

## SURREY HEATH BOROUGH COUNCIL

Surrey Heath House  
Knoll Road  
Camberley  
Surrey  
GU15 3HD

Tuesday, 14 February 2023

To: The Members of the Surrey Heath Borough Council

Dear Councillor,

You are hereby summoned to attend a meeting of Surrey Heath Borough Council to be held in the Council Chamber, Surrey Heath House on Wednesday, 22 February 2023 at 7.00 pm. The business which it is proposed to transact at the meeting is set out below.

**Please note that this meeting will be recorded.**

Yours sincerely

Damian Roberts

Chief Executive

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**1. Apologies for Absence**

To report apologies for absence.

**2. Minutes**

To approve as a correct record, the minutes of the meeting of the Council held on 14 December 2022.

**3. Mayor's Announcements**

**4. Leader's Announcements**

**5. Declarations of Interest**

Members are invited to declare any Disclosable Pecuniary Interests and non-pecuniary interests they may have with respect to matters which are to be considered at this meeting.

6. **Medium Term Financial Strategy and Annual Budget 2023/24** (Pages 7 - 94)
7. **Setting of Council Tax 2023/24** (Pages 95 - 100)
8. **Executive, Committees and Other Bodies**

To receive the open minutes of the following bodies (minutes reproduced in the Minute Book), to answer questions (if any) in accordance with Council Procedure Rule 11.5 and to consider the recommendations as set out below:

- (a) Executive – 17 January and 14 February 2023

At its meeting on 14 February 2023, the Executive will be asked to consider the following recommendations

**89/E Local Community Improvement Fund Bids**

The Executive will be advised to **RECOMMEND** to Full Council that

- (i) **£6,410 be added to the Council's Capital Programme for the installation of an additional lamp and column and to replace the 3 lamp heads on the existing columns to LED at Southcote Park, Camberley; and**
- (ii) **£55,000 be added to the Council's Capital Programme for the resurfacing of damaged tarmac pathways at London Road Recreation Ground.**

**90/E Deanside Playground Refurbishment**

The Executive will be advised to **RECOMMEND** to Full Council that

- (i) **permission be granted to draw down £94,000 from the Section 106 reserve for this development to refurbish the playground at Deanside to ensure the local children can continue to play in a safe and secure space;**
- (ii) **these funds be added to the capital programme; and**
- (iii) **authority to spend the contingency budget be delegated to the Strategic Director of Finance & Customer Services in consultation with the Portfolio Holder for Finance and Customer Services.**

Note: the recommendations of the Executive at minute 86/E are dealt with at Agenda Item 6 – Medium Term Financial Strategy and Annual Budget 2023/24

- (b) Planning Applications Committee – 8 December 2022, 19 January and 9 February 2023
- (c) Performance and Finance Scrutiny Committee – 5 January and 25 January 2023
- (d) Employment Committee – 26 January 2023

### **21/EC Pay Policy Statement**

**RECOMMENDED to Full Council that the Pay Policy Statement 2022-24 be adopted, as set out at Annex A to the Employment Committee agenda report.**

- (e) Licensing Committee – 15 February 2023
- (f) Joint Staff Consultative Group – 12 January 2023

## **9. Motions**

- a. Councillor Graham Alleway to move that

“this Council resolves to ask the Executive to review the policy for distribution of Community Infrastructure Levy (CIL) funding, taking into account the following recommendations:

- (i) each ward be allocated 45% of CIL generated from development in the ward, inclusive of the 15 or 25% statutory allocation to Parish Councils, and the current 15% non parished ward allocation established by this Council;
- (ii) the CIL balance above the amounts currently issued for parished or non parished wards be held by the Borough in ward CIL accounts;
- (iii) the consultation process to identify needs and improvements to infrastructure to deliver priorities reflected from consultations be reviewed, to include:
  - (a) a central role for ward councillors consulting with residents;
  - (b) Officers engaging appropriate authorities and agencies responsible for infrastructure and service provision to deliver the infrastructure;
  - (c) a central role for ward councillors engage with adjoining Ward Councillors to identify infrastructure concerns and opportunities to mitigate effects of development; and

- (iv) any unspent CIL money in the Ward accounts to be returned to the Borough general CIL fund if unspent in the statutory timescale.

b. Councillor Robin Perry to move that

“this Council

- (i) notes that
  - (a) HMG awarded a new contract to audit local authority annual accounts to BDO, through Public Sector Audits Appointments (PSAA) in 2020;
  - (b) with the much publicised pressures across the whole Local Government Audit system that are the result of staffing and capacity issues within those audit firms, many Councils like Surrey Heath are experiencing significant delays in the completion of the audits on their accounts;
  - (c) having outstanding unaudited accounts, falsely and unnecessarily undermines confidence in the finances of all those Councils, including Surrey Heath;
  - (d) recognising that staff turnover issues in the finance team contributed in part to the initial delays in the process, despite subsequently expending many hours working with the Auditors, actively supporting them and responding to their queries as part of the standard audit process and receiving multiple re-start dates, disappointingly the 2019/20 audit has still not been completed by the current external auditor;
  - (e) despite having been prepared diligently and in a timely manner, the external auditor has yet to start work on the audit of accounts for 2020/21. This delay has also impacted the preparation of the 2021/22 accounts;
  - (f) it has already incurred significant expenditure retaining temporary staff with the historic knowledge and experience required to respond to queries relevant to the outstanding annual accounts; and
- (ii) asks the Leader of the Council to write formally to the Secretary of State for Levelling-up Housing and Communities to seek his assistance in:
  - (a) enabling the PSAA to offer the Council the appointment of an alternative audit company that has the necessary capacity to complete the above audits, or

- (b) releasing the Council from the requirement to use the currently appointed auditors (BDO) under the existing national Public Sector Audits Appointments (PSAA) arrangement for the audit of its annual statement of accounts for financial years 2019/20, 2020/21, 2021/22 and 2022/23 until the new PSAA arrangement commences from 1 April 2023, to allow the Council the option of securing new external auditors from PSAA or otherwise, that have the capacity and capability to complete the outstanding audit of accounts.”

**10. Governance Working Group (Pages 101 - 122)**

To consider the report of the Head of Legal & Democratic Services (attached).

**11. Questions from Members of the Public**

To answer questions, if any, received under Council Procedure Rule 10 (Paragraph 3 of the Public Speaking Procedure Rules).

**12. Questions from Councillors**

- (a) To deal with questions, if any, received under Council Procedure Rule 11.
- (b) The Leader to answer questions from Members in relation to the Executive functions under Council Procedure Rule 11A.

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**Surrey Heath Borough Council**  
**Council**  
**22 February 2023**

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**Annual Revenue Budget**  
**Medium Term Financial Strategy 2023/24 to 2026/27**

<b>Portfolio Holder:</b>	Councillor Robin Perry - Finance
<b>Strategic Director</b> Service	Bob Watson - Finance & Customer
<b>Report Author:</b>	As above
<b>Key Decision:</b>	yes
<b>Date Portfolio Holder signed off the report</b>	14 February 2023
<b>Wards Affected:</b>	All

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### Summary and purpose

This report covers the Medium Term Financial Strategy (MTFS) and the revenue budgets estimates for the next financial year (2023/24) and the indicative estimates for the period 2024/25 to 2026/27.

The report also provides the statutory Chief Finance Officer's report under Section 25 of the Local Government Act 2003 on the adequacy of proposed financial reserves and balances and robustness of the budget estimates.

