			745	2,695	171	3,611
Minimum Revenue Payment						-1,353
Strategic Property costs						-342
Contribution to general fund						1,916

- 14.2 This income has enabled the Council to maintain services whilst covering reductions in grant and increases in costs. More prudent property investment will be required in the coming year if future financial pressures are to be avoided.
- 14.3 Although there are risks around property investment in that rentals can fall, say if units are vacant, it is clear that without this investment being made

services would have had to be cut as a result of funding reductions. That said any significant loss of income would have to be covered by savings or income growth elsewhere in the budget or in the short term from reserves.

15. Overall Budget

15.1 The overall budget taking account of the items above is shown in Appendix A

16. Financial Risks

16.1 There are a number of financial risks contained within the estimates. These are as follows:

Income Projections

16.2 The economic climate continues to affect the income raised from charges and rental income. The estimates used are considered to be prudent based on current knowledge.

Inflation

16.3 There is no general allowance for inflation in this budget. Cost inflation has either been absorbed or budgeted for.

Salaries

16.4 Whilst the Council has tried to limit the growth in wages it finds itself under increasing pressure from what the private sector is prepared to pay. In addition as it takes on new services and responsibilities, which in turn generates income, these need to be adequately staffed thereby increased the overall cost of staffing. The budget assumes a 4% vacancy margin in order to allow for staff turnover during the year and an allowance for a pay increase which is yet to be agreed.

Business Rates Funding

16.5 A change in business rates income has a direct impact on Council funding. This has been explored earlier in this paper

17. Financial Forecast

17.1 Each year as part of the budget process a 5 year financial forecast is prepared which attempts to model the Council's finances over this period. The Government has made no announcement of funding allocations beyond 2019/20 and so this makes it difficult to model the finances beyond this period.

17.2 The forecast assumes that there is no change in services or income. Its purpose is to show the scale of the financial challenge over the next 5 years.

- 17.3 The forecast has used the resource projections provided by the Council's advisors LG Futures. These are a "best guess" but do give some indication as to what the total resources are. It can be seen that as a result of the negative tariff and the business rates rebasing these are forecast to reduce quite sharply over the forecast period.
- 17.4 The forecast takes no account of any significant projects that may arise during the life of the forecast with the exception of Phase 1 of the Square Refurbishment. The London Road Block project, which could have significant financial implications, has been ignored save for the £600k granted this year by Council. The impact of this and other projects on the councils overall budget will form part of the overall consideration by members when these are eventually brought forward.
- 17.5 The Council has invested in property which is reflected in the forecast. It is likely that further investments will be made but these are not included as they cannot be quantified at this time, however they will be one of the ways in which any future funding gap could be addressed

17.6 The Financial Forecast is made up of 4 parts as follows:

Revenue fund projection

17.7 This rolls forward the current proposed budget, reflecting future changes as agreed by Management Board and the assumptions in the table below

Capital Expenditure forecast

17.8 This shows a projection of the level of Capital Reserves based on known "approved" future expenditure. For the purposes of this forecast it has been assumed that significant capital projects will be funded by borrowing and be self-financing.

Capital and revenue balances

17.9 This sets out the predicted use of reserves based on the financial forecast.

Assumptions

17.10 The assumptions used in the forecast are set out below. It should be noted that these are only assumptions for the purposes of the financial model and should not be seen as an indication of policy for future years:

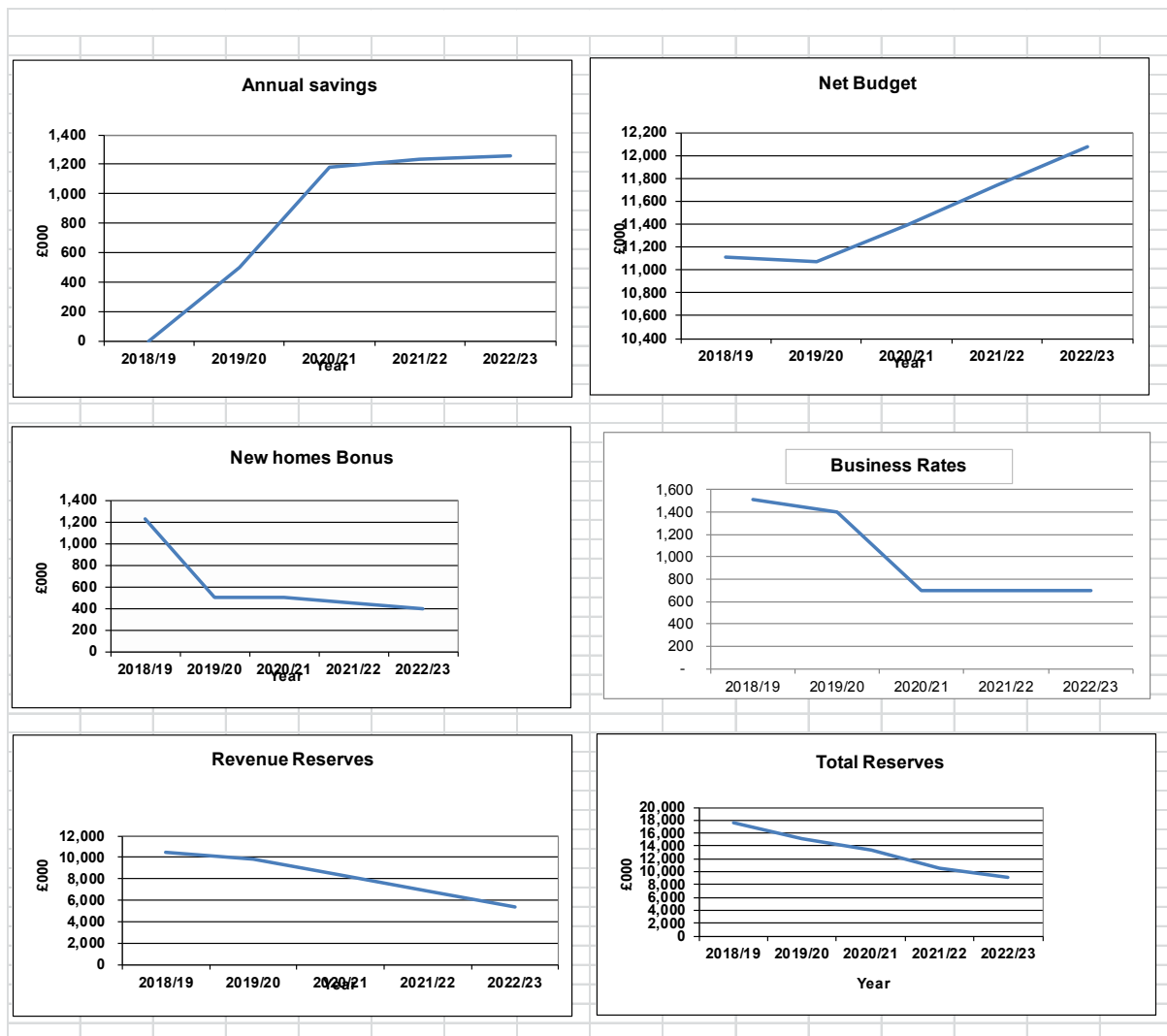
Forecast Assumptions

Category	Assumption
Inflation - wages	2.0%
Inflation - Expenses	1.5%
Investment Returns	1.5% to 2.0%

Government Funding	As per LG futures
Council Tax	3% increase
Fees and Charges	2.0%

18. Financial Projection based on a Council Tax increase in 2018/19

18.1 The graphs show the projected outcomes for 2018/19 to 2022/23. The detailed schedules are in Annex B



18.2 The outcome from this scenario is that savings or income of about £1.3m will be required from 2020/21 to mainly replace funding lost from Business Rates, New Homes Bonus and Surrey CC. It also reflects the cost of having to fund the borrowing to support the capital programme.

19. Risks to be considered in relation to financial forecast
- 19.1 The forecast is based on a set of assumptions that are in reality a “best guess”. This year more than ever there are a number of areas of uncertainty, particularly in relation to the local government finance reforms, which potentially could have a huge effect on forecasts.
- 19.2 Income Projections
It has been assumed that income will not decline and only grow by inflation
- 19.3 Commercial Rental income
It has been assumed that rental income will remain stable over the period. It is anticipated that income will grow over the life of the forecast but there is also a risk it may fall and hence increase the budgetary pressure. A 1% fall in commercial property income equates to about £90k
- 19.4 Local Government Funding
It has been assumed that funding will continue to fall in line with spending review 2015 and continue to fall at the same rate after that.
- 19.5 Council Tax increases
These forecasts assume that Council Tax will be increased by 3% in the future. The Government could reduce the level at which a referendum is triggered thereby limiting the ability of Councils to increase Council Tax.
- 19.6 Pension Deficit payments
It is assumed that no additional payments will be due over the period as the scheme is currently fully funded.
- 19.7 New Homes Bonus
The forecast assumes that this will be retained but reduced over the period
- 19.8 Interest Rates
Assumed to be 2% for debt and 1% for investments.
- 19.9 Inflation
Inflation of 1.5% pa has been built in the forecast for other costs and 2% for wages.. It has been assumed that any increase over this will be absorbed
- 19.10 Legislative changes
Legislative changes could have an impact on the council’s future finances either in a positive or negative way. This has been ignored in the forecast but is a risk
- 19.11 Changes
It has been assumed in the forecast that there will be no changes to services. This assumes that services would be maintained despite the withdrawal of county funding. Transformation of services may be one of the ways that the funding gap is addressed.

20. Conclusions to be drawn from the Financial Forecast

20.1 This year marks the second year with no Government funding. It has been assumed that in future years the Council will become a contributor to Government funds through the negative grant. The council has always pursued a policy of increasing income rather than cutting services to balance the budget. This income could come from increases in charges for existing services, the development of new chargeable services and further investment in income generating assets. If, however this is not possible then service reductions coupled with a cessation of the Council's capital investment programme may be required to ensure that the budget remains in balance.

20.2 Having no capital receipts means that the Council will need to continue to borrow to fund its capital aspirations. If these projects are not in themselves self-financing then the interest and Minimum Revenue Provision have to be covered. For every £1m borrowed about £50k revenue is required per year, assuming the asset has a life of 50 years, and so more income generating investments, or reductions in costs, will be required to cover this cost.

21. The Next stage

21.1 At this stage, the following information is required before details of the level of Council Tax for 2018/19 can be proposed:

- The Revenue Support Grant Settlement and Redistributed Business Rates as detailed at paragraph 6, is still provisional. It is anticipated that the final settlement will be announced in Parliament towards the end of January.
- The County Council needs to determine its precept for the year
- The Police and Crime Commissioner needs to determine his precept for the year.
- Details of all the Parish Precepts.
- Confirmation of the referendum limit of 3%

21.2 All this information should be available in time for the Council Tax setting meeting in February

21.3 The revenue estimates or budget is a fundamental cornerstone of the resourcing of Council services and the delivery of the corporate plan. Members are asked to pay particular attention to:

- The major reductions in Government funding as a result of the 2015 Spending review and its implications for the maintenance of services
- Items financed from reserves
- The use of property income to fund services

- The underlying assumptions in the budget
- The financial forecast and its implications in respect of the need for further savings/income if financial stability is to be achieved and the underlying assumptions in its preparation

22. Options

22.1 The Executive is asked to consider and recommend to Council the 2018/19 Revenue Estimates as set out in this paper including the savings target and amounts chargeable to reserves. It can of course amend or reject any part of the budget as set out as it sees fit.

23. Officer Comments

23.1 The investment in property has enabled the Council to maintain services and a balanced budget for 2018/19. However the financial forecast has identified further challenges in future years driven by Council funding being taken by Government, inflation and the capital programme.

23.2 The Council will need to grow and maximise its income streams, be this by further investment in property or raising charges, if service cuts are to be avoided in the future.

23.3 This includes an increase in Council Tax of just under 3% this year, the maximum permitted. Even at 3% the Surrey Heath increase is likely to be significantly less than both the County and the Police increases. Of all the income streams the Council has Council Tax is least volatile and therefore is the only one that can provide a stable funding base for services.

23.4 Any change relating to 2018/19 budget recommended by Executive will be adjusted for in the budget presented to Full Council on the 21st February 2018. As it is a legal requirement to present a balanced budget any reduction in income, say from a reduction in the increase in Council Tax, will have to be met by equivalent savings elsewhere in the budget.

24. Proposals

24.1 It is proposed that:

- (i) The Executive is advised to RECOMMEND to Council that the 2018/19 General Fund Revenue Budget of £11,058,933 as set out in Annex A be approved;
- (ii) The Executive is advised to RECOMMEND to Council that the support grant for parishes to compensate them for the effects of the local council tax support scheme be unchanged for 2018/19 compared to 2017/18;
- (iii) The Executive is asked to CONSIDER whether it wishes to make a recommendation to Full Council in respect of the level of Council Tax to be set for 2018/19.

(iv) The Executive is asked to NOTE

1. That the budget contains £816,390 per paragraph 11 chargeable to reserves;
 2. That a minimum revenue provision of £1.353m is required to repay debt;
 3. There is no Revenue Support Grant from Government to support services;
 4. The provisional NNDR baseline of £1,508,666 and the final settlement on will be reported to Council at its meeting on 21st February 2018;
 5. The inclusion of £200,000 for a pay increase within the budget;
 6. That the Council is a member of the Surrey Business Rates pilot consisting of Surrey County Council and all Surrey Districts;
 7. That a full report, setting out Council Tax proposals for 2018/19 will be presented to Council on 21st February 2018.
 8. That further savings and income generation through investment will be required as a result of anticipated reductions in Government funding and funding the Capital programme in the future.
9. The increase in the tax base from new housing which delivers an extra £47,000 a year in Council Tax

25. Supporting Information

- 25.1 This is all included in the report and the annexes. A separate booklet showing individual budgets by portfolio is available on the website and a copy has been placed in the member's room.

26. Corporate Objective and Key Priorities

- 26.1 The budget underpins all of the Corporate Objectives and Key Priorities.

27. Legal Issues

- 27.1 The process for setting the budget is outlined in the constitution. The Council does have a legal duty to set a budget and precept for Council Tax.

28. Sustainability

- 28.1 This budget is part of the process to make the Council financially sustainable.

29. Risk Management

29.1 There are a number of risks inherent in the budget and in the financial forecast. These have been outlined in the relevant sections

30. **PR and Marketing**

30.1 The financial standing of the Council is always a matter of interest to local residents and other stakeholders. It is important that the public is informed as to how little Central Government funding the borough receives and how this is to be reduced further in the future.

31. **Equalities**

31.1 The Council recognises that where budgetary proposals are likely to have a significant impact on Council policies or service provision, such changes may have a disproportionate impact on particular sectors or groups within the population. It is thus important to conduct an assessment of such impact, in line with the Council's commitments as set out in our Corporate Equality Plan, and in compliance with our statutory equality duties.

31.2 Where significant service changes are likely to occur as part of proposals included in budgetary proposals, the Council is thus conducting Equality Impact Assessments (EIA) of these proposals. EIAs are all about considering how such proposals may impact, either positively or negatively, on different sectors of the population in different ways. The purpose of such assessments is to

- Identify whether the proposals are likely have a disproportionate impact on any particular group within the population;
- whether such an impact is positive or negative; and
- whether such an impact might constitute unlawful discrimination.

31.3 Where disproportionate negative impact and/or unlawful impact are identified, the assessment provides a means for the Council to take appropriate steps to either avoid such an impact or take appropriate action to mitigate it.

ANNEXES	Annex A – 2018/19 Summary Budget Annex B – Financial Forecast
BACKGROUND PAPERS	Budget Book for 2018/19
AUTHOR/CONTACT DETAILS	Kelvin Menon – Executive Head of Finance Kelvin.menon@surreyheath.gov.uk
HEAD OF SERVICE	Kelvin Menon - Executive Head of Finance

	Required	Consulted	Date
Resources			
Revenue			
Capital			
Human Resources			
Asset Management			
IT			
Other Issues			
Corporate Objectives & Key Priorities			
Policy Framework			
Legal			
Governance			
Sustainability			
Risk Management			
Equalities Impact Assessment			
Community Safety			
Human Rights			
Consultation			
P R & Marketing			

ANNEX A

GENERAL FUND REVENUE ACCOUNT

2017/18 SUMMARY BUDGET

	2017/18	2018/19	Variance
	Budget	Budget	
	£	£	
Business	1,644,978	988,940	-656,038
Community	5,106,533	4,528,940	-577,593
Corporate	1,501,660	1,674,200	172,540
Finance	1,807,400	1,501,060	-306,340
Legal and Property	-719,390	-18,390	701,000
Investment and development	-1,784,860	-1,840,490	-55,630
Regulatory	3,140,899	2,010,950	-1,129,949
Transformation	583,420	3,245,490	2,662,070
	<u>11,280,640</u>	<u>12,090,700</u>	<u>810,060</u>
Staff and Pension amendments	192,906	200,000	7,094
Add: Minimum Revenue Payment	1,389,000	1,353,000	-36,000
Internal asset charges reversed	-2,075,410	-2,294,700	-219,290
NET COST OF SERVICES	<u>10,787,136</u>	<u>11,349,000</u>	<u>561,864</u>
Less: External Interest earned	-300,000	-160,000	
Less: Internal Interest earned	0	-150,000	
Add: Contribution to Parishes	19,943	19,943	
BUDGET REQUIREMENT	<u>10,507,079</u>	<u>11,058,943</u>	
Less: Collection Fund Surplus	-238,258	-379,500	
Less: Business Rates baseline	-1,464,663	-1,508,666	
Less: Additional Business Rates	-200,000	-200,000	
Less: New Homes Bonus	-1,226,266	-863,886	
Less: Other Grants in settlement	-84,448	0	
Add: Tfr to Reserves	1,226,266	863,886	
Less: Funding from Reserves	-645,000	-816,390	
Add: Parish Precepts	557,575		
COUNCIL TAX REQUIREMENT	<u>8,432,285</u>	<u>8,154,387</u>	
Less: Special Expenses	-176,000	-180,000	
Less: Parish Precepts	-557,575		
OWN COUNCIL TAX REQUIREMENT	<u>7,698,710</u>	<u>7,974,387</u>	
<i>Band D equivalent Properties</i>	37,318.03	37,540.62	
<i>Base Council Tax per Band D property</i>	£206.30	£212.42	2.97%

ANNEX B

REVENUE FUND PROJECTION 2018/19 to 2022/23

2018/19 £000		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Budget	Portfolio				
989	Business	989	989	989	989
4,528	Community	4,348	4,348	4,348	4,348
1,674	Corporate	1,674	1,674	1,674	1,674
1,501	Finance	1,501	1,501	1,501	1,501
-1,840	Investment and development	-1,840	-1,840	-1,840	-1,840
-18	Legal and Property	-18	-18	-18	-18
2,010	Regulatory	2,010	2,010	2,010	2,010
3,246	Transformation	3,246	3,246	3,246	3,246
12,090		11,910	11,910	11,910	11,910
	Other items				
(2,295)	Internal Asset charges	-2,295	-2,295	-2,295	-2,295
200	Staff and Pensions amendments	250	300	350	350
20	Contribution to Parishes	20	20	20	20
-310	Investment income	-310	-310	-310	-310
1,353	MRP funding	1,725	1,742	1,750	1,750
864	Tfr to reserves				
(816)	Reserves funding	-636	-636	-636	-636
0	Non recurrent costs	35			
11,106		10,699	10,731	10,789	10,789
	Base budget changes				
	Wages Inflation	200	404	612	824
	contract Inflation	135	272	411	552
	Fees and charges inflation	-130	-263	-398	-536
	Rental growth	-40	-80	-121	-162
	Interest for capital program	70	38	5	-27
	SCC Grant reduction	200	400	600	800
0	Total	435	771	1109	1451
11,106	Total Budget to be funded	11,134	11,502	11,898	12,240
	Financed By				
1,509	Business Rates	1,400	700	700	700
200	Business Rates Pooling				
7,973	Council Tax	8,295	8,629	8,977	9,339
864	New Homes bonus	500	500	450	400
380	Collection Fund Surplus	200	200	200	200
180	Special Expenses	180	180	180	180
11,106	Total Finance	10,575	10,209	10,507	10,819
0	Funding Gap/Savings	559	1,293	1,391	1,422