### Recommendation

The Council is advised to RESOLVE that the Medium Term Financial Strategy, as set out at Annex A to this report, be agreed, comprising:

- (i) the Revenue Budget Estimates covering the period 2023/24 to 2026/27 as follows:
  - (a) the 2023/24 budget estimates giving a net cost of services revenue budget for the Council of **£17.468 million** as shown in Appendix 1 to the Medium Term Financial Strategy;
  - (b) to agree the unavoidable service pressures and budget growth of **£5.210 million** shown in Appendix 1 and in more detail in Appendix 1-1 to the Medium Term Financial Strategy;
  - (c) to agree the revenue efficiencies of **£2.348 million** shown in Appendix 1 and in more detail in Appendix 1-2 to the Medium Term Financial Strategy;

- (d) to approve the recommendation by the Strategic Director Finance and Customer Services (the Council's Section 151 Officer<sup>1</sup>) that a sum of up to £3.500 million of the interest equalisation earmarked reserve be drawn to support the revenue budget over the period of the Medium Term Financial Strategy and provide a sustainable budget for the Council;
  - (e) that the Surrey Heath Borough Council element of the annual council tax precept be increased by **2.99%** across all Council Tax Bands;
- (ii) the Capital Strategy, as set out at Appendix 2 to the Medium Term Financial Strategy and associated Capital Programme (appendix 2-1) covering the period 2023/24 to 2026/27 which includes:
- (f) the new capital bids for £2.539 million in Appendix 2 to the Medium Term Financial Strategy for 2023/24 be approved, and that they be incorporated into the Capital Programme; and
  - (g) the Prudential Indicators summarised below and explained in Appendix 2 for 2023/24 to 2026/27 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	2023/24 Proposed £m	2024/25 Estimated £m	2025/26 Estimated £m	2025/26 Estimated £m
Capital Expenditure	2.539	1.490	0.990	0.990
Capital Financing Requirement	171	167	164	161
Ratio of net financing costs to net revenue stream	0.50	0.49	0.58	0.56
Financing Costs	6.8	6.8	6.8	6.8
Operational Boundary	230	230	230	230
Authorised Limit	235	235	235	235

- (iii) The Treasury Management Strategy for 2022/23 shown at Appendix 3, Annex A to the Medium Term Financial Strategy including;
- (h) The Treasury Management Indicators for 2022/23 at Appendix 3, Annex C to the Medium Term Financial Strategy;
  - (i) The Minimum Revenue Provision policy statement and estimated minimum revenue provision payment table at Appendix 3, Annex F to the Medium Term Financial Strategy; and

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<sup>1</sup> The officer designated under Section 151 of the Local Government Act 1972 as responsible for the financial affairs of the Council.



- (j) the Treasury Management Policy Statement at Appendix 3, Annex G to the Medium Term Financial Strategy.
- (iv) Council is also advised to note:
  - (k) the forecast level of reserve balances shown at Appendix 4 to the Medium Term Financial Strategy. It should further be noted that these will be subject to confirmation once the outturn position for the current financial year (2022/23) is known and this will be reported in the revenue outturn report early in the new financial year.
  - (l) the Council Tax base for Surrey Heath Borough Council is **39,613.4** as set at Council on 14 December 2022.
  - (m) the Medium Term Financial Strategy contains a savings target of £1.200 million over the period of the strategy which will be achieved through a combination of further services efficiencies, increases in income and potentially service reductions to be identified through a output-based budget review for all services of the Council and subject to a Star Chamber challenge review that will commence in the summer of 2023. There is also a managed vacancy factor (mvf) of £100,000 built into the budgets as part of the pay settlement agreed by Council.
  - (n) the statement of the Chief Financial Officer (Strategic Director Finance and Customer Services) on the robustness of estimates and sustainability of balances.
  - (o) the finance settlement from central Government was finalised through the House of Commons on 8 February 2023.

## **1. Background and Supporting Information**

1.1 This report and the Medium Term Financial Strategy (MTFS), which this report covers, provide an overview of how the Council's revenue expenditure and income are to be used for the day-to-day activities of the Council and the provision of its local statutory and non-statutory services to residents and businesses of Surrey Heath Borough.

1.2 The Medium Term Financial Strategy consists:

- o Revenue budget estimates for 2023/24 and indicative estimates for 2024/25, 2025/26 and 2026/27.
- o Capital Strategy
- o Capital programme for 2023/24 to 2026/27
- o Treasury Management Strategy incorporating Annexes A-G.

## **2. Reasons for Recommendation**

- 2.1 The Council is required to set a balanced budget each year at Budget Council (normally the February preceding the commencement of the financial year on 1 April).
- 2.2 At the meeting in 14 February 2022, the Executive recommended the administration's proposed budget to Council.
- 2.3 It is considered sound financial management for the Council and its Executive to set an annual budget and produce a strategy showing indicative budgets for the following three years.

## **3. Proposal and Alternative Options**

- 3.1 The Council is requested to approve the medium term financial strategy and the revenue and capital budget estimates at its budget meeting on 22 February 2023.
- 3.2 The Council could choose to not adopt the Medium Term Financial Strategy nor recommend the revenue and capital estimates. In which case an alternative budget would have to be proposed and adopted by Council prior to the new financial year (1 April 2023). This could also delay the setting of the annual Council Tax precept, which may result in a delayed precept demand; in this scenario the Council would have to cover the precept demands of the Parishes, Surrey County Council and the Police and Crime Commissioner for Surrey until such time as a precept can be raised.
- 3.3 If no budget for Surrey Heath Borough Council is agreed, then the previous budget set in February 2022 will be applied, subject to any statutory changes.

## **4. Contribution to the Council's Five Year Strategy**

- 4.1 The budgets are set in support the delivery of the Council's Five Year Strategy.

## **5. Resource Implications**

- 5.1 The revenue and capital resource implications for 2023/24 are contained within the Medium Term Financial Strategy and the Capital Strategy.

## **6. Section 151 Officer Comments:**

- 6.1 This element of the report forms the Council's Section 151 Officer statement on the budget estimates and adequacy of reserves; the specific requirements upon the Section 151 officer are contained in Section 25 of the Local Government Act 2003:

'.... the chief finance officer of the authority must report to [a council making budget / council tax decisions] on the following matters:

- (a) The robustness of the estimates made for the purposes of the calculations, and
- (b) The adequacy of the proposed financial reserves.'

- 6.2 The Strategic Director Finance and Customer Services is the Council's statutory Chief Finance Officer (Section 151 Officer), and is confident that the estimates being presented have been based on sound knowledge of the costs and income, which will aim to deliver on the priorities within the Council's Five-Year Strategic Plan. The achievement of this balanced budget, will be through the use of tight controls and the success of delivering on the savings programmes, resulting from a further root and branch review of budgets and outputs, 'star chamber' reviews and building on the strong budget management from last year (2022/23), with robust monitoring and reporting through the financial year.
- 6.3 The risks associated with the deliverability of this budget are detailed in Section 11 of Medium Term Financial Strategy (Appendix 1), and close monitoring of the issues outlined are a necessary factor in ensuring balances are maintained, at the agreed limit set by Council.
- 6.4 Over the past few years the Council has applied some of its reserve balances to support regeneration and delivery of services to the local residents and businesses; however, this is not sustainable in perpetuity and as such the Medium Term Financial Strategy contains a savings and efficiencies target to balance the budget by keeping within the financing resources available.
- 6.5 These targets will be met from a combination of further service efficiencies, looking at ways of increasing income and potential non-statutory service reductions are spread over the four-years of the strategy as follows:

<b>£'000</b>	<b><u>2023/24</u></b>	<b><u>2024/25</u></b>	<b><u>2025/26</u></b>	<b><u>2026/27</u></b>
Budget review (star chamber)	(500)	(350)	(200)	(150)

- 6.6 In addition, over the period of the Medium Term Financial Strategy, all services are expected to remain within departmental expenditure limits and any growth is off-set by service efficiencies, unless funded by 'new burdens' financing.
- 6.7 All Strategic Directors and Heads of Service have a responsibility to ensure that the budgets under their areas of responsibility are delivered to plan. The Strategic Director Finance and Customer Service is responsible for the overall delivery of budgets across the Council and proper management thereof.
- 6.8 In the opinion of the Section 151 Officer this report and budget complies with the Local Government Finance Act 1992 and the Local Government Act 2003. The Council is forecast to have sufficient reserves to facilitate the delivery of its financial plans for 2023/24.
- 6.9 The past year has seen a marked increase in the underlying rate of inflation and corresponding changes in interest rate as the bank of England addresses

the inflationary pressures within the nation economy. These have created pressures on the Council's budgets, which the Council has chosen to cover in the short-term by use of its reserve balances, rather than seek to raise taxes excessively or reduce services to residents.