ANNEX B

CAPITAL EXPENDITURE FORECAST 2018 TO 2023

	Estimated 2018/19 £'000	Estimated 2019/20 £'000	Estimated 2020/21 £'000	Estimated 2021/22 £'000	Estimated 2022/23 £'000
Disabled Facilities Grants	630	630	630	630	630
Lightwater CP	55				
Refuse trucks	3,200				
Camberley high street	2,500	1,600			
Theatre improvements	137				
IT	22				
community Bus	40	40			
Property acquisition	2,000				
GRAND TOTAL OF ALL SCHEMES	8,584	2,270	630	630	630
CAPITAL RECEIPTS RESERVE B/F	0	0	0	0	0
Add: Funding from Loans	5,434	920	-20	-20	-20
Add: Government Grant	3,130	1,330	630	630	630
Add: Capital Receipts	20	20	20	20	20
Less: Capital Expenditure	(8,584)	(2,270)	(630)	(630)	(630)
CAPITAL RECEIPTS RESERVE C/F	0	0	0	0	0
Borrowing b/f	120,000	124,081	123,501	121,881	120,261
Less Funding Required for Capital	5,434	920	-20	-20	-20
Less MRP	-1,353	(1,500)	(1,600)	(1,600)	(1,600)
Borrowing c/f	124,081	123,501	121,881	120,261	118,641

NB The effect of significant capital purchases has been excluded and is has been assumed that either they will make a positive contribution or be self-financing. Furthermore it has been assumed that all schemes approved in 2017/18, such as the Mall refurbishment, will either be completed or carried forward

ANNEX B

**GENERAL FUND CAPITAL AND REVENUE BALANCES ESTIMATED 2017 TO 2022
WITH £5 COUNCIL TAX INCREASE**

Estimated Balance 31-Mar-18 £000	Capital Reserves	Estimated Balance 31-Mar-19 £'000	Estimated Balance 31-Mar-20 £000	Estimated Balance 31-Mar-21 £000	Estimated Balance 31-Mar-22 £000	Estimated Balance 31-Mar-23 £000
0	Capital Receipts	0	0	0	0	0
0	Sub Total Capital Reserves	0	0	0	0	0
	Earmarked Revenue Reserves					
13	Atrium Public Art	11	10	10	9	8
1,051	Affordable housing	600	400	200	200	200
276	Atrium s106	50	0	0	0	0
85	Blackwater Valley & Developer Conts	70	50	30	0	0
6	Gum Machine	4	2	0	0	0
5	Chobham Partnership	5	0	0	0	0
544	CIL	100	200	200	200	200
550	Commuted Sums	441	332	223	114	5
178	Community Fund	128	78	28	0	0
82	Crime and Disorder Partnership	82	60	0	0	0
15	Custom build	15	0	0	0	0
308	Deepcut Commuted Sums	280	250	230	200	180
67	Frimley 3G	90	112	25	50	75
27	Heathside Muga	0	0	0	0	0
203	Insurance	180	160	140	120	100
675	Interest	1,500	1,500	1,500	0	0
384	Land Drainage	330	280	230	180	150
80	new burdens	60	30	0	0	0
10	Old Dean Toddlers Playground	11	12	12	11	9
119	One public estate	50	0	0	0	0
87	Personalisation	50	0	0	0	0
216	Sec 106	70	50	30	10	
635	Planning Tariffs	300	200	200	200	200
1,754	Repairs and Property Fund	1,500	1,300	1,000	800	600
150	Recycling Fund	0	0	0	0	0
0	Remediation Fund	0	0	0	0	0
500	Surrey Family Support	52	0	0	0	0
192	SANGS	1,182	250	1,000	1,500	2,000
8,212	Total Earmarked Revenue Reserves	7,161	5,276	5,058	3,594	3,727
	Other Revenue Reserves					
9,145	Capital Revenue Reserve	8,295	8,045	7,795	7,545	7,295
2,200	General Fund Working Balance	2,200	1,676	383	-1,008	-2,430
11,345	Total Other Revenue Reserves	10,495	9,721	8,178	6,537	4,865
19,557	TOTAL RESERVES	17,656	14,997	13,236	10,131	8,592

Treasury Management Strategy Report 2018/19

Summary

To consider and recommend to the Council the Treasury Strategy for 2018/19

Portfolio - Finance

Date Portfolio Holder signed off report: 24 January 2018

Wards Affected All

Recommendation

The Executive is advised to **RECOMMEND** to Full Council to adopt

- (i) the Treasury Management Strategy for 2018/19;
- (ii) the Treasury Management Indicators for 2018/19, as set out at Annex C to this report; and
- (iii) the Minimum Revenue Provision policy statement and estimated minimum revenue provision payment table, as set out at Annex F to this report.

Resource Implications

1. £160,000 has been budgeted for Investment Income for 2018/19 calculated as a average return of 1.1% on a £14.5m portfolio. £2.2m has been budgeted for interest payments calculated as average cost of 2% on a debt of £111m. These figures are influenced by changes to interest rates, levels of debt and investment funds.
2. The proposed corporate capital programme for 2018/19 – 2019/20 will need to be funded by borrowing or out of revenue due as the Council does not hold any capital receipts.
3. Any changes required to the approved treasury management indicators and strategy, say because of changes in economic conditions, will be reflected future reports for Executive and Council to consider.

Key Issues

4. Treasury Management is “the management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

5. The Council's investment portfolio comprises of funds available for longer-term investment, and short term investments sufficient to meet cash flow requirements.
6. On 22nd February 2013 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. CIPFA consulted on changes to the Code in 2017 and the amendments were published in late December 2017, however, due to the committee timetable, the amendments have not been reflected in this report.
7. In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Council Investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year. CLG consulted on changes to its guidance in 2017 but has yet to publish any updated guidance.
8. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.
9. The Council invests and borrows large sums of money and is therefore exposed to financial risks which include the revenue impact of changing interest rates and the loss of part or all invested funds. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.
10. In accordance with the CLG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Council's capital programme or in the level of its investment balance. The updated Treasury Guidance when issues may also require a revised report to be submitted for approval.

Options

11. The Executive can receive or amend the report, or ask for further information.
12. The Executive can approve or amend the proposed recommendations to Council.

Proposals

13. The Executive is asked to approve and recommend to Council the adoption of:
 - a) The Treasury Management Strategy for 2018/19.
 - b) The Treasury Management Indicators for 2018/19 at Annex C.
 - c) The Minimum Revenue Provision (MRP) policy statement at Annex F

Supporting Information

National and International Factors which influence the Council's Treasury Strategy

14. The Council's treasury management advisors, Arlingclose Limited, have given us their assessment of the wider external factors that the Council's investment strategy needs to take in to account in terms of the economy, interest rates and credit outlook. This is set out below:

Economic background:

15. The major external influence on the Council's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the 2016 referendum, but there are indications that uncertainty over the future is now reducing growth. Transitional arrangements may prevent a cliff-edge, but could also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain low throughout 2018/19.
16. Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018, removing pressure on the Bank of England to raise interest rates again.
17. In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some growing confidence in the Eurozone economy.

Credit outlook:

18. High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Low growth in the economy and fines for pre-crisis behaviour continue to depress bank profits and this may be exacerbated if the economy slows down further.
19. 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. In addition, the largest UK banks will ring-fence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

20. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; In addition returns from cash deposits however remain very low.

Interest rate forecast:

21. The UK Bank Rate increased to 0.50% in November 2017 from 0.25%. The Bank of England emphasized that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
22. Longer-term interest rates have risen in the past year, reflecting the possibility of increasing short-term rates. Arlingclose forecasts these to remain broadly constant during 2018/19, but with some volatility as interest rate expectations wax and wane with press reports on the progress of EU exit negotiations.
23. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.
24. For the purpose of setting the budget, it has been assumed that no new investments will be made and that new long-term loans will be borrowed at an average rate of 2%.

Local Context

25. The Council currently has £111m of external borrowing and £14 million of investments (as at 31st December 2017) as set out in Annex E.
26. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, subject to holding a minimum of £5million. However the Council will continue to borrow externally if there is a sound business case for doing so.
27. The Council has a falling CFR due to repayments of debt however this would increase if further capital investment through borrowing is undertaken.
28. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2018/19.

Borrowing Strategy

29. The Council currently holds £111 million of loans, a decrease of £19 million on the previous year, which it is using to fund its property acquisitions. Borrowing reduced over the year as investments were sold to repay debt. The Council may borrow in advance to pre-fund future years' requirements, providing this does not

exceed the authorised limit for borrowing, however the Council will incur a cost of carry until the funds are applied. This is because generally borrowing rates are higher than investment returns.

Objectives:

30. The Council's main 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. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy:

31. Given the significant cuts to public expenditure and in particular to local government funding, the council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The Council has currently borrowed most of its debt short in order to take advantage of low rates however it is in the process of fixing some of its borrowing for the longer term to give certainty of cost in the future and reduce risk. However there is still a risk of exposure to increased variable interest rates on the Council's short term borrowing.
32. By selling its investments and repaying borrowing, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
33. The Council is seeking to arrange forward starting loans during 2018/19, 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 in the future whilst taking advantage of low rates in the short term.
34. In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

Sources:

35. 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 County Council Pension Fund)
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
 - Local Enterprise Partnerships

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Operating and finance leases
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

36. The Council has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local Council loans and bank loans that may be available at more favourable rates. Short term borrowing has all been from other Public Bodies. As at 31st December 2017, the Council has borrowed £16.1m from the PWLB, £0.8m from the M3 LEP and £94.5m from local authorities.

Municipal Bond Agency:

37. UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative 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. Hence at the moment the UKMBA does not compare favourably with other sources of finance. Any decision to borrow from the Agency will require the approval of Council and therefore a separate report would be required.

Short-term and Variable Rate loans:

38. These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt Rescheduling:

39. 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 Council 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.

Annual Minimum Revenue Provision (MRP) Statement

40. When a Council borrows, it is required to indicate how it intends to fulfil its duty to make prudent provision for the repayment of the capital borrowed from revenue. This provision is called the Minimum Revenue Payment or MRP. Best practice guidance recommends that Councils prepare a statement of policy on making MRP in respect of the forthcoming financial year. The Council's MRP statement will be recommended to Council by the Executive on 6th February 2018 as part of the Capital Budget for 2018/19.

41. The recommended policy is attached in Annex F and the forecast MRP is shown in the table below:

	2018/19	2019/20	2020/21
	£m	£m	£m
Forecast MRP	1.4	1.4	1.5

Investment Strategy

42. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £6million and £34million. Average levels of £12m are expected in 2018/19.

Objectives:

43. Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council'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.

Strategy:

44. Given the increasing risk and falling returns from short-term unsecured bank investments, the Council aims to remain diversified into higher yielding asset classes during 2018/19, particularly for investments held for the longer term. Shorter term investments will be invested in short-term unsecured bank deposits, lent to other public bodies Councils and money market funds. No changes are proposed to the 2018/19 investment strategy from that adopted in 2017/18.

Approved Counterparties:

45. The Council's Treasury advisors have advised that the Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Building Societies	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2m 5 years	£3m 10 years	£2m 3 years	n/a	£2m 20 years	£2m 20 years
AA+	£2m 5 years	£3m 10 years	£2m 3 years	n/a	£2m 10 years	£2m 10 years
AA	£2m 4 years	£3m 5 years	£2m 3 years	n/a	£2m 5 years	£2m 10 years
AA-	£2m 3 years	£3m 4 years	£2m 3 years	n/a	£2m 4 years	£2m 10 years
A+	£2m 2 years	£3m 3 years	£2m 2 years	n/a	£2m 3 years	£2m 5 years
A	£2m 13 months	£3m 2 years	£2m 12 months	n/a	£1m 2 years	£2m 5 years
A-	£2m 6 months	£3m 13 months	£1m 6 months	n/a	£1m 13 months	£2m 5 years
BBB+	£3m next day only	£3m 6 months	£1m 100 days	n/a	n/a	£1m 2 years
None	£1m 6 months	n/a	£1m 6 months	n/a	n/a	n/a
Pooled funds	£2m per fund					
Supranational Banks	£3m for up to 5 years where rated A or above					
UK Local Authorities	£2m per authority for up to 5 years					

This table must be read in conjunction with the notes below:

Credit Rating:

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

Banks Unsecured:

47. Accounts, deposits, certificates of deposit and senior unsecured bonds with 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.

Banks Secured:

48. Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The

combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government:

49. Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities. These investments are not subject to bail-in, and there is a low risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates:

50. Loans, bonds and commercial paper 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. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers:

51. Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds:

52. Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
53. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Operational Bank Accounts

54. In addition the Council may incur operational exposures, for example through bank current accounts, collection accounts and merchant acquiring services, to UK banks with a credit ratings of at least BBB- and with assets greater than £25

billion. These exposures are not classed as investments but are still subject to the risk of a bank bail-in, thereby putting these operational deposits at risk. The Council's current accounts, together with a Business Reserve account are held with NatWest Bank who are currently rated BBB+. Deposits with the Council's current account are restricted to overnight deposits.

Supranational Banks

55. Loans bonds and bills issued or guaranteed by Supranational Banks such as the European Investment Bank, European central bank etc. These investments are not subject to bail-in, and there is an insignificant risk of insolvency.

UK Local & Regional Authorities

56. Loans to UK local and regional authorities and bodies created by statute whether credit rated or not.

Risk Assessment and Credit Ratings:

57. Credit ratings are obtained and monitored by the Council's treasury advisors, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
 - no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
58. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments:

59. The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
60. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to

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

Specified Investments:

61. 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 Council, parish council or community council, or
 - a body or investment scheme of “high credit quality”.
62. The Council defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-specified Investments:

63. Any investment not meeting the definition of a specified investment is classed as non-specified. The Council 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 the table below.

Non-Specified Investment Limits

	Cash limit
Total long-term investments	£10m
Total investments without credit ratings or rated below A- Except Local Authorities	£7m
Total investments (except pooled funds) with institutions domiciled in foreign countries	£7m
Total non-specified investments	£24m

Investment Limits:

64. In order that no more than 20% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £3 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£3m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£3m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£2m per country
Registered Providers	£5m in total
Unsecured investments with Building Societies	£5m in total
Loans to unrated corporates	£2m in total
Money Market Funds	£10m in total

Liquidity Management:

65. The Council uses purpose-built cash flow forecasting spreadsheets to determine the maximum period for which funds may prudently be committed.

Non-Treasury Investments:

66. Although not classed as treasury management activities at the moment and therefore not covered by the CIPFA Code or the CLG Guidance, the Council may also purchase property for investment purposes and may also make loans and investments for service purposes, for example as loans to local businesses and landlords, or as equity investments and loans to the Council's subsidiaries.
67. Such loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy. This situation may change when the revised guidance is released by Government later this year – see below.

Other Items

68. There are a number of additional items that the Council is obliged by CIPFA or CLG to include in its treasury management strategy. These are shown in Annex B.

Potential Legislative and Accounting Changes which could impact the Treasury Strategy

69. At the time of writing this report there are changes proposed to the Treasury Management and Prudential Code, DCLG Investment Guidance as well as a new International Financial Reporting Standard (IFRS) on Financial Instruments. As the impact of these is not known at the moment nor the final guidance published this report has been written on the basis of the 2009 and 2011 Code. Once the changes are agreed and published a new report may be required for Council to consider. For information the impact of the potential changes is outlined below.

IFRS9 – Accounting Standard for Financial Instruments

70. Although not applicable to the Treasury Strategy, this standard will apply to the Local Government accounts from 2018/19 and will impact the Council's General Fund in two areas:
- Movement in the market value of some loans and investments will all charged to the General Fund. At the moment only realised movements are taken to the General Fund with unrealised losses being placed in a reserve. The impact of this change will depend on CIPFA's final guidance on which instruments are affected, investment holdings and financial market conditions on Friday, 29th March 2019 when the standard is introduced.
 - A provision will have to be made for potential losses on loans to subsidiaries and third parties, deposits, financial guarantees and trade and lease receivables resulting in a charge to the General Fund. The size of the charge will depend on the size of the Council's exposure and credit standing of its borrowers, counterparties and customers in March 2019. This will particularly impact those authorities that have lent money by way of equity or loan to wholly owned subsidiary companies.
71. The possible impact of the adoption of IFRS9 is not reflected in this report and a statutory override of IFRS9 has been requested to mitigate the impact. A decision by DCLG on this is awaited.

Potential Changes in the 2017 CIPFA Treasury Management Code

72. The definition of Investments may be widened to include non-financial investments such as property and so these would then all fall under the code. The Council would need to demonstrate that there were robust due diligence procedures for external investment, transparent decision making and reporting, and that potential risks have been considered.

Potential changes to the CIPFA Treasury Management Cross-sectoral Guidance Notes

73. Any decision to invest in a non-financial investment, e.g. property must set out the risks clearly and any impact this may have on financial sustainability. There will also be a requirement for greater disclosure over debt, and in particular the key risks in servicing future debt requirements.

Potential Changes to the Prudential Code

74. Capital expenditure and Investment plans may need to consider the longer term implications and risk to the Council. This includes the arrangements for repayment of debt and the impact on financial sustainability over the longer term. This may include a requirement to report on the affordability of the capital strategy. Affordability should only consider those funds available for the servicing of debt and not include ring fenced amounts. It is likely that a “Capital Strategy” may be required setting out the Council’s risk parameters which would then be applied to any non-treasury investment.

DCLG Proposed changes on Investment & MRP Guidance

75. The definition of investments may be widened to include non-financial assets held for generating income returns such as investment properties and loans. Physical assets held as non-financial investments must be valued at fair value, and the investment strategy must state whether the fair value is sufficient to provide against loss and the liquidity of non-financial investments should be assessed as part of the Strategy. Where the Council relies on investment income to achieve a balanced budget and fund core services the extent of this may have to be disclosed together with contingency plans should yields on investments fall. In addition Councillors and Officers may need to be adequately trained to make informed investment decisions

Minimum Revenue Provision (MRP)

76. The definition of MRP may be updated to cover the gap between the Capital Financing Requirement (CFR) and grant income/capital receipts (CFR measures an Council's underlying need to borrow or finance by other long-term liabilities for a capital purpose). Any planned overpayments in MRP should be recorded clearly as a separate section in the MRP Statement and could be used to offset charges in future years. However a change in MRP policy which leads to an overpayment of MRP may not be taken to the General Fund – it must be offset against future MRP payments. The Government may set maximum MRP lengths of 40 years with 50 years applicable to freehold land.

Treasury Management Indicators

77. The Council measures and manages its exposures to treasury management risks using a range of indicators which members are asked to approve. These are set out at Annex C.

Corporate Objectives and Key Priorities

78. The Treasury Management supports the Council's Key Priority 2.

Policy Framework

79. The Council fully complies with the requirements of the CIPFA Code of Practice on Treasury Management. The current relevant criteria and constraints incorporated into the Treasury Management Policy Statement are:
- New borrowing is to be contained within the limits approved by the Council, in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities, and the Council's prudential indicators.
 - Investments to be made in accordance with the CLG guidance on Local Council Investments, on the basis of Fitch, Moody's and Standard & Poors credit ratings for rated institutions and as detailed in the Treasury Management Policy statement and approved schedules and practices.
 - Sufficient funds to be available to meet the Council's estimated outgoings for any day.
 - Investment objectives are to maximise the return to the Council, subject to the overriding need to protect the capital sum.
 - The Council's response to interest rate changes is to minimise the net interest rate burden on borrowing and maximise returns from investments, subject to (a-d) above.

Legal Issues

80. These are addressed in the report and relate to a requirement to set and agree both a treasury management strategy and prudential indicators.

Governance Issues

81. The recommendations address best practice and are required as part of the CIPFA code.

Sustainability

82. None

Risk Management

83. Poor returns on investments could lead to a reduction in income required to support the revenue budget. However, low returns on investments should mean low rates for borrowing which could offset any potential loss. There is a risk that variable interest rates on short term borrowing could rise faster than expected leading to an increase in costs and therefore needing savings elsewhere in the Council's budget.
84. The limits proposed in this report in respect to counterparties and investments are the overall limits for agreement by Council. However from time to time these may be tightened temporarily by the Executive Head of Finance in consultation

with the portfolio holder for Resources to reflect increased uncertainty and increase in perceived risk in financial institutions and the economy. This will usually be at the cost of lower returns.

85. The investments ratings provided by credit ratings agencies are only a guide and do not give 100% security. There is always a risk that an institution may be unable to repay its loans whatever the credit rating thereby putting the Council's investments at risk.

Consultation

86. The Council's treasury advisors have been consulted and advised on the treasury strategy.

Officer Comments

87. Treasury Management, in particular the management of debt, is becoming an increasingly important area for the Council. This can lead to financial benefits but also carries risks which need to be clearly understood.

Annexes	Annex A – Arlingclose Economic and Interest Rate Forecast September 2017 Annex B – 2018/19 Other Items - Treasury Management Strategy Annex C – 2018/19 Treasury Management Indicators Annex D – Investments as at 31 December 2017 Annex E – Existing Investment and Debt Portfolio Annex F – Minimum Revenue Policy (MRP) Statement
Background Papers	CIPFA Code of Practice: Treasury Management in the Public Services – 2011 Edition
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Head of Service	Kelvin Menon - Executive Head of Finance

Consultations, Implications and Issues Addressed

Resources	Required	Consulted
Revenue	✓	
Capital		
Human Resources		
Asset Management		
IT		
Other Issues	Required	Consulted
Corporate Objectives & Key Priorities	✓	
Policy Framework		
Legal		
Governance		

Sustainability		
Risk Management		
Equalities Impact Assessment		
Community Safety		
Human Rights		
Consultation		
P R & Marketing		

Economic & Interest Rate Forecast November 2017

The Council's Treasury Advisors Arlingclose has provided their prediction of interest rates over the next 3 years. This is shown in the table below together with their underlying assumptions and predictions.

Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

Predictions:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

Predicted Interest Rate Table

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.26
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

Other Items

There are a number of additional items that the Council is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

- 1. Policy on Use of Financial Derivatives:** Local authorities, but not Surrey Heath, 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.** The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. 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.
- 3.** 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.
- 4. Investment Training:** The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and when the responsibilities of individual members of staff change. Staff attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.
- 5. Investment Advisors:** The Council has appointed Arlingclose Limited as treasury management advisors and receives specific advice on investment, debt and capital finance issues. This is monitored by holding regular meetings with the advisors to ensure that they continue to meet the Council's treasury management objectives. In addition, the Council's tender process for treasury management advice ensures value for money.
- 6. Investment of Money Borrowed in Advance of Need:** The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may

change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £190 million. The maximum period between borrowing and expenditure is not expected to exceed two years, although the Council is not required to link particular loans with particular items of expenditure. At the moment there are no plans to borrow in advance.

7. Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Executive Head of Finance, having consulted the Portfolio Member, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Treasury Management Indicators for 2018/19

1. The Council measures its exposures to treasury management risks using the following indicators. The Council is asked to approve the following indicators:
2. Security: average credit rating

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio.

	Target
Portfolio average credit rating	A+

This is calculated by applying a score to each investment (AAA = 1, AA+=2, etc.) and taking the arithmetic average weighted by the size of each investment.

3. Liquidity: cash available within three months

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target
Total cash available within 3 months	£5m

4. Interest Rate Exposures:

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed will be:

	2018/19	2019/20	2020/21
Upper limit on fixed interest rate exposure	£190m	£190m	£190m
Upper limit on variable interest rate exposure	£190m	£190m	£190m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate. Setting the limits the same gives maximum flexibility to achieve the best interest rate outcome for the Council.

5. Maturity Structure of Borrowing:

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and within 20 years	100%	0%
20 years and within 30 years	100%	0%
30 years and within 40 years	100%	0%
Over 40 years	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

6. Principal Sums Invested for Periods Longer than 364 days:

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£17m	£17m	£17m

INVESTMENTS as at 31st December 2017

	£
Lloyds Bank Call Account	3,000,000
Total Banks	<u>3,000,000</u>
Glasgow City Council	2,000,000
Total Local Authorities	<u>2,000,000</u>
AAA Rated MM Fund - Blackrock	1,700,000
AAA Rated MM Fund - CCLA Public Sector Deposit Fund	1,000,000
AAA Rated MM Fund - Legal and General	3,000,000
AAA Rated MM Fund - Standard Life (Ignis)	3,000,000
Total Money Market Funds	<u>8,700,000</u>
CCLA Property Fund	2,140,500
Total Longer Term Investments	<u>2,140,500</u>
Total Invested (excluding the NatWest Business Reserve)	<u>15,840,500</u>
NatWest Business Reserve	1,000,000
Total Invested (including NatWest Business Reserve)	<u>£16,840,500</u>

Existing Investment & Debt Portfolio Position

	31-Dec-17 Actual Portfolio £m	31-Dec-17 Average Rate %
External Borrowing:		
Public Works Loan Board - Long Term	(16)	2.9%
Local authorities - Short Term	(95)	0.5%
Total Gross External Debt	(111)	1.3%
Investments:		
Banks & Building societies	4	0.4%
Government (incl. local authorities)	2	1.3%
Money Market Funds	9	0.3%
Other Pooled Funds	2	4.7%
Total Treasury Investments	17	1.7%
Net Debt	(95)	0.4%

Non-treasury Investments:		
Investments in Property Trust***	105	2.0%
Total non-treasury Investments	105	2.0%
Total Investments	122	1.8%

*** Represents ownership of The Square, Camberley and associated property

Minimum Revenue Policy (MRP) Statement

1. The Secretary of State under section 21(1A) of the Local Government Act 2003 issued guidance on the calculation of MRP in February 2012 with 2012 being the first year of operation. The Council has assessed its method of MRP and is satisfied that the guidelines for its annual amount of MRP set out within this policy statement will result in its making the prudent provision that is required by the guidance.
2. For capital expenditure incurred and funded through borrowing the Council will calculate MRP using the asset life method as summarised in the table below. MRP will be based on the estimated life of the assets purchased by unsupported borrowing.

Estimated economic lives of assets Asset Class	Estimated economic life
Land and heritage assets	50 years
Buildings for services	40 years
Vehicles and Plant	10 years
IT equipment and software	5 years
Investment property	50 years
Property for regeneration	0% until development complete

3. The Council will aim to minimise the impact of MRP on the General Fund by funding assets with a longer economic life from borrowing in the first instance.
4. In accordance with provisions in the guidance MRP will be charged starting in the year following the date an asset becomes operational.
5. The forecast MRP is shown in the table below:

	2018/19	2019/20	2020/21
	£m	£m	£m
Forecast MRP	1.4	1.4	1.5

Note: The Council may need to amend to MRP policy dependent on Guidance from DCLG. If this is the case it will be submitted to members again for approval at later date

Corporate Capital Programme 2018/19 – 2020/21**Summary**

To consider the Corporate Capital Programme for 2018/19, the Prudential Indicators for 2018/19 to 2020/21, and the provisional capital programme for 2019/20 to 2020/21.

Portfolio - Finance

Date signed off: 24 January 2018

Wards Affected

All

Recommendation

The Executive is advised to RECOMMEND to Full Council that

- (i) the new capital bids for £8.584m, as set out at Annex A to this report, for 2018/19, and that they be incorporated into the Capital Programme be approved;
- (ii) the Prudential Indicators, as set out below and explained at Annex D to this report, including the MRP statement, for 2018/19 to 2020/21 in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities 2011, be approved.

Prudential Indicator	2018/19 Estimated £000	2019/20 Estimated £000	2020/21 Estimated £000
Capital Expenditure	8,584	2,270	630
Capital Financing Requirement	150,000	150,000	148,000
Ratio of net financing costs to net revenue stream	5.14%	2.61%	2.65%
Incremental impact of investment decisions on Band D council Tax	1.61	9.40	0.43
Operational Boundary	185,000	185,000	185,000
Authorised Limit	190,000	190,000	190,000

The Executive is advised to note:

- (i) that the Capital Financing Requirement for the Council as at 31 March 2019 is estimated to be £150m and as such a Minimum Revenue Payment of £1.369m is required;
- (ii) the provisional Capital Programme for 2019/20 and 2020/21; and
- (iii) the available capital receipts forecast shown, as set out at Annex C.

Resource Implications

1. Executive Heads of Service were required to present capital bids for 2018/19; these were considered by the Corporate Management Team on the 5th December 2017 prior to submission to Executive. Bids were only considered if they met a statutory obligation or it could be demonstrated that they would be self-funding.
2. The 2018/19 Capital Programme as proposed is shown in Annex A. The Council no longer holds any surplus capital receipts and hence only in year receipts can be offset against the proposed spend. These receipts, as shown in Annex C, will be insufficient to fund the entire capital programme and so existing revenue and/or borrowing will have to be used.
3. The Council is free to borrow for capital purposes only up to the level of its Capital Funding Requirement (CFR) provided that this is below the “authorised limit”. It is worth noting that for every £1m borrowed revenue of at least £40k pa will be required being £20k interest at 2% and £20k “minimum Revenue payment” (MRP) to repay debt based on an asset life of 50 years. If the life of the asset acquired is shorter than 50 then the MRP will be higher to reflect this.
4. Within the 2018/19 Capital programme there is an amount for £3.2m relating to refuse vehicles which has been transferred from the 2017/18 capital programme as the expenditure will not be incurred until Summer 2018.
5. Additional capital receipts may be realised from the sale of Council assets and if this is the case they will be applied against capital spend thereby reducing borrowing.
6. The Revenue Capital Fund is estimated to be about £9.145m at 31 March 2018 and can be used to support the Capital Programme if required. However this reduces the amount of reserve available to support revenue expenditure and hence the General Fund in the future. The Council did undertake borrowing during 2017/18 to fund significant property acquisitions and is prepared to do this again should the need arise.
7. Additional capital schemes may be brought during the year for the Executive and Council to consider. These may result in a change to the prudential indicators, the Capital Financing Requirement (CFR) and the Minimum Revenue Payment (MRP). If this is the case those changes will be reflected in the relevant reports for the Executive and Council to consider.

Key Issues

8. Financial Regulations state that as part of the annual budget process the Full Council, following recommendation by the Executive, is

required to approve formally the Capital Programme and its revenue implications.

9. The Council has a statutory requirement under the Local Government Act 2003 to adopt the CIPFA Prudential Code, which it has done, and to approve Prudential Indicators on an annual basis.

Options

10. The Executive has the option of agreeing, amending or rejecting the proposed recommendation to council in respect of the capital expenditure and prudential indicators. It is a statutory requirement that the Council adopts the prudential code and sets prudential indicators

Proposals

11. The Executive is advised to RECOMMEND to Council: that
 - (i) The new capital bids for £8.584m in Annex A are approved for 2018/19 and that they be incorporated into the Capital Programme.
 - (ii) the Prudential Indicators summarised below, including the MRP statement, and explained in Annex D for 2018/19 to 2020/21 be approved in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities.

Prudential Indicator	2018/19 Estimated £000	2019/20 Estimated £000	2020/21 Estimated £000
Capital Expenditure	8,584	2,270	630
Capital Financing Requirement	150,000	150,000	148,000
Ratio of net financing costs to net revenue stream	5.14%	2.61%	2.65%
Incremental impact of investment decisions on Band D council Tax	1.61	9.40	0.43
Operational Boundary	185,000	185,000	185,000
Authorised Limit	190,000	190,000	190,000

12. The Executive is also advised to NOTE:
 - (i) The Capital Financing Requirement (CFR) for this Council as at the 31st March 2019 is estimated to be £150m and as such a Minimum Revenue Payment (MRP) of £1.369m is required.
 - (ii) The provisional Capital Programme for 2018/19 and 2020/21.
 - (iii) The available capital receipts forecast shown in Annex C.

Supporting Information

13. Annex A sets out the capital schemes proposed by Executive Heads/Heads of Service and approved by Management.
14. Annex B provides brief background information for schemes.
15. Annex C sets out the impact on available capital receipts of the proposed capital programme.
16. Annex D sets out the Prudential Indicators for 2018/19 to 2020/21.

Corporate Objectives and Key Priorities

17. The adoption of the capital programme and the prudential indicators supports the corporate objective of providing services efficiently, effectively and economically.
18. In addition the affordability tests of the corporate plan link to the Council's key priority of a sustainable medium term financial plan.

Legal Implications

19. The Council has a statutory requirement under the Local Government Act 2003 to adopt the CIPFA Prudential Code 2011 and produce Prudential Indicators.
20. Following changes to the way Council's invest and in particular the move by council's to invest in non-financial assets the CIPFA prudential Code and DCLG Guidance are currently being revised. The final outcome has not been published as yet and may result in an updated report coming to members later in the year.
21. In the consultation paper, which has now closed, the Government proposed making the following changes:
 - Investment in property would be treated in the same way as Treasury investments are currently treated and would fall under the Treasury and Prudential framework including Governance and reporting;
 - A consequence of this would be the prioritisation of security over liquidity over yield when investments are considered. This could be difficult to apply to property investment as generally they are not readily convertible to cash and typically have a day 1 loss position due to the costs of acquisition. This would also make it more difficult to invest in regenerate schemes where the security, liquidity and yield are challenging.
 - A concept of "Proportionality" may be introduced to ensure that Councils do not become over dependent on commercial income to fund services and in particular core services. Under treasury rules

borrowing solely for financial investment gain is not permitted. If this were to be extended to non-financial investments then this could effectively stop all property investment other than for regeneration.

- Councils are required to set aside resources out of revenue to repay debt. The amount that has to be set aside is at the moment set by Councils themselves through their Minimum Revenue Payment (MRP) policy. This states the number of years that a debt may be written off over – usually related to the life of the asset. The Government is considering setting maximum lives of 40 years for building and 50 years for land. The shorter the MRP period the more revenue the asset has to produce to pay for the MRP thereby making some investments uneconomic. It would also make some borderline regeneration schemes difficult to deliver as they would not generate enough of a surplus to pay for the MRP.

22. The Government should come back with their final conclusions in the spring and if changes are then required to the Capital Programme and MRP policy this will be then brought back for members to consider.

Risk Management

23. The Council has exhausted its capital receipts and hence all capital expenditure has to be financed from revenue or loans. This will mean that future programmes will need to be financed by borrowing which has an impact on revenue as both the capital (MRP) and interest need to be financed. To put this in to context for every £1m borrowed over a 50 year period at least £40,000 of revenue is required annually to fund this debt

Annexes	Annex A – 2016/17 Proposed capital schemes Annex B – Background notes on schemes Annex C – Movement in available capital receipts. Annex D – Prudential indicators.
Background Papers	None
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Consultations, Implications and Issues Addressed

	Required	Consulted	
Resources			
Revenue	✓	✓	
Capital	✓	✓	
Human Resources	n/a		
Asset Management	✓	✓	

IT	n/a		
Other Issues			
Corporate Objectives & Key Priorities	✓	✓	
Policy Framework	n/a		
Legal	n/a		
Governance	n/a		
Sustainability	n/a		
Risk Management	✓	✓	
Equalities Impact Assessment	n/a		
Community Safety	n/a		
Human Rights	n/a		
Consultation	n/a		
P R & Marketing	n/a		

Version:

Capital Programme Schemes submitted by Executive Heads/Heads of Service.

TABLE 1 – ACTUAL AND ANTICIPATED CAPITAL SCHEMES FROM 2018/19 to 2020/21

3 YEAR CAPITAL PROGRAMME	2018/19	2019/20	2020/21	3 Year Funding Requirement
	Estimated Total	Estimated Total	Estimated Total	
	£ 000's	£ 000's	£ 000's	£ 000's
Disabled Facilities Grants	630	630	630	1,890
Refuse Vehicles	3,200	0	0	3,200
Community Bus	40	40	0	80
Lightwater Country Park	55	0	0	55
Camberley High Street Improvements	2,500	1,600	0	4,100
ICT capital investment	22	0	0	22
Camberley Theatre Improvements	137	0	0	137
Property acquisition	2,000	0	0	2,000
GRAND TOTAL OF ALL SCHEMES	8,584	2,270	630	11,484

Executive are asked to approve and recommend to Council the schemes set out in the column headed "New Schemes" for 2018/19 which total £8.584m

Executive and Council will be asked to approve any carry forwards from 2017/18 later in the year under a separate report.

TABLE 2 – FUNDING OF THE 2017/18 CAPITAL PROGRAMME

FUNDING FOR 2018/19 CAPITAL PROGRAMME	Scheme Total	Grant	Other External Contribs	Other Funding Required
	£ 000's	£ 000's	£ 000's	£ 000's
Disabled Facilities Grants	630	630	0	-
Refuse Vehicles	3,200	0	0	3,200
Community Bus	40	0	0	40
Lightwater Country Park	55	0	0	55
Camberley High Street Improvements	2,500	2,500	0	0
ICT capital investment	22	0	0	22
Camberley Theatre Improvements	137	0	0	137
Property Acquisition	2,000			2,000
GRAND TOTAL OF ALL SCHEMES	8,584	3,130	-	5,454

Of the £8.584m schemes recommended for 2018/19, grant funding of £3.130m is available. For the purposes of calculating the prudential indicators, it has been assumed that the remainder will be funded from earmarked reserves and borrowing.

Executive Heads of Service have confirmed that the revenue costs (such as the repayment of principal sums (MRP) and interest) arising from borrowing (i.e.) can be funded from extra income/savings arising from the schemes

Background Notes on New Schemes

Disabled Facilities Grants

Central Government Grant to the Better Care Fund includes an element for Disabled Facilities Grant (DFG) allocated to Surrey Heath. While Government's expectation is that this money is passported to the local housing authority it is not ring-fenced. In 2017/18 the full amount was passed to the Council but it is expected that each year will involve negotiation and the Council will have to demonstrate how delivery of the service meets health and social care priorities.

London Road Recreation Ground Disabled Access Improvements

This project will provide a fully accessible play facility close to the Town Centre, supporting objectives for improving the Town Centre for all the community.

Community Bus

The average life of a community bus is about 8 to 10 years. As buses get older they require more maintenance and consume more fuel. One of the buses in the fleet is over 11-years which will need replacement with the next 12-months. The payback period for replacement of the bus is 10-years.

Lightwater Country Park

A facility will be developed in the country park that can allow a wider variety of services to be offered to the community along with a function room that can be hired.