- 6.10 This planned use of general fund balances will leave the Council's reserves above the identified minimum level of £2 million for the next three financial years and will allow the Council time to realise the full impact of the budgetary review and star chamber process. Whilst the Council has adequate balances and earmarked reserves to manage cost pressures over the period of the Medium Term Financial Strategy, it will need to return to a position where it can manage annual budgets without further depletion of the reserve levels.
- 6.11 The Department for Levelling Up, Housing and Communities (DLUHC, formerly MHCLG) makes an assumption of all Local Authorities Core Spending Power. In doing this, it assumes that council's will always uplift their Council Tax requirements by the maximum allowable without triggering the requirement for a local referendum. Therefore the Medium Term Financial Strategy includes the assumption that the recommended increase in the Surrey Heath Borough Council element of the Council Tax precept demand will be 2.99% across all property bands for 2023/24. Uplifts for subsequent years have been assumed to be in line with the DLUHC assessment of core spending power over the following three years of the Medium Term Financial Strategy. Even at 2.99% the Surrey Heath Borough Council increase (in both cash and percentage terms) will be significantly less than both the Surrey County Council and the Surrey Police precept increases, and significantly below the prevailing annual increase in consumer price inflation (CPI).
- 6.12 Of all the income streams the Council has, Council Tax is least volatile and most reliable, therefore is the only one that can provide a stable funding base for services. For that reason the Section 151 officer's recommendation is that Council Tax uplifts are in line with the central Government assessment of Core Spending Power over the period of the Medium Term Financial Strategy.
- 6.13 In summary, with due regard to the budgets and strategic aims contained within the Medium Term Financial Strategy, the Council's Chief Finance Officer (section 151 Officer) is confident that the estimates of expenditure and income are robust and the adequacy of reserves is sufficient, provided the items in the Medium Term Financial Strategy are approved at Budget Council. If these are not agreed then this statement would need to be reviewed in the light of any alternative budget and cannot be relied upon until such a review has taken place.
- 6.14 Following approval by Budget Council, these budgets will be loaded on the Council's general ledger system and a more detailed set of individual budgets for services – the 'budget book' – will be published.

## **7. Legal and Governance Issues**

- 7.1 There is a legal requirement that the Council can only approve a balanced budget. A balanced budget means that expenditure must equal income. If the budget is not balanced then the Council cannot approve it and therefore Council Tax cannot be set and revenue collected. The Council is also permitted to use balances to smooth the one-off impact of budgetary pressures on the local tax paying populace.
- 7.2 On 8 February 2023, the Government confirmed the provisional Local Government Finance Settlement for 2023/24 that was previously announced on 19 December 2022. It also confirmed that authorities would need to hold a referendum if their planned increase in Council Tax is not below 3.00% or is over £5.00 for a Band D property (whichever is the greater). This budget has been prepared on the assumption that the maximum Council Tax increase (2.99%) within these limits will be approved when the council tax precept is set by Council at its meeting on 22 February 2023.

## **8. Monitoring Officer Comments:**

- 8.1 Approval of the annual Budget is a full Council function under Article 4.2 (b) of the Council's Constitution.

## **9. Other Considerations and Impacts**

### **Environment and Climate Change**

- 9.1 The annual budgets provide funding for services, which will allow them to deliver the environmental and climate change objectives of their services.

### **Equalities and Human Rights**

- 9.2 The annual budgets provide funding for services. Individual services will have their own equalities impact assessments when delivering services within these budgets.

### **Risk Management**

- 9.3 Section 11 of the Medium Term Financial Strategy highlights the risks around these budgets. Services will have their own service risk registers which contribute to the Council's corporate risk register.

### **Community Engagement**

- 9.4 The annual budget and Medium Term Financial Strategy are both aligned to the delivery of the Council's Five Year Strategy agreed in the summer of 2021, which was subject to an extensive consultation and engagement process with local residents and stakeholders.

- 9.5 Council Officers have held an business engagement budget briefing with local businesses on Wednesday 18 January 2023, which was attended by local business owners.
- 9.6 The draft Medium Term Financial Strategy and supporting papers has been presented to the Performance and Finance Scrutiny Committee at its meeting of 25 January 2023.



# MEDIUM TERM FINANCIAL STRATEGY

## 2023/2024 TO 2026/2027

## ANNUAL BUDGET 2023/24



**February 2023**

Surrey Heath Borough Council  
Knoll Road, Camberley GU15 3HD





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## EXECUTIVE SUMMARY

- 1.1 This Medium Term Financial Strategy (MTFS) provides a clear approach to delivering a much more sustainable financial position for the Council over the next four years; one that supports the delivery of priority services and the outcomes set out in the Council's Five Year Strategy. It recognises that all Councils are having to operate within a very dynamic environment with changes in the economy, service demand, and legislation that is and will continue to impact significantly on the Council's income and expenditure. The strategy also sets the resource budgets for financial year 2023/24 and provides indicative budgets for the following three years (2024/25, 2025/26 and 2026/27).
- 1.2 Surrey Heath Borough Council (SHBC), along with most local authorities, continues to face significant challenges in providing essential services to meet the needs of residents within the level of resources it has at its disposal. This is exacerbated by a combination of increasing and more complex local demand and uncertainty over future government funding arrangements.
- 1.3 During the past financial year, consumer price inflation has risen from its previous rate in line with the Bank of England target of two percent to level in excess of ten percent. This has resulted in considerable pressures on the Council's budgets in terms of contractual costs, cost of living increases for staff and the rate at which the Council can finance its borrowing.
- 1.4 The Council is still recovering from the impact of the Covid-19 pandemic, which significantly affected a number of major income streams for the Council, including cultural and leisure activities, car parking and property rental income. Whereas there has been an upturn in these income levels, this has been gradual and these have not yet recovered to pre-pandemic levels.
- 1.5 This Medium Term Financial Strategy brings together both the national and local context and their effect on the Council's overall financial position; it provides a forecast covering the four financial years 2023/24 through to 2026/27. It also recognises the scale of the financial challenge that the Council will face over the period. The forecast contains broad assumptions and estimates, to provide an indicative picture to help the Council shape its detailed budget setting activities, supporting it to deliver a sustainable financial position over the medium term. Decisions on the Council Tax level for example, are taken during the annual budget setting process and figures used for modelling purposes in the medium-term financial forecast are simply illustrative for this purpose and should not be taken as policy decisions.



- 1.6 Regular budget monitoring reports are presented formerly on a quarterly basis to Performance and Finance (P&F) Scrutiny Committee and Executive throughout the year and to the budget managers and Directors and Service Heads on a more frequent basis. The latest budget monitoring report is available as at the end of December (Period 9/Quarter 3).
- 1.7 Each year as part of the Medium Term Financial Strategy, the Council is required to set a realistic, achievable budget for the forthcoming year and indicative budgets for the following three years. With the removal of the Government's core revenue support grant funding, service managers have been required to deliver within expenditure targets, find efficiency savings, achieve additional income and minimise service growth in order to continue to provide effective and efficient value for money services to the public.
- 1.8 This document incorporates as appendices the following:
- 1.8.1 The revenue budget estimates for 2023/24 and indicative estimates for the period 2024/25 to 2026/27.
  - 1.8.2 The Capital Strategy for the Medium Term Financial Strategy (MTFS) period and includes the capital programme of expenditure and the proposed funding of the programme.
  - 1.8.3 The Treasury Management Strategy.
  - 1.8.4 An estimate of earmarked reserves and general fund balances at the end of 2022/23.



## 2. **Revenue Budget Strategy**

- 2.1 The Medium Term Financial Strategy (MTFS) looks forward, anticipating as far as possible, the spending pressures faced by the Council, the impact of decisions already made and those in the pipeline, to give an indication of the level of future savings/income required to maintain a balanced budget. This will mean that the Council can plan now for future challenges rather than waiting until they happen.
- 2.2 Surrey Heath Borough Council has traditionally set budgets that have been balanced and allowed for a small return of in-year surpluses to the general fund balance. However, since 2018/19 there has been a budgeted drawdown on reserves. The impact of Covid-19 and following significant economic and cost of living challenges has meant that additional larger in-year drawdowns of the general fund balance have been required.
- 2.3 Through the setting of realistic budget estimates for the current financial year (FY) 2022/23 and combined with careful reactive budget monitoring, there is an expectation that the final outturn position will be in line with the original estimates, although there will be a number of small under and overspends, the overall outturn position is expected to be consistent with the headline budget and the quarterly monitoring reports. During the year the Council successfully applied its new “star chamber” process that not only achieved the efficiency levels for savings and additional income mandated in last year’s Medium Term Financial Strategy, but over achieved in the first two years of the four year programme.
- 2.4 There was an estimated pre-budget pressure on the Council of £4.3 million at the start of the 2022/23 financial year when the inescapable growth (growth that is legislative, contractually committed or is required to mitigate larger future costs) was taken into account. During the year it has been necessary to contain in-year inflationary pressures, although the main impact of the double digit inflation in the UK at present will be on the budgets being set for this medium-term period. Managing these pressures means that discretionary new growth has to be kept to a minimum unless additional funding streams can be identified such as external grant, or from future efficiencies or income arising from that growth. Any growth funded by new income must be contained within the level of funding and the duration that the funding is awarded.
- 2.5 Services have reviewed the level of growth needed to maintain service levels to the residents and businesses of the borough and also identified opportunities for service efficiencies and increased income. The outcome of the service work is shown in summary below and in more detail in Appendix I, and Annexes I.1 and I.2.