The current toilet provision is no longer sufficient for the demands placed on it and part of the scheme will see improvements made to the Toilets.

Refuse Vehicles

As part of the new refuse contract the Council agreed to fund of £3.2m of refuse vehicles. The payback period is 10-years from Feb 2017 to be paid from savings in the joint contract.

Camberley Theatre Improvements

Improvement programme to redecorate and modernise the conferencing facilities to ensure our facilities keep up with the market. This will assist with promoting income generation.

Camberley High Street Improvements

The Scheme will provide public realm improvements to the High Street, part of Princess way and Knoll Walk to support the regeneration of Camberley Town Centre. The Project is being part funded by a grant from EM3, the Local Enterprise Partnership.

ICT Capital Spend

Investment in IT to support a move away from paper based process and to enable greater agile working.

Property Acquisition

This budget is to acquire property in line with the Asset Acquisition strategy to support the regeneration of Camberley town centre.

Movement in Available Capital Receipts

	2018/19 Estimate £'000's	2019/20 Estimate £'000's	2020/21 Estimate £'000's
Forecast Capital Receipts 1st April	0	0	0
Capital Receipts during year	50	50	50
Capital Grants (Disabled Facilities Grant)	3,130	1,330	630
TOTAL AVAILABLE FUNDS	3,180	1,380	680
Proposed Capital Programme	(8584)	(2270)	(630)
TOTAL SCHEMES REQUIRING FUNDING	(5404)	(890)	0
FUNDING REQUIREMENT	(5404)	(890)	0

This requirement will be funded by external borrowing

CAPITAL EXPENDITURE AND PRUDENTIAL INDICATORS 2018/19

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Authority's planned capital expenditure and financing may be summarised as follows. Further detail is provided in the earlier part of this report.

Capital Expenditure and Financing	2017/18 Revised £k	2018/19 Estimate £k	2019/20 Estimate £k	2020/21 Estimate £k
Capital Programme	6500	8584	2270	630
Total Expenditure	6500	8584	2270	630
Capital Receipts	0	50	50	50
Government Grants	630	3130	1330	630
Reserves	50	0	0	0
Revenue	110	0	0	0
Borrowing	5710	5404	890	0
Total Financing	6500	8584	2270	630

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.18 Revised £m	31.03.19 Estimate £m	31.03.20 Estimate £m	31.03.21 Estimate £m
Total CFR	144	150	150	148

The CFR is forecast to fall over the next three years as capital expenditure financed by debt is repaid and outweighs capital expenditure.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any

additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.18 Revised £m	31.03.19 Estimate £m	31.03.20 Estimate £m	31.03.21 Estimate £m
Borrowing	116	122	123	123
Finance leases	0	0	0	0
Total Debt	116	122	123	123

Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Borrowing	185	185	185	185
Other long-term liabilities	0	0	0	0
Total Debt	185	185	185	185

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Borrowing	190	190	190	190
Other long-term liabilities	0	0	0	0
Total Debt	190	190	190	190

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2017/18 Revised %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
General Fund	5.39	5.14	2.61	2.65

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed earlier in this report.

Incremental Impact of Capital Investment Decisions	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £
General Fund - increase in annual band D Council Tax	1.61	9.40	0.43

Adoption of the CIPFA Treasury Management Code: The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in 22nd February 2013.

Annual Minimum Revenue Provision (MRP) Statement 2018/19

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.

In the first instance any capital expenditure incurred will be paid for with capital receipts if available.

For supported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets as the principal repayment on an annuity with an annual interest rate of equal to the rate of borrowing on the loan, starting in the year

after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years.

For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined as being equal to the accounting charge for depreciation. Capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20.

Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2019, the budget for MRP has been set as follows:

	31.03.2019 Estimated CFR £m	2018/19 Estimated MRP £000
Capital expenditure before 01.04.2008	0	0
Supported capital expenditure after 31.03.2008	143,526	1.323
Unsupported capital expenditure after 31.03.2008	1,446	0.046
Total	143,972	1.369

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Potential Expansion of the Joint Waste Collection Contract

Summary

The Executive is asked to consider a recommendation from the Joint Waste Collection Services Committee (JWCSC) to approve the admission of Tandridge District Council into the existing joint waste collection arrangements of Elmbridge Borough Council, Mole Valley District Council, Surrey Heath Borough Council and Woking Borough Council (the Partner Authorities), should they request to do so.

Portfolio - Community

Date Portfolio Holder signed off report: 24 January 2018

Wards Affected - ALL

Recommendation

The Executive is advised to RESOLVE that, on the basis no existing partner is financially disadvantaged, should Tandridge District Council's Stage 3 price demonstrate good value and it requests admission to the Joint Contract then the request should be approved.

1. Resource Implications

- 1.1 The geographical distance between Tandridge and the existing partnership area means that in the short term there are unlikely to be any immediate contract savings for the existing Partner Authorities if Tandridge joined the partnership. It was a condition of the Amey contract that all partners pay the same unit price for services received. Admitting Tandridge as a partner will increase the unit prices to a new blended rate from that currently paid now thereby increasing the costs paid by the existing partners. It will therefore be a condition of any agreement to admit Tandridge that they agree to indemnify the existing four partner authorities for any increase in costs they suffer as a result of Tandridge joining the partnership. This will take the form of adjusting payments between Tandridge and the other 4 partner authorities. In addition Tandridge would not be able to benefit from the minimum savings guarantee included in the original IAA but nor would it have to contribute to the savings guarantee provided by the other 3 partners to Woking.
- 1.2 There are medium term opportunities resulting in admitting a new member, including reducing contract management costs, developing new services, reducing client overheads, as well as the strategic benefit of taking a further step towards creating a single waste entity to deliver all of Surrey's waste services. This was discussed in more detail by the Executive at its meeting on 9th November 2016.

- 1.3 In addition to payments made to the partner authorities to offset any increase in the blended rates, Tandridge District Council, has also paid the partner authorities a fee of £25,000 to obtain a detailed (Stage 3) price from Amey.
- 1.4 There is provision within the IAA for a joining authority to be charged a joining fee to contribute towards the procurement costs paid by the partner authorities. The Members of the JWCSC discussed a protocol for admitting new joiners at its meeting on 17th March 2017. Members agreed that they would need to decide whether the benefits of new partners joining would outweigh the initial costs paid by the founding partners. It was the consensus at that meeting that a joining fee could dis-incentivise new joiners
- 1.5 Should Tandridge join the joint contract in 2019 then from 2020 until the end of the contract in 2027, Amey will allocate £25,000 per year into an Environmental Fund that can be spent on tackling particular issues or improving performance across the JWS area. The decision on what to spend the money on would be made by the Joint Committee.

2. Key Issues

- 2.1 The Joint Contract was procured so as to enable all other Surrey district and borough councils to have the opportunity to join during the life of the contract should they so wish and there is a mechanism set out in the Joint Contract that governs how this happens. The IAA makes clear that the decision to admit a new authority rests with the existing Partner Authorities and should only occur where it is lawful to do so, there is a positive benefit to the Partner Authorities as a result of this, and the new joiner contributes towards the costs of the initial procurement, mobilisation and set up of the Joint Contract through a joining fee or other benefit.
- 2.2 There would be no immediate benefits to the partner authorities from Tandridge District Council joining the partnership other than savings in management costs. However, there are very real medium to long term benefits as the admission of Tandridge District Council would enable a further step to be taken in the creation of a single waste entity to deliver all of Surrey's waste.
- 2.3 Tandridge will reimburse the existing partner authorities to ensure they are no worse off from them joining through a system of direct payment from Tandridge to the original partners.
- 2.4 Tandridge District Council's Committee will consider the bid submitted by Amey on 31st January 2018 and resolve whether to request admission by the Partner Authorities to the Joint Contract or whether to procure a standalone contract of their own.

- 2.5 The Joint Waste Collection Services Committee (JWCSC) considered a report on the Potential Expansion of the joint Waste Collection Contract at its meeting on 15th January 2018. A copy of the report is attached at Annex A. The members of the JWCSC resolved that the Joint Waste Collection Services Committee recommend to the Partner Authorities that on the basis no existing partner is financially disadvantaged, should Tandridge District Council's Stage 3 price demonstrate good value and it requests admission to the Joint Contract then the request should be approved.

3. Options

- 3.1 The decision to admit a new authority to the joint contract rests with the existing Partner Authorities. The Executive may therefore agree or refuse to admit Tandridge District Council's to the joint contract.

4. Proposals

- 4.1 It is proposed that should Tandridge District Council request admission to the joint contract, provided that this causes no extra costs to the partner authorities, the request be approved.

5. Corporate Objectives And Key Priorities

- 5.1 The Council's five year strategy is set out under 4 themes:

Place – We want to make Surrey Heath an even better place where people are happy to live.

Prosperity – We will support and promote our local economy so that people can work and do business across Surrey Heath

People – We will build and encourage communities where people can live happily and healthily

Performance – We will deliver effective and efficient services better and faster

- 5.2 One of our priorities under the Place theme is to “reduce waste and increase the proportion of waste recycled and recovered”. Another priority under the Performance theme is to “maintain services by working collaboratively with partners in the public, private and voluntary sectors. Expanding the joint contract will contribute to both of these priorities.

6. Policy Framework

- 6.1 The Joint Municipal Waste Management Strategy 2015 is the Surrey Waste Partnership's plan for managing Surrey's waste, up until 2024/25. The plan which was adopted by the Executive on 7th April 2015 includes a number of actions and outcomes under 12 work areas.

6.2 One of the outcomes under work area 4 is that waste management related contracts, products and services are procured jointly unless deemed impractical after consultation with other partners.

7. Legal Issues

7.1 Legal advice confirms that it is lawful to admit Tandridge District Council to the Joint Contract.

8. Governance Issues

8.1 The governance arrangements for the joint contract are set out in the Inter-Authority Agreement. The admission of new joiners to the contract is a “Tier 1” decision reserved for individual partner authorities.

Annexes	Potential Expansion of the Joint Waste Collection Contract
Background Papers	
Author/Contact Details	Tim Pashen - Executive Head Community tim.pashen@surreyheath.gov.uk
Head Of Service	Tim Pashen - Executive Head Community

Consultations, Implications and Issues Addressed

Resources	Required	Consulted
Revenue	✓	
Capital		
Human Resources		
Asset Management		
IT		
Other Issues	Required	Consulted
Corporate Objectives & Key Priorities	✓	
Policy Framework	✓	
Legal	✓	
Governance	✓	
Sustainability		
Risk Management		
Equalities Impact Assessment		
Community Safety		
Human Rights		
Consultation		
P R & Marketing		

Review Date:

Version:

Annex A

Potential Expansion of the Joint Waste Collection Contract

Author: Matt Smyth, Director

Date: 15 January 2018



Executive Summary

This report to the Joint Committee seeks approval to proceed with the potential admission of Tandridge District Council into the existing joint waste collection arrangements of Elmbridge Borough Council, Mole Valley District Council, Surrey Heath Borough Council and Woking Borough Council (the Partner Authorities). In the context of this request, the report describes the background to the joint arrangements, the process undertaken so far and the steps to be taken next.

Background

At the beginning of 2017, the Partner Authorities entered into a Joint Contract for waste collection and street cleaning services (the Joint Contract) with Amey LG Limited (Amey). This means that the Partner Authorities are jointly and severally liable to Amey under the Joint Contract.

In addition to the Joint Contract, the Partner Authorities also agreed to enter into an Inter Authority Agreement (IAA), which sets out how liabilities, rights, duties, undertakings and responsibilities arising from or out of the Joint Contract will be shared and managed between them. It also provides the terms governing the Partner Authorities' joint working arrangements.

The Joint Contract was procured so as to enable all other Surrey district and borough councils to have the opportunity to join during the life of the contract should they so wish and there is a mechanism set out in the Joint Contract that governs how this happens. The IAA makes clear that the decision to admit a new authority rests with the existing Partner Authorities and should only occur where it is lawful to do so, there is a positive benefit to the Partner Authorities as a result of this, and the new joiner contributes towards the costs of the initial procurement, mobilisation and set up of the Joint Contract through a joining fee or other benefit.

Whilst the Joint Contract has been designed to provide each of the Partner Authorities with the same service specification, it makes some allowance for local choice and flexibility. For instance, each of the Partner Authorities may choose to buy some instead of all of the services included within the specification to suit its own requirements and circumstances. Furthermore, the specification for street cleaning enables each Partner Authority to tailor the quality of the street cleaning services in its area to reflect its needs and constraints.

Tandridge District Council

Tandridge District Council (Tandridge) has expressed interest in becoming a party to the Joint Contract and has followed the relevant "extension of agreement" mechanism at Clause 4 of the Joint Contract, the steps of which are briefly summarised as follows:

- 1) Amey is served with an initial notice which includes relevant background information about the potential new joiner
- 2) Amey responds with an initial response, including outline plans and an impact statement setting out any ways in which existing services to the Partner Authorities will require

adjustment, an indication of costs to the new joiner, and Amey's fixed one-off fee for preparing a full response should this be required

- 3) The potential new joiner may then provide further "Services Information", expanding on information previously provided in its initial notice
- 4) Amey must then provide a full response based on its initial response, but augmented, confirmed and comprising of an offer capable of acceptance to be incorporated into a formal agreement
- 5) Within 6 months of receipt of Amey's full response, the Partner Authorities are required to either notify Amey that the new joiner wishes to proceed, in which case all parties and the new joiner shall execute the IAA and the Joining Agreement; or reject Amey's response and pay the "Full Response Fee".

Amey have now prepared a full "Stage 3" report in relation to the potential admission of Tandridge into the Joint Contract, which includes how the additional service will be delivered and the cost of delivering it. The report is subject to Amey Group Board approval in January 2018,

Tandridge District Council's Committee will consider the Stage 3 report on 15 January 2018 *[it was confirmed in the meeting that the Committee meeting had been moved to 31 January and the recommendation would subsequently be considered by Full Council]* and resolve whether to request admission by the Partner Authorities to the Joint Contract or whether to procure a standalone contract of their own.

Legal advice confirms that it is lawful to admit Tandridge to the Joint Contract.

The geographical distance between Tandridge and the existing partnership area means that there would be no immediate contract savings for the existing Partner Authorities. However, there are medium term opportunities resulting in admitting a new member, including reducing contract costs, developing new services, reducing client overheads, as well as the strategic benefit of taking a further step towards creating a single waste entity to deliver all of Surrey's waste services.

Most importantly, the Partner Authorities will be no worse off as a result of Tandridge joining – any increase in the blended rates in the Joint Contract payable by the Partner Authorities would be offset by direct payments made by Tandridge to the Partner Authorities. The mechanism for this principle would be similar to the guarantee in the first IAA signed in 2014 (Clause 7.4) that the initial Partner Authorities would save a set amount per year by reference to a base date. There will be a review of the unit costs in December 2018 based on actual costs and any changes would have to be mutually agreed (this is noted by Amey in the Impact Statement). The precise mechanism adopted and the way in which it is operated can be agreed between the Partner Authorities.

Joining Process

- Joint Committee makes a recommendation to the Partner Authorities
- Tandridge decide whether to request admission
- Partner Authorities decide whether to admit them
- Joining the Joint Contract: all existing parties to the Joint Contract and Tandridge execute the Joining Agreement (incorporating the "Service Provider Full Response" provided by Amey and the "Services Information" provided by Tandridge) within 30 days unless a later date is agreed between them
- Joining the IAA: all the existing Partner Authorities and Tandridge enter a Deed of Admission in a form set out in Schedule 5 of the IAA

Recommendation

The Joint Committee is asked to consider the case for extending the partnership and recommending to the Partner Authorities that should Tandridge District Council's Stage 3 price demonstrate good value and it requests admission to the Joint Contract, this request be approved.

Next steps

Each Partner Authority will need to seek its relevant approvals (by Executive or Council decision) before executing the Joining Agreement and Deed of Admission.

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Air Quality Feasibility Study

Summary

On 3rd October 2017 the Executive received a report on the Air Quality Feasibility Study which Surrey Heath, Rushmoor and Guildford Borough Councils are required to undertake along the A331 Black Water Valley Road. The Government initially allocated £50,000 to each of the authorities. Following submission of a proposal from the partner authorities a further grant payment of £600,000 will be paid to Surrey Heath Borough Council, which is leading on the procurement for the study.

Portfolio - Community

Date Portfolio Holder signed off report: 24 January 2018

Wards Affected

Recommendation

The Executive is advised to RESOLVE to undertake a feasibility study to explore a range of measures to ensure compliance with the air quality objectives in the shortest time possible. The cost of the study to be funded from a grant of £600,000 paid to Surrey Heath Borough Council under Section 31 of the Local Government Act 2003,

1. Resource Implications

1.1 The Government has recognised that to produce an air quality feasibility study and to implement schemes to improve air quality will require time and expertise from Council staff and contractors. In recognition of this the Government initially allocated each of the partner authorities funding of £50,000. Following submission of proposals for the study from the partner authorities, Defra has allocated a further £600,000. The money is being paid to Surrey Heath Borough Council which is leading on the procurement for the study.

2. Key Issues

2.1 On 3rd October 2017, the Executive received a report on the need for Surrey Heath in conjunction with Rushmoor and Guildford Borough Councils to carry out an air quality feasibility study along the A331 Blackwater Valley Road. The study should explore a range of options to ensure compliance with air quality objectives in the shortest time possible.

2.2 The partner authorities have submitted their proposals for the study to Defra. The proposals include traffic modelling and counting; air quality modelling; and real time air quality monitoring. In recognition of the cost of the work a further £600,000 has been allocated for the study.

2.3 Apart from the A331 the Council is not required to carry out feasibility studies in any other area of the Borough but will continue to carry out air quality monitoring, in fulfilment of its obligations under Part IV of the Environment Act 1995 Local Air Quality Management.

2.4 There are several key milestones through the feasibility process when funding can be reviewed and additional requests made. These milestones are at the Strategic Outline Case (March 2018 latest), Initial Evidence Submission (expected spring/summer 2018) and Outline Business Case (expected before Dec 2018 if consulting on a scheme, and sooner if not).

3. Options

3.1 The options for the Council are limited. The Council has been directed to carry out the feasibility study and has been allocated specific funding to enable it to do so.

4. Proposals

4.1 It is proposed that the Council carries out the feasibility study using funding allocated by Defra for this purpose. The study will be carried out in conjunction with Guildford and Rushmoor Borough Councils and working with Defra; Highways Agency and SCC Highways Authority.

5. Supporting Information

5.1 The following documents support this report

- a. UK plan for tackling roadside nitrogen dioxide concentrations Detailed plan – Defra July 2017
- b. Environment Act 1995 (Feasibility Study for Nitrogen dioxide compliance) Air Quality Direction 2017.
- c. Surrey Heath borough council 2017 Air Quality Annual Status Report (ASR)

6. Corporate Objectives And Key Priorities

6.1 The Executive approved a new Five Year Strategy in August 2016 which sets out the Council's vision and objectives for the next five years. It also includes a number of longer term key priorities in addition to the Council's ongoing service delivery. The Five Year Strategy is a rolling document and a refreshed version was approved earlier this year. The priorities are presented under the headings of Place, Prosperity, Performance and People.

6.2 The objective under people is that we will build and encourage communities where people can live happily and healthily. Clean air is a fundamental requirement for people to live healthily.

7. Legal Issues

7.1 The UK Plan for tackling roadside nitrogen dioxide was published by the Government in July 2017. The Plan sets out how the Government will ensure that compliance with air quality limits is achieved in the shortest time possible. A key part of the Plan is a requirement on some local authorities to undertake feasibility studies to explore a range of measures to improve air quality. Surrey Heath has been named as one of the authorities required to undertake a feasibility study.

7.2 The Environment Act 1995 (Feasibility Study for Nitrogen dioxide compliance) Air Quality Direction 2017, places a legal duty on the Council to undertake the feasibility study.

8. Consultation

8.1 This will be considered as part of the feasibility study.

9. PR And Marketing

9.1 This will be considered as part of the feasibility study

Annexes	Nil
Background Papers	UK plan for tackling roadside nitrogen dioxide concentrations Detailed plan – Defra July 2017
Author/Contact Details	Tim Pashen – Executive Head Community Tel: 01276 707351 Email: tim.pashen@surreyheath.gov.uk
Head Of Service	Tim Pashen – Executive Head Community Tel: 01276 707351 Email: tim.pashen@surreyheath.gov.uk

Consultations, Implications and Issues Addressed

Resources	Required	Consulted
Revenue	✓	✓
Capital		
Human Resources		
Asset Management		
IT		
Other Issues	Required	Consulted
Corporate Objectives & Key Priorities	✓	✓
Policy Framework		
Legal	✓	✓
Governance		
Sustainability		
Risk Management		
Equalities Impact Assessment		
Community Safety		
Human Rights		

Resources	Required	Consulted
Consultation	✓	✓
P R & Marketing	✓	✓

Review Date:

Version:

Home Assistance Policy

Summary

To adopt a Home Assistance Policy setting out how the Council will use its powers under the Regulatory Reform Order 2002 to deliver better outcomes for older, disabled and vulnerable residents while meeting Borough, CCG and Adult Social Care priorities.

Portfolio - Regulatory

Date Portfolio Holder signed off report: 16 January 2018

Wards Affected All

Recommendation

The Executive is advised to RESOLVE that the Home Assistance Policy be adopted and be put into immediate effect.

1. Resource Implications

- 1.1 The Department for Communities and Local Government allocate Local Housing Authorities funding to deliver a capital Disabled Facilities Grant Programme. The funding is then placed unringfenced into the Better Care Fund and the Clinical Commissioning Groups and Adult Social Care make decisions on how the funding will be allocated.
- 1.2 The allocation for Surrey Heath increased from c.£300,000 in 2016/17 to £660,000 2017/18. In 2018/19 a similar sum is expected.
- 1.3 In the current and previous year the funding has passed from the Better Care Fund to Surrey Boroughs and Districts, although this year a contribution has been made from the funding to the Community Equipment Service.
- 1.4 At the current level of funding there is no requirement for the Council to make a capital contribution however if the funding is not allocated to the Council from the Better Care Fund there will still be a duty to deliver capital funding for Disabled Facility Grants.

2. Key Issues

- 2.1 The Council is required to deliver a Disabled Facilities Grant programme under The Housing Grants, Construction and Regeneration Act 1996 and has the power to be flexible in the way it delivers adaptations and other assistance through the Regulatory Reform Order 2002.

- 2.2 While there is a clearly stated Government policy that Disabled Facilities Grant allocations be passported to the Local Housing Authority it is un-ring-fenced within the Better Care Fund and therefore, with pressures on health and social care, there is a risk that a proportion of the money is top sliced.
- 2.3 The increase in Central Government funding was to enable the systems to be set up at a local level that will deliver more integrated, better targeted services that reduce hospital admission, improve re-enablement, promote and extend independence and delay admission to residential care. In short the argument was for proactive services that reduced reactive health and care costs.
- 2.4 In order to protect funding from the Better Care Fund it is essential that the Council can deliver fast and flexible services to residents in a way that meet the health and social care agenda, and that services are embedded in the local health and social care offer.
- 2.5 This Home Assistance Policy identifies the assistance that the Council can offer vulnerable homeowners, owners and tenants of privately and socially rented accommodation, and disabled adults and children to repair, improve or adapt their homes. It outlines the eligibility criteria and the terms on which assistance may be provided.
- 2.6 Our approach is one of enabling rather than simply providing funding, and is holistic in offering practical solutions as well as wider support and advice linked to other community services. We will work alongside residents to encourage self-help wherever possible and expect that a range of funding sources are sought to deliver identified works.
- 2.7 Priority funding will be offered to applicants of mandatory Disabled Facilities Grants where it is being used for home adaptations to meet their specific needs and ensure that they and their carers have an environment that is as safe as possible. All other forms of assistance are discretionary and are therefore subject to the availability of funding.
- 2.8 This Policy supports preventing hospital admissions and speeds up hospital discharge by making residents home safe and providing adaptations, it supports independence and keeping people in their communities and it supports the strategic aims of the Surrey Heath Clinical Commissioning Group and Surrey County Council Social Care priorities.

3. Options

- 3.1 Executive can adopt the Home Assistance Policy as proposed or with amendments.

4. Proposals

- 4.1 To adopt the Home Assistance Policy as attached at Annex A.

5. Supporting Information

- 5.1 It is extensively documented that poor housing, unsuitable housing and precarious housing circumstances have a detrimental effect on our physical and mental health. Generally speaking, the health of older people, children, disabled people and those with long-term illnesses is at greater risk from poor housing conditions.

6. Corporate Objectives And Key Priorities

- 6.1 As part of the Five Year Strategy the Council is committed to '*build and encourage communities where people can live happily and healthily*'.
- 6.2 A priority within this objective is to '*Support old and vulnerable people to live independently in their own homes*'.

7. Policy Framework

- 7.1 Adapting the homes of older and disabled people so they are safe and independent has a positive cost benefit on health and adult social care budgets, as well as providing a better outcomes for individual residents
- 7.2 In recognition of this proactive and preventative approach Government increased the DFG allocations to local authorities in 2016/17.
- 7.3 This Policy has been developed to meet the ambition of the Corporate Plan and the Surrey Heath Health and Wellbeing Plan, and is aligned to the priorities in the Frimley Health and Care Sustainability and Transformation Plan and Surrey County Council's corporate strategy, Confident in Our Future.

8. Legal Issues

- 8.1 The legislative framework governing DFGs is provided by The Housing Grants, Construction and Regeneration Act 1996 and the Regulatory Reform Order 2002.

9. Sustainability

- 9.1 The adoption of this Policy along with the operational alignment of the Council's Home Improvement Agency with new integrated health and social care services in Surrey Heath supports the allocation of funding from the Better Care Fund to this area of operation.
- 9.2 The recycling of fees and charges will support the revenue delivery of the service.

10. Risk Management

10.1 Delivery of DFGs is mandatory on the Local Housing Authority and any loss of grant allocation may impact on Council budgets as funding would have to be found from an internal source.

11. Equalities Impact

11.1 An Equality Impact Assessment has been completed that indicates positive benefits for residents with certain protective characteristics (notably older people and disabled people) and no negative impact's across any of the protected characteristics.

11.2 The Equality Impact assessment is at Annex B.

12. Officer Comments

12.1 In order to support vulnerable residents, attract maximum funding and to be able to use funding in a flexible way, officers consulted colleagues in Adult Social Care and Surrey Heath Clinical Commissioning Group in the development of this Home Assistance Policy to ensure that it supports local priorities.

Annexes	Annex A: Home Assistance Policy Annex B: Equalities Impact Assessment
Background Papers	
Author/Contact Details	Clive Jinman – Housing and Homelessness Manager
Head of Service	Jenny Rickard – Executive Head of Regulatory

Consultations, Implications and Issues Addressed

Resources	Required	Consulted
Revenue	✓	
Capital	✓	
Human Resources	✓	
Asset Management		
IT		
Other Issues	Required	Consulted
Corporate Objectives & Key Priorities	✓	
Policy Framework	✓	
Legal		
Governance		
Sustainability	✓	
Risk Management	✓	
Equalities Impact Assessment	✓	
Community Safety		
Human Rights		
Consultation		
P R & Marketing		

Review Date:

Version:



Home Assistance Policy
2018 - 2021

1 Introduction

- 1.1 The Council is developing a Healthy Home Strategy setting out its approach to working with the community to ensure our homes meet the needs of our residents and promote health, well-being and independence.
- 1.2 This Home Assistance Policy sits within that wider policy framework and sets out how the Council can use its powers under the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 to improve the quality of homes for those most in need.

2 Why we are doing this

- 2.1 It is extensively documented that poor housing, unsuitable housing and precarious housing circumstances have a detrimental effect on our physical and mental health. Generally speaking, the health of older people, children, disabled people and those with long-term illnesses is at greater risk from poor housing conditions.
- 2.2 Key features of the right home environment are:
 - It is free from avoidable hazards, the occupant is safe from harm and it offers them a sense of security;
 - It enables movement around the home and is accessible to all, including to visitors;
 - It is warm and affordable to heat; and,
 - There is support from others if needed.
- 2.3 The right home environment can:
 - Protect and improve health and wellbeing, and help prevent physical and mental ill-health;
 - Enable people to manage their health and care needs, including long-term conditions, and ensure positive care experiences by integrating services in the home; and,
 - Allow people to remain in a home of their own for as long as they choose.
- 2.4 The wider benefits of the right home environment is to:
 - Delay and reduce the need for primary care and social care interventions, including admission to long-term care settings;
 - Prevent hospital admissions;
 - Enable timely discharge from hospital and prevent re-admissions to hospital;
 - Enable quicker recovery from periods of ill-health or planned admissions; and,
 - Reduce health inequalities.

3 The Policy Commitment

- 3.1 The activity described in this Policy plays an important part in meeting the Council's ambition in the [Five Year Strategy](#).
- 3.2 In that strategy the Council recognises that whilst the next five years will bring its challenges, in a fast changing environment there are opportunities too. We are aware of the need to become self-sustaining in terms of our finances and we recognise the requirement to meet the needs of our community in terms of every age range.
- 3.3 We have grouped our approach to these challenges under 4 themes, one of which is 'People'.
- 3.4 Our Objective under this theme is:
- We will build and encourage communities where people can live happily and healthily.*
- 3.5 Included in our Priorities under this Objective are to:
- *Support older and vulnerable people to live independently in their own homes;*
 - *Work with partners to improve the health and wellbeing of our community by promoting healthy living; and,*
 - *Tackle housing need within the community.*
- 3.6 These priorities are reflected in the [Surrey Heath Health and Wellbeing Plan](#), produced by Surrey Heath Health and Wellbeing Board, which consists of members from Surrey Heath Borough Council, Surrey County Council, Surrey Heath Clinical Commissioning Group (CCG), and the voluntary sector.
- 3.7 The priorities within the Plan have been chosen based on an assessment of the health and wellbeing needs of the Surrey Heath population and what added value each of the three main partners could bring to services to address these needs.
- 3.8 The Plan includes the following objectives:
- *Reduce social isolation;*
 - *Reduce excess winter deaths;*
 - *Help people live independently in their own home; and,*
 - *Support older people.*
- 3.9 The activity in this Policy supports the Council's objectives, the objectives of the Health and Wellbeing Group, and is aligned to the priorities of Surrey Heath CCG, the priorities in the [Frimley Health and Care STP](#) and Surrey County Council's corporate strategy: [Confident in Our Future](#).

4 What we will offer

- 4.1 This Home Assistance Policy identifies the assistance that the Council can offer vulnerable homeowners, owners and tenants of privately and socially rented accommodation, and disabled adults and children to repair, improve or adapt their homes. It outlines the eligibility criteria and the terms on which assistance may be provided.
- 4.2 Our approach is one of enabling rather than simply providing funding, and is holistic in offering practical solutions as well as wider support and advice linked to other community services. We will work alongside residents to encourage self-help wherever possible and expect that a range of funding sources are sought to deliver identified works.
- 4.3 The Council will support vulnerable households with the management of works to their homes through the Home Improvement Agency.
- 4.4 Priority funding will be offered to applicants of mandatory Disabled Facilities Grants where it is being used for home adaptations to meet their specific needs and ensure that they and their carers have an environment that is as safe as possible. All other forms of assistance are discretionary and are therefore subject to the availability of funding.
- 4.5 In assessing the priority for discretionary assistance the Council will have regard to:
- Priorities identified through consultation with local partners and residents;
 - Priorities identified by Surrey County Council (SCC) and Surrey Heath Clinical Commissioning Group (SHCCG) to promote health and well-being, such as:
 - reducing hospital admissions;
 - allowing rapid discharge;
 - keeping people independent in a home that meets their needs, in which care can be effectively delivered;
 - reducing delay in admittance to long term care; and
 - reducing health inequalities.
- 4.6 The targeting of assistance will be based both on presenting need and targeted interventions that are evidenced based (for example on an area, tenure or client group basis or to tackle identified issues such as fuel poverty).

5 The Home Assistance Scheme

- 5.1 [Regulatory Reform \(Housing Assistance\) \(England and Wales\) Order 2002](#) gives the Council the power to adopt a Home Assistance Policy to improve living conditions in the Borough and to provide financial and other assistance in a way that best suits local circumstances and within the financial resources available.

5.2 This Policy sets out how the Council will use these powers to deliver a number of housing related health and well-being packages.

5.3 These packages fall under 4 headings: Priority, Protect, Prevent and Promote.

5.3.1 *Priority Package*

The Priority Package will be targeted at vulnerable residents in hospital or a residential setting who need a speedy response to move them back to the home environment to be provided with the appropriate care. This should help to promote their recovery and maintain independence.

It could also be used to assist with repairs to deficiencies in a person's home that have the potential to place them at risk of severe harm.

5.3.2 *Protect Package*

The Protect Package can deliver fast track adaptations and repairs designed to remedy a hazard or remove obstacles to independence to enable residents to live safely at home.

5.3.3 *Prevent Package*

The Prevent Package can provide works aimed at promoting health and well-being in the home with a focus on works that prevent ill health and injury and allow residents to be and to feel safe in the home environment.

There will also be the scope to pay for relocation for someone whose home becomes unsafe when it is not practical to adapt their current property and their needs could better be met in a more appropriate home. This can be further extended to fund bespoke adaptations at build stage in properties being developed by a housing association for rent, shared ownership or outright sale.

5.3.4 *Promote Package*

Promote funding can be used for take up and education campaigns that target certain client groups to self-serve and access services that promote housing related health and wellbeing. It can also be used for research and development to improve services provided.

5.3.5 Examples of work covered by this Policy, funding streams and policy links can be found at Annex A.

5.3.5 In order to ensure that the Council's Disabled Facilities Grant (DFG) programme meets the needs of individual residents as well as the aims of this Policy in line with good practice the Housing Services Manager may agree additional top up to a mandatory DFG of up to £15,000. This discretion will

only be used after other housing options and funding streams have been exhausted and, in order to ensure value for money, the works are required to be managed through the Council's Home Improvement Agency.

What is not covered?

- 5.4 It is important that the Council maximise the value of the available funding and therefore the following works are unlikely to attract grant funding:
- Any works where it is within the means of the resident to fund adaptations or repairs (e.g. through equity release, loans, etc);
 - Works where a responsibility for the upkeep or repair of a property lies with a third party (e.g. landlords, insurance claims, etc.);
 - Properties that are under occupied by two bedrooms or more;
 - Property subject to Council enforcement
- 5.5 In all cases we will work with residents to find options that will allow them to meet their needs in their current or a more suitable home. Where works are being funded by a resident or another source the Council can still act as agent for the duration of the project to support the resident and ensure the works are properly managed.

Who qualifies for help

- 5.6 The Council welcomes direct approaches from residents as well as encouraging referrals from all partner agencies, including Adult Social Care, GPs and voluntary sector agencies working with vulnerable and disabled residents.
- 5.7 Each case will be assessed on its merits and, while provision of a Disabled Facility Grant has clearly defined financial criteria, help through the Home Assistance Scheme will include some flexibility to provide the best outcomes for individual residents and have a positive impact on health and social care delivery. This could include not making charges for small or fast track adaptations that prevent more expensive health or social care interventions.
- 5.8 As part of the enabling strategy where there is clear evidence that the applicant has either sufficient equity in their home or savings to pay for the adaptation they require the Council will endeavour to minimise bureaucracy and carry out the works on the understanding that the recipient will repay the costs involved as an ordinary debt.
- 5.9 The Council will work with the resident, their family and carers, and any relevant agencies to make a holistic assessment of their needs, and identify how best these needs can be met.

- 5.10 This could be by giving appropriate advice to allow the resident to access services or arrange work themselves, referral to other agencies or assisting with works through the Council's Home Improvement Agency. As well as the residents physical environment the Council's Case Officer can offer advice on other issues such as assistive technology, income maximisation, equipment and voluntary services that can have a positive impact on health and well-being.

6 Review

- 6.1 This Policy will run for three years but is reviewed annually to ensure that it is meeting the needs of residents, is delivering a responsive and cost effective service and is aligned to evidenced priorities in Health and Social Care locally.
- 6.2 An annual report will be presented to Surrey Heath Health and Wellbeing Board.

7 Home Improvement Agency

- 7.1 The Council makes a charge for works it carries out on behalf of residents through its Home Improvement Agency. Fees are reviewed and published annually. The fee income generated will be ring-fenced for reinvestment in delivering home improvement and adaptation work, either through meeting the revenue costs of delivering and expanding the service or on capital works.
- 7.2 Fee income could be supplemented by grant funding to provide services to better deliver improvements and adaptations, including but not limited to additional case officer time, fast track OT services and a Handyperson services
- 7.3 Residents receiving a Disabled Facilities Grant will have the option of managing the specified works themselves, called a 'client controlled' grant. Any discretionary Home Assistance Grant funded works must be managed through the Home Improvement Agency to ensure value for money is achieved and the policy objectives are met.

8 Customer Satisfaction and Policy Monitoring

- 8.1 The Council wants the work that it funds and commissions to both meet the needs of individual residents and contribute to delivering wider health and social care objectives.
- 8.2 To this end customer satisfaction monitoring will carried out on an ongoing basis to inform day to day service delivery.
- 8.3 Follow up work may be commissioned to gather evidence to evaluate the longer term impact of the Council's work and inform future policy direction.

9 Disputes

- 9.1 Funding through the Home Assistance Policy is discretionary and limited by the availability of funding. When a resident is refused assistance through the scheme they will be advised of the reasons for refusal in writing along with advice on other options available to them. There is no right to appeal a decision however if a resident is unhappy with the way the Council has administered their application they can make a complaint using the Council's Complaint procedure.