**Summary of revenue budget estimates (£'000)**

<b>Forecast budgets</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
(£'000)				
<b>Environment and Community</b>	8,163	8,439	8,492	8,986
<b>Finance and Customer Service</b>	2,240	2,245	2,120	2,125
<b>HR, Performance and Communications</b>	3,808	3,811	3,814	3,818
<b>Investment and development</b>	(929)	(1,466)	(1,437)	(1,408)
<b>Legal and Democratic Services and Strategic Management</b>	1,522	1,442	1,442	1,442
<b>Planning</b>	765	765	765	765
<b>Corporate (to be distributed to services)</b>	1,899	916	1,071	1,127
<b>Total net cost of services</b>	<b>17,468</b>	<b>16,153</b>	<b>16,268</b>	<b>16,855</b>

**3. Service outputs**

3.1 The Medium Term Financial Strategy (MTFS) is closely aligned to and provides resources in support of the Council's published five-year strategy. The 2023/24 budget will also support the Council's annual service plan, and the key outputs of each service area are detailed in the following paragraphs. This is not intended to replace the annual plans but to provide the reader with a high-level summary of the functions carried out by the Council and what they provide.

3.2 In 2022/23 as part of the rationalisation and consolidation of budgets the Council's strategic management cost centres were moved to being reported under the Legal and Democratic Service to ensure that the reporting aligned with the requirement to report under functional areas of the Council. This reflects how the budgets are reported in our revenue monitoring and outturn reports and in the annual Statement of Accounts.

**3.3 Environment and Community**

Final budget 2022/23 £7,756,502

Annual budget 2023/24 £8,162,521



Number of employees (fte) 91.4

- Refuse collection and recycling and the Joint Waste Contract
- Street Cleaning and street bins
- Environmental Health and Licencing
- Housing Register, Housing options, and Homelessness
- Family Support
- Corporate Enforcement
  - Community Safety Service
  - Environmental Crime
  - Planning Enforcement
  - Anti-social Behaviour
- Grounds maintenance and verge cutting
- Parks and open space management
- Leisure Centre and recreation services
- Theatre
- Community Services including:
  - meals at home
  - community centre
  - community transport
  - telecare
- Emergency Planning and Health and Safety

### 3.4 Finance and Customer Services

Final budget 2022/23	£1,903,364
Annual budget 2023/24	£2,240,364
Number of employees (fte)	59.9



### Corporate Finance

- statutory financial accounts
- production and maintenance of the Medium Term Financial Strategy
- annual budget setting
- in-year budget management
- transactional finance
- treasury management,
- accounts payable and receivable
- financial reconciliations.

### Revenue and Benefits

- collection of Council tax,
- collection of Business rates including the Business Improvement District levy.
- payment of housing benefits and
- providing council tax and business rate reliefs.

Over the past two years and for the foreseeable future this department also administers and pays out the various central government support grants to local residents and businesses

### Customer Services

- front-line contact centre for the residents and businesses of the Borough.
- maintains a reception service
- acts as first point of triage support to the Council and the other public sector bodies working out of Surrey Heath House.
- provides the Council's mail processing centre.
- provides an administration hub for other departments.
- oversees the Council's complaints process.

### Procurement services

- support to services in contract tendering



- support and guidance on contract management
- maintain the contracts register
- manages the procurement pipeline

### 3.5 Human Resources, Performance and Communications

Final budget 2022/23	£3,665,139
Annual budget 2023/24	£3,808,139
Number of employees (fte)	32.9

#### Human Resources

- Payroll
- employee relations matters
- performance management
- recruitment.
- provides an automated, self-service portal for staff to
  - view and book annual leave,
  - flexitime,
  - submit timesheets for overtime
  - claim expenses
  - record sickness absence
- Publish and review and keeps HR Policies current and up to date with legislation changes.

#### Performance – Organisational Development

- corporate strategy and performance
- project management across the Council, for example the creation and monitoring of the Council's Five Year Strategy and Annual Plan. The team are also
- responsible for staff learning and development
- talent management



- culture change projects.

### Communications and Engagement

- communication content
- enhancement of brand reputation for the Council and Camberley Theatre
- organise and promote a range of events and physical activity/wellbeing initiatives to improve community cohesion and encourage behaviour change for healthier lifestyles.
- engagement with residents, partners and local businesses on key Council issues
- close collaboration with Corporate Property and Legal to manage leases for leisure and community facilities across the Borough.

### Community Development

- Community Development
  - 8 operational grant schemes
  - community support to those who are in need,
  - Household Support Fund
  - Community Support WG
  - Member Equality Working Group
  - Surrey Heath Lottery
  - food parcels and signposting as a welfare legacy from the pandemic

### Information Technology (IT)

- Delivery of the Council's digital strategy
- support to all end-users including Surrey Heath Borough Council staff and Councillors and the Joint Waste Solutions service.
- ensuring that the technology provides a good customer experience for Surrey Heath residents and businesses.
- ensuring the Council remains compliant with the Public Sector Network





- reprographics
- door access controls (including tenants)
- training

### 3.6 Investment and Development

Final budget 2022/23	(£1,360,743)
Annual budget 2023/24	(£929,182)
Number of employees (fte)	19.1

#### Investment

- Management of the Council's property portfolio
- Undertaking contractual lease events (eg: rent reviews, lease renewals)
- Letting vacant space to derive income
- Rents collection
- Acquisitions and disposals of Council property

#### Development

- Strategy for the borough's regeneration objectives
- Instigation and management of the Council's property development projects
- Specialist procurement management to support development activities

#### Facilities Management

- Compliance, engineering and maintenance of specific Council properties
- Facilities management of specific Council properties eg Surrey Heath House

#### Economic Development

- Economic development strategy and support within the borough
- Business stakeholder engagement and management
- Administration of business grants
- Development and management of economic functions in the community eg Youth Hub



### 3.7 Legal and Democratic Services and Strategic Management

Final budget 2022/23	£1,391,875
Annual budget 2023/24	£1,521,875
Number of employees (fte)	17.5

#### Strategic Management

- The Council's strategic management team
- Statutory Officers

#### Legal services

- Transactional work for the Council's commercial property
- Disposal and acquisitions of property
- Debt recovering work for rent arrears
- Planning agreements and advice
- Enforcement notices for enforcement activity.
- Enforcement proceedings being either prosecutions or injunctions.
- Drafting contracts for services that the Council procures
- Lead solicitors for Joint Waste Solutions; providing all legal support.

#### Democratic services

- Has conduct of general and local elections.
- Manages the annual canvass
- Organises the Council's Committee meetings and agendas
- Clerks Committee meetings and Working Group Meetings
- Maintains the Electoral Register



Freedom of Information (FOI)

- Process Freedom of Information (FOI) and Environmental Information Regulations (EIR) requests
- Information management

Audit

- Administration and completion of internal audits.
- Reporting audit and standards on relevant matters
- Internal reviews and investigations

Mayoral and Support Services

- Civic and ceremonial events
- Administrative support to the Mayor

**3.8 Planning**

Final budget 2022/23 £1,249,920

Annual budget 2023/24 £764,920

Number of employees (fte) 35.1

- development management for the Council
- planning policy development of the Local Plan
- statutory and discretionary building control services for the residents and businesses of the Borough
- flood mitigation
- Community Infrastructure Levy (CIL)
- tree protection



**3.9 Corporate inflation.** To be added to the above 2023/24 service budgets is an element of unavoidable pressures that are identified corporately and will be directly attributed to service budgets when these are finalised. These are:

- The annual in-year impact in 2023/24 of the Council five-year strategy that was agreed in 2021.
- The staff and members pay award that was agreed in November 2022 that was set at eight percent across all grades.
- The Council's minimum revenue provision (mrp) for repayment of long term debt.

**3.10 Corporate savings target.** As mentioned above, during 2022/23 in order to address the ongoing budgetary pressures the Council made use of a 'zero-based budgeting' approach as part of a new 'Star Chamber' process. This included all Council services and took place in the opening two quarters of the financial year and included a full 'root and branch' base budget review delivery service efficiencies and additional income with no reductions in services to residents; these findings were then subjected to a challenge process in 'star chamber' format. The results of the process were reported to Executive and applied to service budgets in September 2022. A high level summary is shown below:

<b>£'000</b>	<b><u>2022/23</u></b>	<b><u>2023/24</u></b>	<b><u>2024/25</u></b>	<b><u>2025/26</u></b>
Target efficiencies	(475)	(425)	(300)	(150)
Actual efficiencies	(647.5)	(482.5)	(34)	(5)

**3.11** The figures for both the Corporate inflation target and the Corporate Savings Targets are shown separately in the budget summary but will in practice be incorporated into the individual service areas as they become identified and required.

**3.12** Although the 'star chamber' process in 2022/23 achieved its efficiencies target in that year and also for 2023/24, due to the pressures on the annual budget arising from the current cost of living crisis and the impact of the high rates of inflation in the economy, it is planned that another 'star chamber' process will be undertaken during the summer of 2023; the provisional efficiencies targets are:



£'000	2023/24	2024/25	2025/26	2026/27
Target efficiencies	(500)	(350)	(200)	(150)

#### 4. **Revenue funding and financing**

4.1 The Council will fund its net expenditure (expenditure less income from fees and charges) from the following sources:

- Council tax
- Business Rates
- Other Government grants (non-service specific)
- Service specific government grants
- Balances on the collection fund and special precepts.
- Use of available reserves

4.2 **Council tax.** The central Government makes an assessment of the core spending power (CSP) of all local authorities, and uses this to base its assumptions around relative need and funding support. In making this assessment, the Department for Levelling up, Housing and Communities (DLUHC) assumes that councils will increase Council Tax demands by the maximum amount allowed without having to hold a local referendum. Accordingly, Surrey Heath Borough Council has assumed that it will continue to increase the Council Tax level over the medium term by the maximum allowed by central government. It is also assuming an annual growth in the tax base of one per cent each year. The forecast receipt from Council Tax for the next four years is shown in the table below:

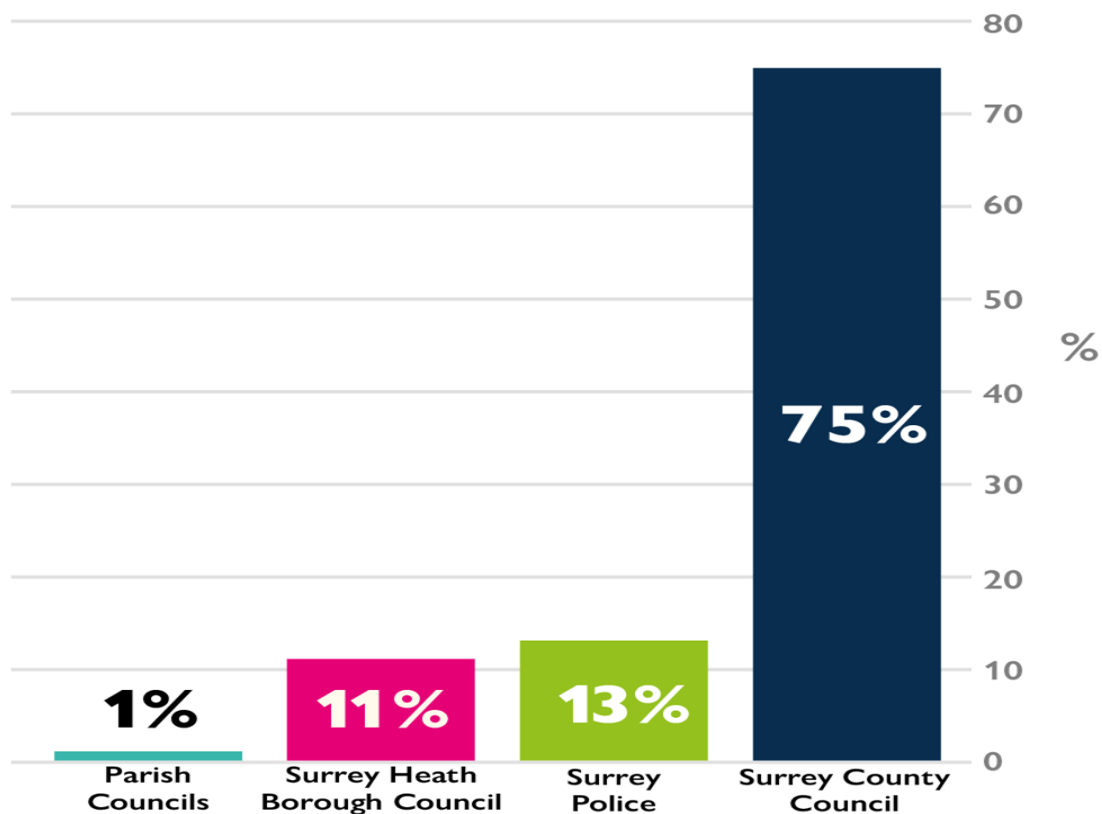
<u>2022/23</u>		<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>
38,976.2	Council tax base	39,613.4	40,009.5	40,409.6	40,813.7
£233.66	Charge per Band D	£240.65	£247.84	£252.77	£257.80
£9,107,172	Council tax income	£9,532,823	£9,916,033	£10,214,496	£10,521,942

4.3 Surrey Heath Borough Council is classed as a collection authority; this means that it will also collect and disburse council tax revenues on behalf of other precepting authorities. These are



- Surrey County Council
- Surrey Police and Crime Commissioner
- Local parishes within Surrey Heath

### Distribution of Council Tax collected



**4.4 Business Rates** (formerly Non Domestic Rates) are set centrally by government, but collected locally by collection authorities. These are then distributed to central government (50%), County council (10%) and the District Council (40%). District Councils are then subjected to a top-up amount or a tariff amount from central government based on an assessment of deprivation and relative need. Surrey Heath BC is deemed to be a tariff authority which means that it will pay an element of its share of the collected business rates to central government for re-distribution. The tariff for 2023/24 is £14.148 million leaving



the Council with a baseline funding level of £1.627 million. Collection authorities are allowed to retain any growth since the Business Rate baseline was last reset (2013). The anticipated baseline rest in 2023/24 has now been deferred for at least two years and therefore the forecast of retained business rate income over the four-year MTFs is shown below:

<b><u>Retained Business Rates</u></b>					
<u>2022/23</u>	(£ million)	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>
1.953	Business rates	2.644	3.247	1.249	1.274

4.5 The drop in 2025/26 is the value anticipated if the reset goes ahead from April 2025; this is a possible worst case scenario as there could be a possibility of transitional relief to mitigate the impact on councils.

4.6 In addition to retaining business rate growth until the anticipated reset in 2025/26, Surrey Heath Borough Council is also a member of the Surrey and Sutton Business Rate pool, which provides a benefit to the level of rates retained and is included in the figures in the table above

4.7 The Council receives a small amount of grants for non-specific purposes to support services to the residents and businesses of the borough. They are usually associated with the service pressures arising from new legislation although are seldom sufficient to cover these types of costs and often are one-off or time-limited although the cost burden remains. Service specific grants are shown in the net cost of services.

4.8 The Council collects revenues on behalf of itself and the other preceptors. This is known as the collection fund. This fund will normally make a surplus or a deficit over the financial year and this is shared amongst the major preceptors the following year. As it is difficult to estimate long term the amount shown in the Medium Term Financial Strategy (MTFS) is only for the next financial year (2023/24). The share for Surrey Heath Borough Council is budgeted at £114,225 in 2023/24.

5. **Property income**

5.1 The Council holds a significant portfolio of property, mostly within the borough. This is held to provide civic amenity and to support the Council’s economic and social outcomes including the attraction and retention of local businesses, provision of community services, protection of local employment, the development of housing and to support wider



regeneration. These properties also generate income which is used to offset the costs of acquiring and managing these assets.

- 5.2 As well as those properties held for operational use (civic offices), the Council has property holdings in the industrial, office and retail sectors. The Industrial sector has held up well in the current economic climate, with the properties mostly let and income producing. Office properties have been more heavily impacted as the move to home-working has reduced demand. The Council owns two large office buildings within the borough, one of which has now been successfully let and the focus now is on achieving this for the other.
- 5.3 The recession has more heavily impacted the retail sector. The Council has done well in maintaining a high level of occupancy, but has been exposed to a reduction in the overall level of rents to facilitate this occupancy level. This trend has impacted on the 2021/22 and 2022/23 accounts and will continue to have an adverse effect in the earlier period of the Medium Term Financial Strategy (MTFS), until the structural change in town centres settles down. For this reason, the Council prudently reset its income targets in 2022/23. Whilst some areas have seen improvement there is still considered a pressure on the service budgets and this is shown in the growth and service efficiencies appendices to this Strategy. Indications are that a few significant 'voids' will be let during the year and future year income forecasts have been uplifted accordingly. All rents and lettings will be reviewed annually and budget and service managers are working hard to ensure these properties continue to support the town centre and maximise the benefit to the local taxpayer. Whilst these properties are not held primarily for investment it is expected that they will make sufficient return to cover their costs of capital and also make a contribution to support the continuation of the Council's services to residents in the current financial climate of reducing central government support.
- 5.4 The Council also holds a number of properties, principally within Camberley town centre, which have been acquired for a programme of regeneration and economic development. In the main, these are not income producing and so the focus must be on bringing these to a stage of early redevelopment to reduce the Council's long term exposure to holding costs. For this, the Council's role will be to undertake site assembly, engage with the development market, pump prime the development schemes up to the stage where it has established what it would like to achieve from the developments and to open up options for delivery, in partnership with third party developers. Where the latter, the Council will be able to decide if it wishes to take out land value as capital proceeds or retain ownership of the assets to secure a longer term income stream.