Annex A

	Package	Examples	Funding options*	Outcomes	Policy link
Priority	Hospital to Home package (including palliative care) Maximum Home Assistance Grant £10,000	Fast tracked repairs, adaptations or equipment to allow return home and access for carers NB linked with Community Services work	Disabled Facilities Grant, Home Assistance Grant, self-funded, charitable funding	Reduces hospital stays for emergency and planned admissions; Reduces home care costs as home suitable for patient and carers	Surrey Heath Health & Wellbeing Priority 4: Improve older adults health and wellbeing Frimley Health & Care STP Priority 4: Redesigning urgent and emergency care, including integrated working and primary care models providing timely care in the most appropriate place Surrey County Council Strategic Goal 1: Enable people to stay well at home in their community and to return home sooner from hospital with the care they need
	Emergency repair package Maximum Home Assistance Grant £10,000	Intervention where there is an imminent and significant risk to health	Home Assistance Grant, self-funded, charitable funding, Home Improvement loan, landlord funded, works in default	Eliminate or reduce to acceptable levels category 1 hazards to prevent loss of life or serious injuries for occupants	Surrey Heath Health & Wellbeing Priority 2: Develop a preventative approach Surrey Heath Health & Wellbeing Priority 4: Improve older adults health and wellbeing Surrey County Council Strategic Goal 1: Support our residents to live longer and live well
Protect	Fast track adaptations Maximum Home Assistance Grant £8,000	E.g. stair lifts	Disabled Facilities Grant, Home Assistance Grant, self-funded, charitable funding	Timely and less bureaucratic response to requests for adaptations providing more effective service for residents and producing savings by removing need for Adult Social Care input	Surrey Heath Health & Wellbeing Priority 2: Develop a preventative approach Surrey Heath Health & Wellbeing Priority 4: Improve older adults health and wellbeing Surrey County Council Strategic Goal 1: Enable people to stay well at home in their community and to return home sooner from hospital with the care they need
	Major repairs package Maximum Home	Boiler replacement, unsafe or unhealthy kitchen/bathroom	Home Assistance Grant, self-	Eliminate or reduce to acceptable levels category 1 and 2 hazards. Remove serious health threat,	Surrey Heath Health & Wellbeing Priority 2: Develop a preventative approach Surrey Heath Health & Wellbeing Priority 4: Improve older

	Assistance Grant £8,000	replacement, major electrical work	funded, charitable funding, Home Improvement loan, landlord funded, works in default	reduce cold related health problems and the risk of excess winter deaths, reducing incidence of respiratory disease through tackling damp and mould.	adults health and wellbeing Surrey County Council Strategic Goal 1: Support our residents to live longer and live well
	Child well-being package Maximum Home Assistance Grant £3,000	E.g. remedial works to damp and mould, install extractor, refer to support, support, provide advice for self help	Home Assistance Grant, self- funded, charitable funding, Home Improvement loan, landlord funded	Tackle asthma and eczema, access support, improve school attendance	Surrey Heath Health & Wellbeing Priority 1: Improve children's health and well being
Prevent	Trusted Assessor/ Handyman package Maximum Home Assistance Grant £1,500	E.g. Grab rails, bannisters, small access works, key safes etc.	Home Assistance Grant, self- funded, charitable funding, Home Improvement loan	Fast tracked small adaptations, reduce the risk of slips, trips and falls and other accidents in the home and improve security	Surrey Heath Health & Wellbeing Priority 2: Develop a preventative approach Surrey Heath Health & Wellbeing Priority 4: Improve older adults health and wellbeing Surrey County Council Strategic Goal 1: Support our residents to live longer and live well Surrey County Council Strategic Goal 1: Enable people to stay well at home in their community and to return home sooner from hospital with the care they need
	Dementia Living Package Maximum Home Assistance Grant £5,000	Improve lighting and colour contrasts, improve internal and external access (likely to include items from the Well-being package)	Home Assistance Grant, self- funded, charitable funding, Home Improvement loan	Promotes independent living with improved safety and home familiarity	Surrey Heath Health & Wellbeing Priority 2: Develop a preventative approach Surrey Heath Health & Wellbeing Priority 3: Promote emotional wellbeing and mental health Surrey Heath Health & Wellbeing Priority 4: Improve older adults health and wellbeing Priority 2: Action to improve long term condition outcomes including greater self-management & proactive management across all providers for people with single long term

				conditions
Minor repairs package Maximum Home Assistance Grant £3,000	Repair or fix bannisters, carry out boiler repairs, kitchen and bathroom small works, leaks	Home Assistance Grant, self-funded, charitable funding, Home Improvement loan	Reduce risk on falls, reduce risk of infections with improved food preparation areas and bathrooms, reduce risk of damp by repairing leaks	Surrey County Council Strategic Goal 1: Support our residents to live longer and live well Surrey Heath Health & Wellbeing Priority 2: Develop a preventative approach Surrey Heath Health & Wellbeing Priority 4: Improve older adults health and wellbeing
Well-being package (home security, affordable warmth and energy efficiency, home security) Maximum Home Assistance Grant £3,000	Smoke and CO2 alarms, window and door locks, door entry systems, replace non-safety glass in internal doors, scooter stores	Home Assistance Grant, self-funded, charitable funding, Home Improvement loan	Reduce risk of fire related injuries and CO2 poisoning, improves mental well-being and reduces anxiety with improved security Scooter stores promote independence and access to the community	Surrey Heath Health & Wellbeing Priority 2: Develop a preventative approach Surrey Heath Health & Wellbeing Priority 3: Promote emotional wellbeing and mental health Surrey Heath Health & Wellbeing Priority 4: Improve older adults health and wellbeing Surrey County Council Strategic Goal 1: Enable people to stay well at home in their community and to return home sooner from hospital with the care they need
Relocation package Maximum Home Assistance Grant £10,000	Grant used to move someone from a home that does not meet their needs and it is not cost effective or practical to carry out work.	Home Assistance Grant	Provides more suitable accommodation for a disabled resident and saves money otherwise spent on major adaptation to less suitable property	Surrey Heath Health & Wellbeing Priority 2: Develop a preventative approach Surrey Heath Health & Wellbeing Priority 4: Improve older adults health and wellbeing
New build package Maximum Home Assistance Grant £10,000	A social housing unit is adapted at build stage to make the adaptations more effective	Disabled Facilities Grant/ Home Assistance Grant	Provides bespoke accommodation for a disabled resident and saves money otherwise spent on major adaptation to less suitable property	Surrey Heath Health & Wellbeing Priority 2: Develop a preventative approach Surrey Heath Health & Wellbeing Priority 4: Improve older adults health and wellbeing

Promote	Take-up campaigns	Targeted resident based campaigns to take up available assistance e.g. energy efficiency subsidised work, solid wall insulation grants	Home Assistance Grant	To ensure residents have the necessary information to access national, regional and local funding to maintain and improve their homes	<p>Surrey Heath Health & Wellbeing Priority 2: Develop a preventative approach</p> <p>Surrey Heath Health & Wellbeing Priority 3: Promote emotional wellbeing and mental health</p> <p>Surrey Heath Health & Wellbeing Priority 4: Improve older adults health and wellbeing</p> <p>Surrey County Council Strategic Goal 1: Support our residents to live longer and live well</p> <p>Frimley Health & Care STP Priority 1: Making a substantial step change to improve wellbeing, increase prevention, self-care and early detection.</p>
	Education campaigns	Targeted issued based campaigns e.g. roadshows, town centre stalls, mail outs	Home Assistance Grant	Encourage people to carry out self-financing preventative work or access services at an early stage	<p>Surrey Heath Health & Wellbeing Priority 2: Develop a preventative approach</p> <p>Surrey Heath Health & Wellbeing Priority 3: Promote emotional wellbeing and mental health</p> <p>Surrey Heath Health & Wellbeing Priority 4: Improve older adults health and wellbeing</p> <p>Frimley Health & Care STP Priority 1: Making a substantial step change to improve wellbeing, increase prevention, self-care and early detection.</p>
	Research and development	E.g. Review of sustainable HIA funding across Surrey; E.g. Market testing to refresh contractor list E.g. gather evidence to evaluate the longer term impact of the Council's work	Home Assistance Grant	Access to additional funding; efficiencies through service improvement; increased prevention activity through intelligence based targeting	<p>Surrey Heath Health & Wellbeing Priority 2: Develop a preventative approach</p> <p>Frimley Health & Care STP Priority 5: Reducing variation and health inequalities across pathways to improve outcomes and maximise value for citizens across the population, supported by evidence</p>

SURREY HEATH BOROUGH COUNCIL EQUALITY IMPACT ASSESSMENT (EIA)

The Equality Impact Assessment is a tool to ensure that in the delivery and development of your service you meet the needs of our diverse community and at the same time demonstrate the Council is meeting its duty its Equalities duties. Compliance with the general equality duty is a legal obligation, but it also makes good business sense to get things right for our community.

The Equality Impact Assessment should be a live document and it will be useful for you to start to complete it at the beginning of any process so that you can design into your work the steps you need to take to meet both customer needs and the legislative requirements. This will allow you to think both about the aims of the work and what you want to achieve, and also where there are barriers or issues for protected groups.

The public sector equality duty consists of a general equality duty, which is set out in section 149 of the Equality Act 2010, and specific duties which are imposed by secondary legislation. The duty covers eight protected characteristics which are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The equality impact assessment should cover the eight equality protected characteristics. The duty also covers marriage and civil partnership, but not for all aspects of the duty.

[The essential guide to the public sector equality duty](#) is available on the intranet.

The Equality Action Group and its members are available to consult before or during the assessment as well as reviewing it at the end. This does not have to be at formal meetings so please make use of this resource as and when you need to.

Stage 1: Scope of the assessment

Service area: Regulatory	Assessing Officer: Clive Jinman
Date: 1/11/17	Activity/policy being assessed: Home Assistance Policy
What are the aims, purpose of the strategy/service etc?	
The Council has a duty to provide Disabled Facilities Grants to adapt the homes of disabled residents to promote their health and well-being. The funding for this work can be used flexibly if the council has a Policy in place to allow this. The advantages of working flexibly include: quicker delivery of services by reducing the bureaucracy, ability to fund other works that promote health and well-being like repairs that remove hazards from people's homes, and ability to carry out research, wider take up campaigns and service development.	

Detail who is / is going to be affected by the strategy, service etc (is it all Borough residents, or is it a particular group or groups of people).

Disabled and vulnerable residents, individuals and families on low incomes and in poor quality housing that impacts their health.

Procured services and grants

The general equality duty applies to other organisations who exercise public functions. This will include private bodies or voluntary organisations which are carrying out public functions on behalf of a public authority. The duty therefore applies to where the Council has contracted out a service or is considering contracting out or is decommissioning a service. It also applies to the allocation or withdrawal of grants.

Please state if the service is being provided by another organisation on the Council's behalf and what actions have been taken to ensure that the service complies with the equality duty e.g. provisions in the contract, monitoring of the service provided in terms of the protected groups (please refer to the Council's Procurement Toolkit).

Knowing our customers

Understanding our community is an important part of developing and delivering our services.

To help understand how your work impacts on the protected equality groups please detail the information that you have about the interaction of these groups with your service.

From this information detail any evident gaps or issues that need to be investigated e.g. in who accesses the service, satisfaction or other outcomes.

Due to the nature of the work the client base is predominantly from protected equality groups and their families and carers.

This would be disabled adults and children, and older people.

Engagement

If engagement is done well, it can help to improve the design and delivery of services, and increase trust in public authorities by promoting transparency and be a mechanism by which public authorities can be held to account by services users. It can lead to efficiency gains by improving service design at the planning stages. It can also help to identify whether more favourable treatment is necessary in order to meet particular needs. Good engagement can mean more sustainable services, as services that better meet the needs of users are likely to be more effective in the longer term.

You are only required to take an approach that is proportionate and relevant when deciding who to engage with and what methods to use.

Describe any engagement you have had in relation to this activity, and how this has influenced the final outcomes.

The Council, along with other Boroughs and Districts in Surrey and Surrey County Council, commissioned a piece of work by a national charity to look at the delivery of these services across Surrey to identify best practice locally and nationally and recommend service and efficiency improvements that could be adopted.

This work is being taken forward in partnership with Health and Social Care partners.

It did not at this stage include client consultation and the Service does not have a track record of engaging with clients on anything other than work specific contact. Work is needed to capture client satisfaction with the service and a transparent way of this influencing service delivery.

Stage 2: Assessment and analysis

Public authorities under the equality duty, in the exercise of their functions, are required to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Please give examples of how the policy/service etc has or will further the three equality aims in the general equality duty? Please consider the positive and negative equality impacts relating to the protected groups: race, disability, age, sex, sexual orientation, religion or belief, gender reassignment and pregnancy and maternity within the policy/service etc? Public authorities also need to have due regard to the need to eliminate unlawful discrimination against someone because of their marriage or civil partnership status.

In answering the above questions, think about:

Positive Impacts

Do you think that the strategy, service etc could have a positive impact on any of the equality groups: improve relations between groups, promote equal opportunities, improve accessibility of services and prevent discrimination, harassment and victimisation etc?

Negative Impacts

Do you think that the activity could impact negatively on people from the equality groups, if the impact is negative how can it be mitigated? Please consider the below areas.

- Publicity (including communication issues, design, distribution)
- Accessibility, location, opening times
- Poverty and social inclusion issues
- Discrimination
- Are groups represented in the consultation and the decision making process?
- How does current policy currently meet needs around the equality groups are there any unmet needs?
- Is there any evidence that there is higher or lower take-up by particular groups?
- Have there been any demographic changes or trends locally?
- Is there any indication that particular policies create problems for specific groups?

Race (Race refers to a group of people defined by their colour, nationality (including citizenship), ethnic or national origins).

Give examples of how this activity or policy has a positive or negative impact on this characteristic, or why you consider it has no impact. Please also describe any future work that you will be carrying out because of this assessment.

This Policy has no specific impact on this characteristic. The service is available all sections of the community.

Disability (A person has a disability if s/he has a physical or mental impairment which has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities)

Give examples of how this activity or policy has a positive or negative impact on this characteristic, or why you consider it has no impact. Please also describe any future work that you will be carrying out because of this assessment.

This Policy will have a positive impact on this characteristic. This is because:

- Those entitled to grant aided adaptations will have that work delivered in a more timely manner;
- Those not entitled to grant aid will still have access to a service to help meet their physical needs within the home;
- More timely intervention and the removal of hazards from the home environment will reduce hospital admissions;
- A faster response will allow faster hospital discharge where it is delayed because of a physical factor in the home;
- Research and take up campaigns will increase knowledge and consequently take up of services.

Sex (Sex refers to someone being a man or a woman)

Give examples of how this activity or policy has a positive or negative impact on this characteristic, or why you consider it has no impact. Please also describe any future work that you will be carrying out because of this assessment.

This Policy has no specific impact on this characteristic. The service is available all sections of the community.

Sexual orientation (This is whether a person's sexual attraction is towards their own sex, the opposites sex or both)

Give examples of how this activity or policy has a positive or negative impact on this characteristic, or why you consider it has no impact. Please also describe any future work that you will be carrying out because of this assessment.

This Policy has no specific impact on this characteristic. The service is available all sections of the community.

Age (This refers to a person having a particular age (e.g. 32 year olds) or being within an age range (e.g. 18-30 year olds))

Give examples of how this activity or policy has a positive or negative impact on this characteristic, or why you consider it has no impact. Please also describe any future work that you will be carrying out because of this assessment.

This Policy will have a positive impact on this characteristic. This is because:

- Those entitled to grant aided adaptations will have that work delivered in a more timely manner;
- Those not entitled to grant aid will still have access to a service to help meet their physical needs within the home;
- More timely intervention and the removal of hazards from the home environment will reduce hospital admissions;
- A faster response will allow faster hospital discharge where it is delayed because of a physical factor in the home;
- Research and take up campaigns will increase knowledge and consequently take up of services.

The service is open to residents of all ages including children

Religion or belief (Religion means any religion, including a reference to a lack of religion. Belief includes religious and philosophical beliefs including lack of belief (for example, Atheism). Generally, a belief should affect your life choices or the way you live for it to be included).

Give examples of how this activity or policy has a positive or negative impact on this characteristic, or why you consider it has no impact. Please also describe any future work that you will be carrying out because of this assessment.

This Policy has no specific impact on this characteristic. The service is available all sections of the community.

Gender reassignment (This is the process of transitioning from one sex to another. See also trans, transgender, transsexual)

Give examples of how this activity or policy has a positive or negative impact on this characteristic, or why you consider it has no impact. Please also describe any future work that you will be carrying out because of this assessment.

This Policy has no specific impact on this characteristic. The service is available all sections of the community.

Pregnancy and maternity (Maternity is the period after giving birth. It is linked to maternity leave in the employment context. In the non-work context, protection against maternity discrimination is for 26 weeks after giving birth, including as a result of breastfeeding).

Give examples of how this activity or policy has a positive or negative impact on this characteristic, or why you consider it has no impact. Please also describe any future work that you will be carrying out because of this assessment.

The Policy could have a positive impact on this characteristic as it includes a child welfare package where such issues as damp and mould could be addressed which for those bringing a new born into poor housing conditions would benefit from.

Marriage or Civil Partnership (Marriage is a union between a man and a woman: Civil partnership is legal recognition of a same-sex couple's relationship. Civil partners must be treated the same as married couples on a range of legal matters).

Give examples of how this activity or policy has a positive or negative impact on this characteristic, or why you consider it has no impact. Please also describe any future work that you will be carrying out because of this assessment.

This Policy has no specific impact on this characteristic. The service is available all sections of the community.

Stage 4: Sign off

Completion by Assessing Officer:

Signature:

Date:

Received and reviewed by Service Head:

Actions arising:

Signature:	Date:
Received and reviewed by Equality Action Group:	
Actions arising:	
Date:	

Date of EIA review (usually in 3 years time or earlier if necessary):

Equality impact assessments and an annual summary of the results will be published on the Council's web site and sent to stakeholders and partners.

Local Connection Eligibility Testing for the Self-Build and Custom Housebuilding Register

Summary

The introduction of a Local Connection Eligibility Test will help ensure that entrants to Surrey Heath's Self-Build and Custom Housebuilding Register have a strong connection to the Borough. Applying the Test, which entrants must pass in order to be entered onto Part 1 of the Council's Register, will also help to manage the number of self-build plots the Council must approve for entrants to the Register, over each annual period.

Members are asked to approve the Local Connection Test for a non-statutory public consultation to seek views on the criteria it applies.

Portfolio: Regulatory

Date Portfolio Holder signed off report: 17 January 2018

Wards Affected: All

Recommendation

The Executive is advised to RESOLVE that

- (i) a 4 week non-statutory public consultation be undertaken on the introduction of a Local Connection Test, as set out in Appendix 1 of this report, for entrants to the Surrey Heath Self-build and Custom Housebuilding Register; and
- (ii) the Local Connection Test be incorporated within the Self-Build application form.

1. Resource Implications

- 1.1 There are no resource implications beyond that provided for within the agreed budget for 2017/18.

2. Key Issues

- 2.1 In accordance with the Self-Build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016), all Councils must maintain and regularly update a Self-Build and Custom Housebuilding Register. The Regulations also allow relevant authorities to set local eligibility criteria in the form of a Local Connection Test. The Register can then be divided into two parts. Part 1 is for those individuals and associations who meet both the Local Connection Test and the national eligibility criteria. Part 2 is for those individuals and associations who do not satisfy the Local Connection Test, but do meet the national eligibility criteria.

- 2.2 The Act places a '*duty to grant planning permission*' on relevant authorities, whereby entries on Part 1 of the Register are counted towards the number of suitable serviced plots that must be granted development permission for. Accordingly, it is a requirement that following each annual base period of 12 months, relevant authorities have 3 years in which to permission an equivalent number of plots of land for self-build as there are entries to Part 1 of the Register for that base period.
- 2.3 Due to the various environmental constraints impacting Surrey Heath, availability of land for development is under significant pressure and provides an ongoing challenge for the Borough. It is therefore important to ensure land that is suitable and available is utilised efficiently. The number of plots that the Council must grant for the purposes of self-build is likely to impact the availability of land for achieving the Council's objectively assessed development needs. It is therefore considered that the application of a Local Connection Test for eligibility to the Council's Self-Build Register will help to ensure plots are only granted for residents with a strong local connection to Surrey Heath, and that suitable land remains available for other types of residential development in the Borough.
- 2.4 Setting a Local Connection Test, will help to ensure that Part 1 of the Register is a reasonable reflection of the demand for serviced plots of land in Surrey Heath.

3. Options

- 3.1 The Executive has the following options:
- a) AGREE to consult on the proposed Local Connection Test for a 4 week non-statutory period and subsequent inclusion within Surrey Heath's Self-Build application form;
 - b) AGREE to consult on the proposed Local Connection Test for a 4 week non-statutory period and subsequent inclusion within Surrey Heath's Self-Build application form, with modifications;
or
 - c) NOT AGREE to consult on the proposed Local Connection Test for a 4 week non-statutory period and subsequent inclusion within Surrey Heath's Self-Build application form.