5.5 The Council will continue to review its portfolio and would seek to divest from or add to at the most financially opportune point in time consistent with the delivery of its wider priorities; there is provisional budget allocation identified in the capital strategy and programme at Appendix 2 to this Strategy.

## 6 Capital

6.1 The Capital Strategy at Appendix 2 to this Strategy sets the framework for the Council's investment in its capital assets and this is supported by the detailed capital programme each year. Capital is treated differently from the annual revenue budget and as such projects and programmes could span more than one financial year. The Council therefore maintains a long-term capital outlook and this is covered in the four-year medium term financial strategy.

6.2 The Council has very limited capital receipts and most significant capital funding is now either from developer contributions, grants or through internal and external borrowing.

6.3 The Council has reviewed its capital programme going forward with a significant drop in capital expenditure. This is to primarily reduce the cost to the local taxpayer and reduce the level of debt the Council holds. All new expenditure in the programme over the period of this Medium Term Financial Strategy (MTFS) is sustainable, affordable and prudent and can be funded from retained capital receipts and balances. This will also allow the Council to complete many of the projects that are still ongoing from the previous capital programme set in 2022/23 and subsequently reprofiled to later years. This reprofiling amounts to £5.000 million.

6.4 The Council has also identified a programme of regeneration projects that have been included as a provisional capital programme; these will be funded primarily from prudential borrowing. These will only be added into the programme following a report to Executive/Council and on demonstration of viability to cover any cost of borrowing, from future capital receipts and revenue income returns.

6.5 There is an expectation of the Council being able to achieve a number of capital receipts from the proceeds of its regeneration work and land disposals. These are due outside of the current MTFS period, but when received, current plans are to reduce the level of debt the Council holds thus reducing the burden on the revenue account of debt financing.



## **7 Treasury Management**

- 7.1 The Council's annual Treasury Management Strategy is attached at Appendix 3 to this strategy. The Council manages its cashflow and balances in accordance with this strategy.
- 7.2 The Council will invest its short-term surplus balances with a regard for the security of the investment and the planned cashflow need for funds (liquidity); these investments will make a limited return on investment (yield), but this is always considered after the need for security and liquidity.
- 7.3 In order to refund its ambitious regeneration programme (see Section 5), the Council has also taken out a significant amount of external borrowing, which currently stands at £165.1 million – of which £65.5 million is short-term borrowing.
- 7.4 During 2022 the Council entered into two longer term fixed-interest loan deals of £25 million each. These were forward agreed loans to reduce the exposure to interest rate risk.
- 7.5 The past few months have seen the economic climate change dramatically due mainly to increased inflation and rising interest rates driven by the energy crisis and the impact of the conflict in Ukraine. The Council has responded to this by agreeing forward deals wherever it can, but maintains a policy that will see a series of short-term loans being taken, rather than locking in longer term debt. The Office of Budget Responsibility is predicting that inflation will reduce significantly by 2025/26 and should fall below the Bank of England target of 2%. This should see a corresponding drop in central bank interest rates, allowing the Council to continue to target an average interest for debt between 2.0% and 2.5% once rates start to fall.

## **8 Debt Financing and Minimum Revenue Provision (MRP)**

- 8.1 The Council is allowed to borrow to finance its capital expenditure under the provision of the CIPFA Prudential Code. All borrowing should be sustainable, affordable and prudent. The Code also states that a local authority should not borrow in advance of need and borrowing should be for the benefit of the local community (residents and businesses). This effectively precludes borrowing to invest – thus the Council capital acquisition policy focuses on acquiring land and buildings primarily solely or for a combination of regeneration, sustainability of employment and amenity and economic development.
- 8.2 The Council is required to finance this debt and to make a provision for repayment of the principal sum (minimum revenue provision) over the life of the loan. The Council's debt portfolio is a mixture of longer term loans in the form of annuities and maturity repayments and short-term debt financing. The short term loans were to take advantage of the ultra-



low rates available over the past six years, rather than lock in longer term debt at a significantly higher rate; the Council has no problems with re-financing these short term loans. Short term loans will also allow the Council to repay debt earlier than anticipated should capital receipts become available.

8.3 Details of the Council's Minimum Revenue Provision (MRP) policy are contained in the Treasury Management Strategy at Appendix 3.

8.4 For 2023/24 the estimates for debt interest and repayment provisions are as follows:

Type of loan	Loan Amount £'000	Repayment/MRP £'000	Interest £'000
Annuity	77,596	1,807	2,146
Maturity	22,000	299	562
Short term	65,500	575	1,505
<b>Total</b>	<b>165,096</b>	<b>2,681</b>	<b>4,213</b>

8.5 To finance this debt, the Council has rental income streams from its property assets as follows:

Asset type	Budgeted rental income (net of operating costs) £'000
Retail	2,900
Commercial	3,623
Office	63
<b>Total</b>	<b>6,586</b>

8.6 As can be seen from above, for next year the Council has a deficit of income over financing costs of £308,000. However, in previous years the Council has made surpluses of income above that required to finance its prudential debt and repayments. This surplus has been used to support Council services, but has also allowed the Council to build a balance in an Interest Equalisation Reserve, which has an estimated balance of £7.318 million at the end of the current financial year (31 March 2023). Therefore the temporary impact on the revenue budgets of the higher interest rates can be 'smoothed' through this equalisation reserve allowing the Council to maintain its repayments and debt financing.



8.7 As the Council uses some of its income from the property portfolio to support service delivery to residents and businesses, during 2023/24 the Council has budgeted to drawdown £2.000 million from this reserve leaving a balance of £5.318 million rather than reduce the level of service

## **9 Level of Reserves and General Fund**

9.1 Local authorities are required, when considering their budget setting, to “have regard to the level of reserves needed for meeting estimated future expenditure” and to ensure that the Council has a sustainable financial position and is able to meet its ongoing and future requirements. It is the responsibility of the Council, together with its Section 151 Officer, to ensure a prudent approach is taken in the administration of financial affairs and that there are sufficient reserves to meet the anticipated demands and requirements of the authority.

9.2 The Council holds reserves for four overriding reasons:

- As a working balance to help cushion the impact of uneven cash flows, which avoids unnecessary fluctuations in the Council tax demand – this forms part of the general fund balance.
- A contingency to cushion the impact of unexpected events or emergencies, which is also in the general fund balance.
- A means of building up specific funds often referred to as ‘earmarked reserves’, to meet known or anticipated requirements. An example is the ongoing maintenance of a Suitable Alternative Natural Green Space (SANGS).
- To provide resources to temporarily fund the revenue costs of capital projects due to timings of cash flows (equalisation reserves) such an example would be the Camberley Leisure centre.

9.3 The Council has had to drawdown on its reserves and balances over the past four years. Given the current level of the gap between planned expenditure and forecast financing streams, there is anticipated to be a further drawdown on reserves in financial year 2023/24. Longer term (and over the period of this strategy) the Council expects to reduce this deficit gap and will by financial year 2028/29 be in a position where the budgets are balanced and the Council will start again to replenish its reserve balances.



- 9.4 There is no mandated amount for a general fund balance and is the responsibility of the Council's Chief Finance Officer ('Section 151 Officer'<sup>1</sup>) to ensure a suitable and prudent level of general fund balance is held to act as a contingency for unexpected events and having regard to the risks the authority faces in the foreseeable future. In practice, this is normally considered to be between 5% and 10% of the net annual revenue budget.
- 9.5 The Section 151 Officer is required to report at budget setting time on the adequacy of the reserves and whether they are sufficient for the operation of the Council. The reserve balances of the Council are still subject to audit as part of the annual statement of accounts but a conservative estimate of our earmarked reserves is approximately £44.1 million in earmarked reserves.
- 9.6 During the past financial year the Council has worked hard to on its annual statement of accounts; although not audited yet, the work carried out on the accounts for 2019/20, 2020/21 and 2021/22 there is a provisional estimate on the balance on the general revenue fund at the current year end of just over £9.2 million. This figure is still subject to final audit, but provides some comfort on the sustainability of the Council.
- 9.7 A summary of the Council's reserves and balances is attached at Appendix 4 to this strategy.

## **10 Assumptions**

- 10.1 In compiling this strategy, it has been necessary to make some assumptions around future costs and funding streams. Some of these are within the Council's control through its decision making process and as such should be considered as indicative and not firm policy until approved at the annual budget Council for that financial year. The key assumptions are:
- 10.1.1 The borough element of Council Tax will increase in line with the Government assessment of core spending power, and will be capped at the referendum limits set by Government.
- 10.1.2 The tax base for the Borough is anticipated to increase by one per cent each year; this is also in line with the Government's assessment on core spending power.
- 10.1.3 An annual pay award for Council staff and Councillors has been included in the corporate inflation figures for 2024/25 onwards based on a two percent annual increase.

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<sup>1</sup> The officer appointed under Section 151 of the Local Government Act 1972 to administer the financial affairs of the Council.



This is subject to annual review and agreement, but it is prudent to include an inflationary uplift in the budget estimates.

- 10.1.4 Government grants are based on known amounts and flatlined where it is anticipated that the grant will continue. Otherwise grant funding is assumed to be paid only in the year it is awarded.
- 10.1.5 Business rates are assumed not to be reset before 2026/27; any accrued growth by the Council will be forfeited and the amount the Council is allowed to retain will be the baseline funding amount from whenever the reset is applied. The amounts will then be uplifted annually in line with assumed increases in the Business Rates multiplier.

## **11 Risks**

- 11.1 Over the four year period of the Medium Term Financial Strategy there a number of potential risks that could cause budgetary pressures. Some of the key ones relate to the assumptions in paragraph 10 and these and other key risks are articulated below:
- 11.1.1 **Government ‘fairer funding’ review.** The Department for Levelling Up, Housing and Communities (DLUHC) has indicated that the fairer funding review originally planned for 2017 is still planned albeit in a revised format to take account of the Levelling Up agenda. This may see the inclusion of an additional tariff (aka negative Support Grant) on the amount of business rates the Council is allowed to retain to fund its services. There is no amount for this included in the Budget Estimates, but if this were to materialise, based on previous numbers, it could be a cost to the local taxpayer of £0.6 million each year.
- 11.1.2 **Interest rate increases.** Interest rates have been held at unprecedented low levels since 2012, but during 2022/23 the Bank of England (BoE) in response to the inflationary pressures in the economy has increased its base rate to 4.0% (January 2023) and most market forecasters predict that this will peak about 25 to 50 basis points (0.25% - 0.50%) higher during 2023 after which it start to reduce. The Council limits its exposure to interest rate increases by acquiring a mixture of longer-term debt at fixed rates, which gives certainty over the cost of debt financing and use of short-term loans to allow flexibility on repayment and liquidity to target lower rates when they start to fall.
- 11.1.3 **Longer term impact of the Covid-19 pandemic and economic downturn.** The Council still seeks to gradually return to a ‘business as usual’ model that has adapted to the longer term legacy of the pandemic and the economic climate. There is a risk that



there will be an annual cycle of winter outbreaks of viral infections (Covid and/or Influenza) and as such the Council will need to react to support its residents and businesses as it has done previously. It is anticipated that there will be government support for any future outbreaks, but the Council also holds a sufficient amount of balances to temporarily cover the costs of any additional out breaks.

- 11.1.4 **Inflationary pressures.** The impact of the current high rates of inflation is expected to continue over the next two years but will continue to reduce. However, the costs of the current inflation will remain in the base budgets as prices are not expected to fall.

## 12 **Summary**

- 12.1 This strategy along with the supporting appendices form part of the annual budget presented to Budget Council in February each year. Although it contains a four-year medium term outlook, it is refreshed each year as the revenue estimates only cover a twelve month budget cycle and the latter three years are shown as indicative.
- 12.2 The capital strategy and programme are reviewed each year to ensure they are still aligned with the Council's published Five Year Strategy.
- 12.3 The Treasury Strategy is required to be set each year by Council.
- 12.4 The Medium Term Financial Strategy shows a use of the Council's reserve balances. This is permissible in order to smooth the impact of budget pressures on the local tax payer, and whilst it is prudent to hold a sustainable level of reserves, the Council holding large levels of balances are not always in the best interest of the local residents and businesses.
- 12.5 If the budget is approved then the longer-term outlook for the contributions to reserve balances is more sustainable with a clear indication that the direction of travel will see a return to the Council starting to replenish the general fund balance and deliver more services to residents and businesses by 2028/29.



## List of Appendices

Appendix 1	Revenue Budget Estimates 2023/24
Appendix 1-1	Revenue budget growth items
Appendix 1-2	Revenue budget efficiencies
Appendix 2	Capital Strategy
Appendix 2-1	Capital Programme 2023/24 – 2026/27
Appendix 2-2	Capital Funding 2023/24 – 2026/27
Appendix 2-3	Capital Receipts 2023/24 – 2026/27
Appendix 3	Treasury Management Strategy
Appendix 4	General Fund Balance and Earmarked Reserve Summary





<b>Revenue Budget Estimates</b>		(all values in £'000)				
<b>Net cost of services</b>		<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Notes</b>
<b>Opening budgets</b>		<b>14,606</b>	<b>17,468</b>	<b>16,153</b>	<b>16,268</b>	1
	Environment and Community	7,757	8,163	8,439	8,492	
	Finance and Customer Service	1,903	2,240	2,245	2,120	
	HR, Performance and Communications	3,665	3,808	3,811	3,814	
	Investment and development	(1,361)	(929)	(1,466)	(1,437)	
	Legal and Democratic Services	1,392	1,522	1,442	1,442	
	Planning	1,250	765	765	765	
	Corporate Inflation		1,899	916	1,071	2 & 3
<b>Growth</b>	<b>(see Appendix 1-1)</b>	<b>5,210</b>	<b>1,655</b>	<b>2,213</b>	<b>2,388</b>	4
<b>Efficiencies</b>	<b>(see Appendix 1-2)</b>	<b>(2,348)</b>	<b>(1,071)</b>	<b>(1,182)</b>	<b>(729)</b>	5
<b>Restated budgets</b>						
	Environment and Community	8,163	8,439	8,492	8,986	
	Finance and Customer Service	2,240	2,245	2,120	2,125	
	HR, Performance and Communications	3,808	3,811	3,814	3,818	
	Investment and development	(929)	(1,466)	(1,437)	(1,408)	
	Legal and Democratic Services	1,522	1,442	1,442	1,442	
	Planning	765	765	765	765	
	Corporate	1,899	916	1,071	1,127	
<b>Total Net Cost of the Provision of Services</b>		<b>17,468</b>	<b>16,153</b>	<b>16,268</b>	<b>16,855</b>	6
<b>Funded by</b>						
	Council Tax	9,533	9,916	10,214	10,522	7
	Business rates	2,657	3,247	1,249	1,274	8 & 9
	Collection fund surplus/(deficit)	114				10
	<u>Non-specific government grants</u>					
	New Homes Bonus	715				11
	Support Grant (rolled in)	78	78	78	78	12
	Service Grant	63	63	63	63	13
	Rough Sleeping initiative					14
	Homelessness Prevention	326	330			15
	Special expenses	190	192	194	196	16
		<b>13,676</b>	<b>13,826</b>	<b>11,798</b>	<b>12,133</b>	17
<b>Summary</b>						
	Net cost of services	17,468	16,153	16,268	16,855	
	Funding	(13,676)	(13,826)	(11,798)	(12,133)	
	<u>Use of earmarked reserves</u>					
	Interest equalisation reserve	(2,000)	(1,000)	(500)		18
	Other earmarked reserves			(1,000)	(2,000)	19
	<b>Contribution (from)/to reserves and balances</b>	<b>(1,791)</b>	<b>(1,327)</b>	<b>(2,969)</b>	<b>(2,722)</b>	20
<b>Reserves and balances</b>						
	<u>Opening balances</u>					
	General fund	9,215	7,424	6,097	3,128	
	Earmarked reserves	44,102	42,102	41,102	39,602	
	<u>Closing balances</u>					
	General fund	7,424	6,097	3,128	406	21
	Earmarked reserves	42,102	41,102	39,602	37,602	22