4. Risk Management

- 4.1 If Surrey Heath chooses not to introduce the Local Connection Test set out in this report the number of self-build and custom housebuilding plots the Borough must provide would be likely to increase.

5. Proposals

- 5.1 It is proposed that a Local Connection Test for entry onto the Self-Build and Custom Housebuilding Register is released for a 4 week non-statutory consultation period held from mid-February 2018.
- 5.2 It is then proposed, following consultation, that the Local Connection Test is incorporated within the existing Self-Build application web form, available on Surrey Heath Borough Council's website. This Test will be applied to existing entrants already on the Register and to potential new entrants, from the point of its implementation. A copy of the Test is included at Appendix 1.

6. Corporate Objectives And Key Priorities

- 6.1 The implementation of a Local Connection Test underpins Objective 3 of the Corporate Plan: People - *building and encouraging communities where people can live happily and healthily* by ensuring that efficient and effective use of land is made in order to fully address housing needs within the community. Furthermore, it also underpins Objective 1 - *making Surrey Heath an even better place where people are happy to live*, by ensuring people with a strong local connection to Surrey Heath, including existing residents, are given priority for entry to the Self-Build Register.

7. Policy Framework

- 7.1 The Self-Build and Custom Housebuilding Register forms part of the evidence base that informs policy making in the emerging Surrey Heath Local Plan.

8. Legal

- 8.1 The duty to provide sufficient development permissions to meet demand for self-build and custom housebuilding introduced by the 2016 Regulations is mandatory. The ability to introduce a Local Connection Tests is discretionary but recommended in order to comply with the Regulations, in particular, the '*duty to grant planning permission*'.

9. Consultation

- 9.1 The proposed Local Connection Test will be subject to a 4 week non-statutory public consultation, in accordance with the advice set out in the Planning Practice Guidance as amended in July 2017, following agreement by the Executive. The consultation will specifically target members of the public who have expressed an interest in the Self-Build Register. In addition, the consultation will be promoted publically on Surrey Heath Borough Council's website and through social media.

10. Other matters

10.1 In relation to governance, sustainability, equalities impact, human rights, community safety, PR and Marketing there are no matters arising from the introduction of the Local Connection Eligibility Test shown in Appendix 1.

Annexes	Appendix 1 – Local Connection Eligibility Test Link to Surrey Heath’s current Self-Build and Custom Housebuilding webpage with access to the application form: http://www.surreyheath.gov.uk/residents/planning/planning-policy/self-build-custom-housebuilding
Background Papers	None
Author/Contact Details	Chris Kirk – Senior Planning Officer Christopher.kirk@surreyheath.gov.uk
Head of Service	Jenny Rickard- Executive Head of Regulatory

Consultations, Implications and Issues Addressed

Resources	Required	Consulted
Revenue	✓	
Capital		
Human Resources		
Asset Management		
IT		
Other Issues	Required	Consulted
Corporate Objectives & Key Priorities	✓	
Policy Framework	✓	
Legal	✓	
Governance		
Sustainability		
Risk Management	✓	
Equalities Impact Assessment		
Community Safety		
Human Rights		
Consultation	✓	
P R & Marketing		



Self-Build Register Local Connection Test

Please check the boxes of any of the following statements that apply to you.

- I have lived in Surrey Heath Borough for a period of at least 12 months
- I am currently employed within Surrey Heath in either full-time or part-time employment and have been for at least 12 months *
- I have immediate family members (spouse / partner, parents, step parents, adult (aged 18 years and over) children or step children, or siblings and step siblings) who have lived in Surrey Heath Borough as their main place of residence continuously for at least 5 years
- I am currently in the regular service of armed forces of the Crown, or left the service not more than 5 years ago **

After you submit your registration, Surrey Heath Borough Council reserves the right to ask you for further evidence to confirm your eligibility. This may include the following:

- Evidence of residency in the Borough, through submission of utility bills, Council Tax statements and/or lease agreements
- Evidence of employment in the district, through submission of employment contracts or a letter from your employer which includes your name and their address.
- Evidence of immediate family in the Borough through Council Tax statements or utility bills
- Military identification card or evidence of past service including the date of leaving service.

Associations are only eligible for entry onto Part 1 of the register if all the members of the association meet the entry conditions set out for individuals, above.

* This must be continuous employment for no less than 16 hours per week

** *“Regular armed forces of the Crown”* means the regular forces within the meaning of section 374 of the Armed Forces Act 2006(1).

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Response to the Mayor of London's Draft New London Plan

Summary

The Mayor of London is currently consulting on the Draft New London Plan which will provide the spatial development strategy for Greater London from 2019-2041. The Plan includes Strategic Infrastructure Priorities for the Wider South East including the North Downs Line and the South West Main Line, both of which are in close proximity to Surrey Heath. Although the Draft New London Plan aims to accommodate all of London's projected growth within its boundaries, the Mayor of London is seeking willing partners beyond London to explore if there is potential to accommodate further growth in sustainable locations outside of the Capital.

The consultation runs until the 2nd March 2018.

Portfolio: Regulatory

Date Portfolio Holder signed off report: 17 January 2018

Wards Affected: All

Recommendation

The Executive is advised to RESOLVE to agree the response to the Mayor of London's Draft New London Plan, as set out in Appendix 1 of this report.

1. Resource Implications

- 1.1 There are no resource implications beyond that provided for within the agreed budget for 2017/18.

2. Key Issues

- 2.1 The Mayor of London is currently consulting on the Draft New London Plan which will provide the spatial development strategy for Greater London from 2019-2041. The Plan sets out that it aims to accommodate London's growth within its own boundaries. However, the Plan also states that potential changes to development projections over time should be taken account of, and longer-term contingencies planned for. This has development implications for what is termed, the 'Wider South East', which includes Surrey Heath. An invitation is extended to locations in the Wider South East with good public transport connections, to work in partnership with the Mayor, in order to plan for London's future growth. The Plan identifies 13 Strategic Infrastructure Priorities (SIPs) including SIP 2 – *North Downs Rail Link (Gatwick to Reading)* and SIP 10 – *South West Mainline, Crossrail 2 South West and A3*. These two proposals in particular could have implications for Surrey Heath in respect of meeting London's wider growth requirements.
- 2.2 At the Examination in Public on the Waverley Local Plan held in summer 2017, the Inspector raised the issues of meeting London's

housing need and whether this had been considered in the Plan's housing numbers.

2.3 Officers have considered the Draft New London Plan document in order to identify the key issues, from Surrey Heath's perspective. The need for London to plan for longer term contingencies with regard to future growth is acknowledged. However, it is considered that Surrey Heath is not a suitable or sustainable location for accommodating additional growth from London. The reasons for this are set out as follows:

- Surrey Heath is subject to numerous environmental constraints and contains large areas of the Thames Basin Heaths Special Protection Area (TBH SPA), which covers approximately 23% of land within the Borough. This figure is not inclusive of the 400 metre buffer zone around the TBH SPA, within which residential development cannot be permitted. In addition, the rest of the Borough is entirely within 5km of this designated area, which further impacts the Council's ability to deliver housing. There are also large areas of MOD land and the majority of the eastern half of the Borough is designated Metropolitan Green Belt. This will impact on Surrey Heath's ability to meet its own identified housing need and accordingly, will need to be given due consideration of in the Mayor's determination of growth locations in the Wider South East.
- The Draft London Plan emphasises that partnership working to deliver more homes in the Wider South East is focused on locations that are (or are planned to be) well-connected by public transport. It is therefore important for the Mayor to note that Surrey Heath's rail connections to London provide a non-mainline service, with an average journey time of 1 hour 17 minutes from Camberley to London Waterloo. Despite proposals to reduce the length of this journey to approximately 1 hour 7 minutes, there will be no direct services from any of the three stations located in Surrey Heath (Camberley, Frimley and Bagshot) to London.
- *Strategic Infrastructure Priority 2 – North Downs Rail Link*
The Draft London Plan advises that, in addition to locations that are well-connected by public transport, other areas of focus in the Wider South East include localities where development can help meet local growth aspirations as well as wider requirements. The North Downs Line passes to the west of Surrey Heath, and does not have a station located within the Borough.
As a result of limited land availability arising primarily from the TBH SPA constraint, it is not considered that Surrey Heath, or much of the wider Blackwater Valley area would be able to accommodate additional growth arising from strategic Infrastructure Priority 2. Furthermore, the Council is currently undertaking capacity related work to demonstrate whether its own housing needs can be accommodated within the Borough. This work is indicating that Surrey Heath will be unable to meet its housing need and as a consequence, will need to

work with its Housing Market Area partners to address this. For these reasons, it is not considered that Surrey Heath is a suitable growth location for additional development to support wider growth requirements.

- *Strategic Infrastructure Priority 10 - South West Mainline, Crossrail 2 South West (London - Surrey / Southern Rail Access to Heathrow) and A3*

The Mayor is advised that there is no station on the South West Mainline located within Surrey Heath, and the A3 arterial road does not pass through the Surrey Heath area. Furthermore, it should be noted that there is a significant distance of approximately 33km between Crossrail 2 at Epsom, and the Borough of Surrey Heath.

Consequently, any additional capacity on these routes generated as a result of projects associated with Strategic Infrastructure Priority 10 will be highly unlikely to deliver significant benefits for Surrey Heath in respect of infrastructure, journey times, or development potential to meet growth requirements for the Wider South East.

3. Options

3.1 The Executive has the following options:

- a) AGREE the response to the Mayor of London's Draft New London Plan
- b) AGREE the response to the Mayor of London's Draft New London Plan with modifications; or
- c) NOT AGREE the response to the to the Mayor of Draft New London Plan

4. Proposals

4.1 Members agree the response to Mayor of London in respect of the Draft New London Plan (set out in Appendix 1).

5. Corporate Objectives And Key Priorities

5.1 Underpins Objective 1 of the Corporate Plan - *Making Surrey Heath an even better place where people are happy to live* by monitoring the vision and spatial planning objectives of surrounding authorities and ensuring that Surrey Heath's interests are fully considered.

6. Policy Framework

6.1 The consultation that Surrey Heath is responding to is part of the process of preparing the Draft New London Plan. The London Plan will set out the spatial policies to guide the future direction of development in London, providing a spatial development strategy for Greater London from 2019-2041. The Plan includes Policy SD2 (Collaboration

with the Wider south East) and Policy SD3 (Growth locations in the Wider South East and beyond) which both have potential development implications for what is termed, the 'Wider South East', which includes Surrey Heath.

7. Other matters

7.1 In relation to governance, sustainability, risk management, equalities impact, human rights, community safety, consultation, PR and Marketing there are no matters arising from this consultation by a neighbouring authority.

Annexes	Appendix 1 Letter to the Mayor of London Link to the Mayor of London's Draft New London Plan https://www.london.gov.uk/what-we-do/planning/london-plan/new-london-plan/download-draft-london-plan-0
Background Papers	None
Author/Contact Details	Chris Kirk – Senior Planning Officer Christopher.kirk@surreyheath.gov.uk
Head of Service	Jenny Rickard – Executive Head of Regulatory

Consultations, Implications and Issues Addressed

Resources	Required	Consulted
Revenue	✓	
Capital		
Human Resources		
Asset Management		
IT		
Other Issues	Required	Consulted
Corporate Objectives & Key Priorities	✓	
Policy Framework	✓	
Legal		
Governance		
Sustainability		
Risk Management		
Equalities Impact Assessment		
Community Safety		
Human Rights		
Consultation		
P R & Marketing		



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Email:



Sadiq Khan (Mayor of London)
New London Plan
GLA City Hall
London Plan Team
Post Point 18
FREEPOST RTJC-XBZZ-GJKZ
London SE1 2AA

6th February 2018

Dear Mayor of London,

Surrey Heath Borough Council's Response to the London Plan Consultation Draft

Thank you for the opportunity to comment on the London Plan 2019-41. This letter is the Council's formal response.

Demonstration of meeting need within the London Boroughs

Surrey Heath Borough Council supports the Draft Plan's aim to accommodate all of London's growth within its own boundaries.

The Council acknowledges the Draft London Plan's recognition of migration trends into London from surrounding areas in the Wider South East. In relation to this, the Council supports Figure 2.13 of the Draft London Plan (Spatial Distribution of Commuting to London) which shows Surrey Heath as having a range of 2,700 – 6,100 persons commuting to London per day. This demonstrates a comparatively low number of commuters travelling to London from Surrey Heath in the context of the Wider South East, and the lowest number in the county of Surrey, reflecting the findings of the Hart Rushmoor Surrey Heath 2016 Employment Land Review.

Surrey Heath Borough Council acknowledges the need for London to plan for longer term contingencies with regard to future growth, as outlined in Policy SD3 of the Draft London Plan - *Growth locations in the Wider South East and beyond*. This section of the Plan also indicates the Mayor's interest in working with willing partners beyond London to explore if there is potential to accommodate more growth in sustainable locations. However, the Council considers Surrey Heath is not a suitable or sustainable location for accommodating additional growth from London. The reasons for this are set out in the remainder of this letter.

Surrey Heath is subject to numerous environmental constraints and contains large areas of the Thames Basin Heaths Special Protection Area (TBH SPA), which covers approximately 23% of land within the Borough. This figure is not inclusive of the 400 metre buffer zone around the TBH SPA, within which residential development cannot be permitted. In addition, the rest of the Borough is entirely within 5km of this designated area, which further impacts the Council's ability to deliver housing. There are also large areas of MOD land and the majority of the

eastern half of the Borough is designated Metropolitan Green Belt. This will impact on Surrey Heath's ability to meet its own identified housing need and accordingly, will need to be given due consideration in the Mayor's determination of growth locations in the Wider South East.

The Draft London Plan emphasises that partnership working to deliver more homes in the Wider South East is focused on locations that are (or are planned to be) well-connected by public transport. The Council would like to emphasise the Borough's rail connections to London provide a non-mainline service, with an average journey time of 1 hour 17 minutes from Camberley to London Waterloo. There are currently proposals to reduce the length of this journey to approximately 1 hour 7 minutes. However there will be no direct services from any of the three stations located in Surrey Heath (Camberley Frimley and Bagshot) to London.

Impact of proposed Strategic Infrastructure Priorities 2 and 10

Strategic Infrastructure Priority 2 – North Downs Rail Link

The North Downs Line passes to the west of Surrey Heath, and does not have a station located within the Borough. The Draft London Plan advises that, in addition to locations that are well-connected by public transport, other areas of focus in the Wider South East include localities where development can help meet local growth aspirations as well as wider requirements. As a result of limited land availability arising primarily from the TBH SPA constraint, it is not considered that Surrey Heath, or much of the wider Blackwater Valley area would be able to accommodate additional growth arising from strategic Infrastructure Priority 2. Furthermore, the Council is currently undertaking capacity related work to demonstrate whether its own housing needs can be accommodated within the Borough. This work is indicating that Surrey Heath will be unable to meet its housing need and as a consequence, will need to work with its Housing Market Area partners to address this. For these reasons, it is not considered that Surrey Heath is a suitable growth location for additional development to support wider growth requirements.

Strategic Infrastructure Priority 10 - South West Mainline, Crossrail 2 South West (London - Surrey / Southern Rail Access to Heathrow) and A3

The Council wishes to emphasise there is a significant distance of approximately 33km between Crossrail 2 at Epsom, and the Borough of Surrey Heath. In addition, there is no station on the South West Mainline located within Surrey Heath, and the A3 arterial road does not pass through the Surrey Heath area. Consequently, any additional capacity on these routes generated as a result of projects associated with Strategic Infrastructure Priority 10 will be highly unlikely to deliver significant benefits for Surrey Heath in respect of infrastructure, journey times, or development potential to meet local growth aspirations or wider requirements.

Yours Sincerely

Moira Gibson
Leader
Surrey Heath Borough Council

Karen Whelan
Chief Executive
Surrey Heath Borough Council

Response to Runnymede Borough Council’s Draft Local Plan (Regulation 19) consultation

Summary

Runnymede Borough Council has published its Draft Local Plan document for consultation. The Consultation began on the 11th January and runs until the 22nd February.

The document is the last stage in the production of the Runnymede Local Plan and as such the consultation is the final opportunity to comment on the Plan before it is submitted to the Planning Inspectorate. It sets out the approach to be taken to development in Runnymede Borough up to 2030, including the DERA north and south sites in Longcross, now known as ‘Longcross Garden Village’.

Members are requested to consider the proposed consultation response set out in the letter at Annex 1 of this report as the Borough’s formal representations on the Draft Local Plan Document.

Portfolio - Regulatory

Date Portfolio Holder signed off report: 17 January 2018

Wards Affected

Windlesham and Chobham

Recommendation

The Executive is asked to RESOLVE that the letter contained in Annex 1 be authorised as Surrey Heath Borough Council’s formal representation to the Runnymede Draft Local Plan (Regulation 19) document.

1. Resource Implications

1.1 There are no resource implications beyond that provided for within the agreed budget for 2017/18.

2. Key Issues

2.1 In July 2016, Runnymede Borough Council published an “Issues, Options and Preferred Approaches” Local Plan (Regulation 18) consultation, which was subject to a six-week consultation period. Surrey Heath responded to the Consultation and a copy of the response is provided at Annex 2.

2.2 Responses to the Issues, Options and Preferred Approaches consultation have been used to develop the Runnymede Draft Local Plan. The Runnymede Draft Local Plan sets out the approach that Runnymede Borough Council will take in delivering housing (and other

development) in Runnymede to 2030, including the DERA north and south sites in Longcross, now known as 'Longcross Garden Village'.

- 2.3 The current consultation is the final opportunity to comment on the plan before it is submitted to the Planning Inspectorate. Consultation on the Draft Local Plan began on the 11th January and runs until the 22nd February.
- 2.4 The June 2016 Preferred Options Consultation did not set out how many dwellings would be delivered at DERA (Longcross Garden Village), although it was recognised that DERA north has planning permission for development comprising up to 79,025sqm of employment floorspace with associated retail and community facilities. The DERA south site had been promoted previously for up to 1300 dwellings. The current Draft Local Plan consultation sets out that DERA (Longcross Garden Village) would be expected to deliver development comprising up to 79,025sqm of employment floorspace with associated retail and community facilities, in addition to around 1,700 dwellings.
- 2.5 In the Council's previous response, Surrey Heath indicated that in taking these sites forward through the Local Plan process there was a need to address both local and strategic transport impacts through further modelling work. To this end it requested that the Local Plan policy for the DERA North and South sites should include a requirement to address these transport issues. Improvements to the A320 should also be considered to deal with strategic growth within the area. Surrey Heath is satisfied that the Draft Local Plan takes these comments into account and recognises that in addition to additional modelling having been undertaken, Runnymede continues to work collaboratively with Surrey Heath Borough Council, Woking Borough Council and Surrey County Council to progress an A320 feasibility study to assess the impact of strategic growth on the A320.
- 2.6 The Council's previous response also indicated that discussions should be held with Highways England regarding the possible provision of a restricted access Junction (2a) of the M3 to allow separate entry and exit for local traffic to and from the West at the B386 Longcross Road over bridge. Surrey Heath recognises that this has been considered as part of the Longcross Infrastructure and Viability Assessment and that such a scheme is unlikely to be feasible, taking account of preliminary cost estimates and Highway's England's current policy position, which indicates that there is insufficient separation between junctions 2 and 3 to accommodate a new junction with appropriate on-and off-slip roads lengths. Notwithstanding this, the Council would welcome the opportunity to engage further with Runnymede regarding the provision of a restricted access Junction, should circumstances change in the future.
- 2.7 In view of the above, Officers consider that the Runnymede Borough's Draft Local Plan is sound, subject to the continuation of collaborative

working between Runnymede Borough Council, Surrey Heath Borough Council, Woking Borough Council and Surrey County Council in respect of highways matters.

3. Options

3.1 The options are to:

- (i) Agree the response set out in the letter (Annex 1) and to submit them as the Council's formal response to the Runnymede Draft Local Plan consultation.
- (ii) To agree the response set out in the letter (Annex 1) with any additional comments from Executive and to submit them as the Council's formal response to the Runnymede Draft Local Plan consultation.
- (ii.) To not agree the response.

4. Proposals

4.1 To send a letter in response to the consultation on the Runnymede Borough Council Draft Local Plan.

5. Supporting Information

5.1 The Runnymede Draft Local Plan January 2018.

6. Corporate Objectives And Key Priorities

6.1 Responding to the Runnymede Draft Local Plan consultation will enable Surrey Heath to maintain an active engagement with an adjoining Borough where there are matters of strategic importance between the Boroughs.

7. Policy Framework

7.1 Making a representation on the Runnymede Draft Local Plan will enable Surrey Heath to formally draw Runnymede's attention to comments it has in relation to the Runnymede Draft Local Plan.

Annexes	Annex 1: Response to the Runnymede Draft Local Plan (Regulation 19) consultation – January 2018 Annex 2: Response to the Runnymede Issues, Options and Preferred Approach Local Plan – August 2016.
Background Papers	Runnymede Draft Local Plan 2018
Author/Contact Details	Kate Galloway - Planning Policy and Conservation Team Leader kate.galloway@surreyheath.gov.uk
Head of Service	Jenny Rickard- Executive Head of Regulatory

Consultations, Implications and Issues Addressed

Resources	Required	Consulted
Revenue	✓	<u>12/01/18</u>
Capital		
Human Resources		
Asset Management		
IT		
Other Issues	Required	Consulted
Corporate Objectives & Key Priorities	✓	<u>12/01/18</u>
Policy Framework		
Legal	✓	<u>12/01/18</u>
Governance		
Sustainability		
Risk Management		
Equalities Impact Assessment		
Community Safety		
Human Rights		
Consultation	✓	<u>12/01/18</u>
P R & Marketing	✓	<u>12/01/18</u>

Review Date:

Version: 1



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The Policy and Strategy Team
Runnymede Borough Council
Civic Centre
Station Road
Addlestone
KT15 2AH
United Kingdom

6th February 2018

Dear Sir/Madam,

Runnymede Draft Local Plan consultation

Thank you for the opportunity to comment on the 2018 Runnymede Draft Local Plan consultation. Surrey Heath Borough Council wishes to make the following comments.

Surrey Heath is satisfied that the Draft Local Plan takes the Council's earlier comments in respect of the need to address both local and strategic transport impacts through further modelling work and improvements to the A320 to deal with strategic growth within the area. In this respect, Surrey Heath welcomes the opportunity to continue to work collaboratively with Runnymede Borough Council, Woking Borough Council and Surrey County Council to progress an A320 feasibility study to assess the strategic growth in these areas on the A320.

Surrey Heath Borough Council also recognises that Runnymede have, through the Longcross Infrastructure and Viability Assessment, considered the potential provision of a restricted access Junction (2a) of the M3 to allow separate entry and exit for local traffic to and from the West at the B386 Longcross Road over bridge and notes that such a scheme is unlikely to be feasible, taking account of preliminary cost estimates and Highway's England's current policy position in respect of such a scheme. Notwithstanding this, the Council would welcome the opportunity to engage further with Runnymede regarding the provision of a restricted access Junction, should circumstances change in the future.

In view of the above, Officers consider that the Runnymede Borough's Draft Local Plan is sound, subject to the continuation of collaborative working between Runnymede Borough Council, Surrey Heath Borough Council, Woking Borough Council and Surrey County Council in respect of highways matters.

Yours faithfully

A handwritten signature in cursive script, appearing to read "Jane Ireland".

Jane Ireland
Planning Policy and Conservation Manager
Surrey Heath Borough Council



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The Policy and Strategy Team
Runnymede Borough Council
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United Kingdom

3rd August

Dear Sir/Madam,

Runnymede Issues and Options and Preferred Options Local Plan consultation

Thank you for the opportunity to comment on the 2016 Runnymede Issues, Options and Preferred Local Plan consultation. Surrey Heath Borough Council wishes to make the following comments.

Whilst SHBC does not object in principle to the DERA sites being released from the Green Belt it considers that in taking these sites forward through the Local Plan process there is a need to address both local and strategic transport impacts through further modelling work. To this end any Local Plan policy for the DERA North and South sites should include a requirement to address these transport issues. Improvements to the A320 should also be considered to deal with strategic growth within the area.

There should also be discussions with Highways England regarding the possible provision of a restricted access Junction (2a) of the M3 to allow separate entry and exit for local traffic to and from the West at the B386 Longcross Road over bridge.

Surrey Heath would welcome the opportunity, under Duty to Co-operate, to have further discussions with Runnymede in respect of seeking improvements to the strategic network as identified above. This will help facilitate sound and effective plan making.

Yours faithfully

Jane Ireland
Planning Policy and Conservation Manager
Surrey Heath Borough Council

Reference from Performance and Finance Scrutiny Committee – Review of the Impact of Benefits Reforms on Surrey Heath Borough Council and Borough Residents

Summary

At its meeting on 12 July 2017, the Performance and Finance Scrutiny considered a report from a Task and Finish Group looking at the impact of welfare/benefits reforms on the Council and Borough residents. A further report, revising a number of the recommendations, was considered by the Committee at its meeting on 6 December 2017.

The Committee agreed to advise the Executive to take a number of actions which could potentially mitigate the impact of these changes.

Chairman of Performance and Finance Scrutiny Committee
Date Signed Off: 12 January 2018

Wards Affected – All

Recommendation

The Executive is advised to RESOLVE that

- (i) the Department of Works and Pension (DWP) be urged to work more closely with the Council**
 - (a) to mitigate the impact of the benefit reforms on the residents of the Borough;**
 - (b) to ensure that there is adequate provision of computer facilities internet access and advisors across the Borough to support the wider introduction of Universal Credit and other changes to the welfare system;**
- (ii) in relation to computer facilities, internet access, and advisor support, that**
 - (a) the list of sites will be refreshed, and widely publicised to the relevant audience;**
 - (b) this exercise be repeated on a six monthly basis;**
 - (c) in the event that this exercise indicates a shortage of available sites and/or personnel, alternative options, including the involvement and closer collaboration with local charities in the relevant sectors to be considered.**
- (iii) the work done by the Surrey Credit Union in supporting residents in the Borough be noted and supported;**

- (iv) the closer working relationship and joint working initiatives between the Camberley Job Centre and the Council be noted and supported;
- (v) the Local Plan Working Group be asked to take full account of the indicated increased need for one bedroom properties, when developing the Plan.

The Executive is asked to note that the External Partnership Select Committee be requested to include Boom and DWP on its future work programme.

1. Key Issues

1.1 In consideration of the impact of benefit reforms on the Council and Borough residents, the Performance and Finance Committee considered that the following changes had impacted on the Council and those in or potentially in receipt of benefits:

- (i) Council Tax replaced by Local Council Tax Support Schemes – April 2013;
- (ii) Social Sector Size Criteria – April 2013;
- (iii) Benefit Cap – July 2013
- (iv) Universal Credit – February 2016;
- (v) Housing Benefit/Council Tax Reduction backdating – April 2016;
- (vi) Withdrawal of Family Premium – May 2016;
- (vii) Changes to Temporary Absence Rules – July 2016;
- (viii) Reduction in benefit cap levels – November 2016; and
- (ix) Further changes to qualifying criteria – April 2017.

1.2 It was noted that the following benefits had not been affected by the Benefits Cap:

- Armed Forces Compensation Scheme
- Armed Forces Independence Payment
- Attendance Allowance
- Carer's Allowance
- Disability Living Allowance (DLA)
- Employment and Support Allowance (if support component in payment)
- Guardian's Allowance

- 1.3 The Committee noted that the Task and Finish Group had considered resources that had been made available to mitigate the impact of the various changes and noted areas where the mitigation could not be applied.
- 1.4 Focussing on local impacts, Members had identified the following key local needs:
- (i) An increase in the number PCs available to welfare benefit applicants, and the number of local locations where access would be possible;
 - (ii) An increase in the number of PC and benefit competent advisors who could help applicants complete claim forms;
 - (iii) An increase in the number of advisors (must be qualified) who could help with debt counselling;
 - (iv) Better local access to short term loans to those left without support between date of claim and date of approval and receipt of grant; and
 - (v) An increase in the number of one bedroom properties available for social rent.
- 1.5 The Committee supported the Task and Finish Group proposal that the best way to meet the identified needs and address what was an increasing problem, was to facilitate a stronger working relationship with and provide an increased level of financial support to specialist local charities, particularly given the expertise which existed in the community, which could assist in this complex area of work.

2. Resource Implications

- 2.1 There are no direct resource implications arising from the recommendations in this report.

3. Options

- 3.1 The Executive can decide to note the Committee reference and/or to agree all, some or none of the proposed measures

Annexes	None
Background Papers	Performance and Finance Scrutiny Committee minutes for the Meeting held on 12 July 2017 and 6 December 2017; and Task and Finish Group report to Performance and Finance Scrutiny Committee

Author/contact details	Rachel Whillis – Democratic Services Manager rachel.whillis@surreyheath.gov.uk
Head of Service	Richard Payne – Executive Head of Corporate

Pay Policy Statement 2018/19

Summary

To recommend the agreement of Surrey Heath Borough Council's Pay Policy Statement 2018/19.

Portfolio Holder – Leader

Date Portfolio Holder signed off report – 24 January 2018

Wards Affected

N/A

Recommendation

The Executive is advised to RECOMMEND to Full Council that the Surrey Heath Borough Council Pay Policy Statement 2018/19, as attached at Annex A to this report, be approved.

1. Key Issues

- 1.1 This Pay Policy Statement is provided in accordance with Section 38(1) of the Localism Act 2011.
- 1.2 The Council is required to update this on an annual basis and the requirement is for it to be approved by full council.
- 1.3 The Policy Pay Statement 2018/19 is attached at Annex A.

2. Resource Implications

- 2.1 There are no resource issues arising from this report.

3. Options

- 3.1 There are no options for the Executive to consider as the Council is required to publish its Pay Policy Statement as detailed in the Localism Act 2011.

4. Equalities Impact

- 4.1 Completed

Annexes	Annex A – Pay Policy Statement 2018/19
Background Papers	None
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Executive Head	Louise Livingston – Executive Head of Transformation

CONSULTATIONS, IMPLICATIONS AND ISSUES ADDRESSED

	Required	Consulted
Resources		
Revenue	✓	✓
Capital		
Human Resources	✓	✓
Asset Management		
IT		
Other Issues		
Corporate Objectives & Key Priorities	✓	✓
Policy Framework	✓	✓
Legal	✓	✓
Governance	✓	
Sustainability		
Risk Management		
Equalities Impact Assessment	✓	✓
Community Safety		
Human Rights		
Consultation	✓	✓
P R & Marketing		

Annex A

Surrey Heath Borough Council Pay Policy Statement – Financial year 2018-19

Purpose

This Pay Policy Statement is provided in accordance with Section 38(1) of the Localism Act 2011 and this will be updated annually from April each year.

This pay policy statement sets out Surrey Heath Borough Council's policies relating to the pay of its workforce for the financial year 2018-19.

Background

Remuneration at all levels needs to be adequate to secure and retain high-quality employees dedicated to fulfilling the council's business objectives and delivering services to the public. This has to be balanced by ensuring remuneration is not, nor is seen to be, unnecessarily excessive. Each council has responsibility for balancing these factors and each council faces its own unique challenges and opportunities in doing so and retains flexibility to cope with various circumstances that may arise that might necessitate the use of recruitment and retention allowances or other such mechanisms for individual categories of posts where appropriate.

Responsibility for decisions on remuneration

Pay for all employees including Chief Officers is agreed by Full Council in consultation with the Joint Staff Consultative Group. The Joint Staff Consultative Group comprises elected Councillors from the main political parties and staff representatives and has responsibility for local terms and conditions of employment for staff within Surrey Heath Borough Council's pay framework.

The Surrey Heath Borough Council's pay framework was implemented in April 1988 and is based on Local Pay Conditions.

All new appointments to the Council's service since April 1988 have been made on the basis of locally devised and negotiated conditions of service, with the facility that all existing members of staff had the opportunity to enter voluntarily into a fresh contract of employment based on these conditions. Contracts of employment are entirely local and do not incorporate the provisions of the National Conditions.

The aims of local conditions are:-

- a) To offer a competitive salary and benefits package;
- b) To link progression to personal performance;
- c) To take account of skills shortages by the use of recruitment and retention allowances (if required);
- d) That all salary and conditions of service matters are negotiated internally by the Joint Staff Consultative Group.

Salary grades and grading framework

Each post within the establishment has a salary scale determined by job evaluation using the Local Government Management Board Scheme. The starting salary on appointment is subject to negotiation within the evaluated grade and will be

dependent upon the appointee's level of experience, attained qualifications and the salary being paid to others undertaking the same work.

As part of this, Surrey Heath Borough Council determined a local pay framework, dividing established posts into 12 grades (SH1 – SH9 and SH20 – SH22), grade SH1 being the lowest and grade SH22 the highest (see Appendix 1). Each employee will be on one of the 12 grades based on the job evaluation of their role. Employees can progress to the salary range maximum of their grade subject to assessment of their performance in the annual performance appraisal process. In 2013/14 the pay scales were reviewed and a new SCP was added to grades SH1- SH9.

Pay awards are considered annually for staff, the year running from 1st April until 31st March. Local pay negotiation is used but consideration is given to the national award in negotiation with the Joint Staff Consultative Group and Trades Unions locally.

The Annual Pay Settlement procedure is to determine the value of the annual pay settlement that will be paid to all staff when determined on/or backdated to 1st April each year. The pay award for all grades is determined in the same way.

There was no annual pay award to any group of staff for the period 1st April 2010 – 31st March 2012, however, for the period 1st April 2012 – 31st March 2013 an unconsolidated payment of £500 was paid to all staff (pro rata'd for those working less than 37 hours per week). A cost of living increase of 1.5% was awarded to staff on grades SH1 to SH9 for 2014/15. An increase of 1% was awarded for 16/17 (see Appendix 1) and an award of 2 % was awarded for 17/18. If an award is made for 18/19 this document will be updated to reflect this.

Chief Officers Remuneration

The Council has a group of nine Chief Officers (including three statutory roles) which currently consists of the following:

Post
Chief Executive
Executive Head Business
Executive Head Community
Executive Head Corporate
Executive Head Finance
Executive Head Regulatory
Executive Head Transformation
Head of Legal
Head of Property and Development

Surrey Heath publishes the salaries of the Chief Executive, Executive Heads and Heads of Service, this means that all our senior salaries (including all those of £50,000 and above) are easily accessible:

<http://www.surreyheath.gov.uk/council/information-governance/publication-scheme/what-we-spend-and-how-we-spend-it>

The level and elements of employee remuneration, including performance related pay and bonuses

There is no provision for bonus payments. Pay for all employees (including Chief Officers) comprises payments by way of salary, pensions and other standard elements of contractual remuneration required in law. Employees have the opportunity to join the private medical scheme after a number of years' service.

All employees (including Chief Officers) are subject to an annual assessment of performance, and where performance meets the appropriate standard, contractual increments will be given, until the maximum of the pay scale is reached.

Any allowance or other payments will only be made to staff in connection with their role or the patterns of hours they work and must be in accordance with the Council's policies which include Recruitment & Retention Allowances, Exceptional Payments Policy and Anti-Social Hours Allowance.

Exceptional increases and additions to remuneration for Chief Officers

One or more Chief Officers will be eligible for payments for election duties (e.g. as Returning Officer or Deputy Returning Officer/s). Some of these payments will be made direct by Government or other Authorities e.g. Surrey County Council.

The approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the Authority

Chief Officers who leave the Council's employment, where appropriate, will receive compensation in line with the Council's Employment Stability Policy or through a negotiated settlement.

New starters joining the Council

Employees new to the Council will normally be appointed to the first point of the salary range for their grade. Where the candidate's current employment package would make the first point of the salary range unattractive (and this can be demonstrated by the applicant in relation to current earnings) or where the employee already operates at a level commensurate with a higher salary, a higher salary may be considered by the recruiting manager subject to negotiation. This will be within the salary range for the grade. The candidate's level of skill and experience should be consistent with that of other employees in a similar position on the salary range.

As with the recruitment of employees across the Council, Chief Officers are generally appointed at the minimum point on their pay scale or at a market level of pay negotiated on appointment, account will be taken of other relevant available information, including the salaries of Chief Officers in other similar sized organisations. Decisions to approve these negotiations are made by the Head of Paid Service or in the case of the Head of Paid Service, by the Council.

Relationship between remuneration of Chief Officers and all other employees

The difference between the highest paid salary and the average full time equivalent salary of the workforce (as at 30th November 2017):

Salary	Amount per annum	Ratio with highest salary
Highest Basic Salary (Chief Executive)	£118,321	n/a
Mean (average) Basic Salary	£32,857.12	3.60:1
Lowest point on standard pay scales to which an employee is appointed	£12,371	9.56:1

Appendix 1

SURREY HEATH BOROUGH COUNCIL

SALARY SCALES

WITH EFFECT FROM 01 APRIL 2017

(increase of 2% from last award)

SH1		SH2		SH3		SH4	
SCP	£	SCP	£	SCP	£	SCP	£
1.2	12371	2.7	15829	3.11	19599	4.15	23115
1.3	13160	2.8	16752	3.12	20389	4.16	24307
1.4	13947	2.9	17707	3.13	21165	4.17	25485
1.5	14741	2.10	18795	3.14	21939	4.18	26619
1.6	15275	2.11	19329	3.15	22472	4.19	27153

SH5		SH6		SH7		SH8	
SCP	£	SCP	£	SCP	£	SCP	£
5.19	27810	6.23	32521	7.28	38139	8.33	43877
5.20	28990	6.24	33698	7.29	39481	8.34	45430
5.21	30151	6.25	34845	7.30	40820	8.35	46992
5.22	31328	6.26	36039	7.31	42134	8.36	48571
5.23	31861	6.27	36571	7.32	42667	8.37	49107

SH9	
SCP	£
9.37	50283
9.38	51916
9.39	53550
9.40	55181
9.41	55714

SH20 HEAD of SERVICE	
SCP	£
20.101	58148
20.102	60351
20.103	63272
20.104	66196
20.105	69133

SH21 EXECUTIVE HEAD	
SCP	£
21.106	72075
21.107	75017
21.108	77960
21.109	81111
21.110	84264

SH22 CHIEF EXECUTIVE	
SCP	£
22.201	106826
22.202	110657
22.203	114490
22.204	118321

Human Resources - April 2017

EXCLUSION OF PRESS AND PUBLIC

RECOMMENDATION

The Executive is advised to RESOLVE that, under Section 100A(4) of the Local Government Act 1972 (as amended) and Regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the public be excluded from the meeting for the following items of business on the ground that they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Act, as set out below:

<u>Item</u>	<u>Paragraph(s)</u>
17	3
18	3
19	3

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

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