**Notes**

***Figures shown in £'000 - all budgets will be loaded as exact numbers***

- 1 These represent the base budget after adjusting for one-off growth and savings
- 2 Annual inflationary pressures across the Council
- 3 These will be allocated to services when budgets are loaded
- 4 Service budget growth required to maintain services to residents and businesses
- 5 Service efficiencies identified that result in no decrease in the level of services to residents
- 6 Includes all service expenditure and income netted off
- 7 Uplift in line with Government assessment of core spending power
- 8 Central government business rate reset not anticipated before 2025/26
- 9 No additional tariff ('Negative RSG') built into the model following financial settlement
- 10 Fluctuates year on year based on collection rates. Only confirmed figure is for 2023/24.
- 11 As per the Local Government finance settlement for 2023/24
- 12 As per the Local Government finance settlement for 2023/24 and forecast based on current projections
- 13 As per the Local Government finance settlement for 2023/24 and forecast based on current projections
- 14 No grant figures announced yet
- 15 As per the Local Government finance settlement for 2023/24
- 16 Assumed growth of 2% per annum based on tax base and precept rises
- 17 Total funding to support the revenue budget
- 18 Budgeted drawdown of earmarked reserve to support service expenditure
- 19 Budgeted drawdown of earmarked reserve to support service expenditure
- 20 Represents the annual draw on or contribution to balances
- 21 Estimate of balance on general fund based on budget projections
- 22 Estimate of balance on earmarked reserves based on budget projections

Service Growth 2023/24 Medium Term Financial Strategy

Appendix 1 -1

(all figures in £'000 - exact budgets will be loaded)

<u>Service and Bid name</u>	<u>Amount in year</u>			
	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>
<b>Environment and Community</b>				
Runnymede Borough Council Service Level Agreement	252			Correction of previous budget
Community Services Gas inflation	2	2	2	2
Community Services Electricity inflation	2	2	2	2
Runnymede Borough Council recharge	11			
Emergency Planning SCC SLRF	2			
JWS CMO : Wage Inflation	31	32	32	33
JWS financial mechanism	1	1	1	1
JWS Core contract inflation	488	508	528	549
JWS variable contract inflation	328	341	355	369
Pest control demand reduced	3			
Dog Control contract increase	1	1	1	1
Licences reduction in demand	3			
Funded by UKRS	5			
Car Parks electricity inflation	14	15	15	15
Parks electricity inflation	4	4	4	4
Parks electricity inflation	2	2	2	2
Parks Gas inflation	2	2	2	2
Parks grounds maintenance inflation	15	16	16	16
Trees additional safety works	15			
Roundabouts cutting contract removed	7			
Grass cutting contract removed	93			
Public Conveniences utilities inflation	1	1	1	1
Lightwater Country Park utilities inflation	2	2	2	2
Lightwater Country Park increased tree surgery	3	3	3	3
Frimley Lodge Park utilities inflation	12	12	12	12
Frimley Lodge Park increased tree surgery	3	3	3	3
Bike Hub business failure	5			
Taxi Licensing - reduced licences	15			
Theatre - timesheet hours increased living wage	6	6	6	7
Ian Goodchild Centre utilities inflation	42	43	43	44
Theatre utilities inflation	5	5	5	5
<b>Total Environment and Community Growth</b>	<b>1,373</b>	<b>998</b>	<b>1,035</b>	<b>1,073</b>

(all figures in £'000 - exact budgets will be loaded)

<u>Service and Bid name</u>	<u>Amount in year</u>			
	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>
<b>Finance and Customer Services</b>				
Increase in SCC LGPS contribution	202			Change in SCC LGPS policy
Council tax increase in properties		5		5 Cost of administration due to Taxbase growth
Additional Financial Accounting staff	125		(125)	Shortfall in staff to deliver final accounts
Customer feedback/improvement	20			To monitoring the Council's service to customers
<b>Total Finance and Customer Services Growth</b>	<b>347</b>	<b>5</b>	<b>(125)</b>	<b>5</b>
<b>HR, Performance and Communications</b>				
Reduction in Community Safety income	9			
Increase in ICT licences costs	100			
Corporate Training budget correction	6			
Apprenticeship Levy pay increase linked to Payroll	3	3	3	3
<b>Total HR, Performance and Communications Growth</b>	<b>118</b>	<b>3</b>	<b>3</b>	<b>3</b>

(all figures in £'000 - exact budgets will be loaded)

<u>Service and Bid name</u>	<u>Amount in year</u>			
	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>
<b>Investment and Development</b>				
Economic Development - 10% inflation on supplies	2	2	2	2
Increase in Business Rates following revaluation	164			
Activity linked inflation (supplies and services)	5			
Reduction in property income (estates)	67			
St Georges utilities inflation	1	1	1	1
St Georges reduced property income	13			
Ashwood reduced property income	194	(160)		
Theta Inflation adjustment	1	1	1	1
Theta reduced property income	207	(150)		
Albany reduced property income	8			
Public Offices 30% Utilities Inflation (electricity)	23	24	24	25
Regeneration of Park Street (HoF) - civic amenity centre	255	(255)		
<b>Total Investment and Development Growth</b>	<b>939</b>	<b>(537)</b>	<b>29</b>	<b>29</b>
<b>Legal and Democratic</b>				
Election equalisation funding		30		
One-off election cost in 2023/24	110	(110)		
Increase in Members allowances in line with staff award	23			
<b>Total Legal &amp; Democratic Growth</b>	<b>133</b>	<b>(80)</b>		
<b>Planning</b>				
Planning Deepcut PPA Engagement of Contractors - reversal	(100)			Reversal of prior year one-off growth
Local Plan - Legal and Counsel fees - reversal of one-year growth	(100)			Reversal of prior year one-off growth
<b>Total Planning Growth</b>	<b>(200)</b>			

(all figures in £'000 - exact budgets will be loaded)

<u>Service and Bid name</u>	<u>Amount in year</u>				
	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	
<b>Corporate inflation</b>					
Annual pay award - staff/increments and establishment reset	1,500	267	272	278	8% 23/24 then 2% annual increases - subject to approval
MRP	874	874	874	874	See Treasury strategy
Debt financing	In base budgets				
Impact of annual plan and Five-year strategy	125	125	125	125	Allowance for annual plan growth - drawdown as required
<b>Total Corporate inflation growth</b>	<b>2,499</b>	<b>1,266</b>	<b>1,271</b>	<b>1,277</b>	To be allocated to budgets once agreed and loaded
	<b>5,210</b>	<b>1,655</b>	<b>2,213</b>	<b>2,388</b>	

Service Efficiencies 2023/24 Medium Term Financial Strategy

Appendix 1-2

(all figures in £'000 - exact budgets will be loaded)

Service and Bid name	Amount in year				Further detail
	2023/24	2024/25	2025/26	2026/27	
<b>Environment and Community</b>					
Windle Valley cleaning in line with 22/23	(0)				Actual figure for 2023/24 is £300
Reduction in costs JWS financial mechanism - recycling	(2)				
Reduction in costs JWS financial mechanism - recycling	(32)				
Increased income JWS Textiles recycling	(5)	(5)	(5)	(5)	
Increased income JWS financial mechanism - recycling	(6)	(6)	(6)	(7)	
Increased income JWS Bulk items	(16)	(16)	(17)	(17)	
JWS KPI income from Amey	(7)	(7)	(7)	(7)	
Increased income JWS Container	(9)	(9)	(9)	(9)	
Increased income Garden Waste	(164)	(167)	(170)	(174)	
Reversal of one-year suspension of charges Garden Waste	(300)				
Increase fees and charges - Contract with SDK	(3)	(3)	(3)	(3)	
Dog control - Increase in fees	(0)	(0)	(0)	(0)	Actual figure for 2023/24 is £188
Clean Neighbourhood - increase in fees	(0)	(0)	(0)	(0)	Actual figure for 2023/24 is £228
Food safety - increase in fees	(2)	(3)	(3)	(3)	
Standby services - costs aligned to 2022/23	(3)				
British Armed Forces - funded by ARAP	(62)				
Car parks increased income	(115)	(117)	(119)	(122)	
Car parks increased income for season tickets	(34)	(35)	(36)	(36)	
Parks increased income	(2)	(2)	(2)	(2)	
Lightwater Country Park increased income	(0)	(0)	(0)	(0)	Actual figure for 2023/24 is £100
Frimley Lodge Park increased income	(16)	(17)	(17)	(17)	
Places Leisure - management fee contract costs ending June 23	(25)				
Places Leisure management fee to Council	(28)	(320)	(573)	(162)	
Museum additional income	(0)	(0)	(0)	(0)	Actual figure for 2023/24 is £250
Taxi licensing reduction in costs due to less licences	(2)				
Theatre increased income	(14)	(14)	(15)	(15)	
Star Chamber efficiencies - theatre	(16)				
Star Chamber efficiencies - licensing	(5)				
Star Chamber efficiencies - Homelessness	(10)				
Star Chamber efficiencies - pest control	(1)				Actual figure for 2023/24 is £500
Star Chamber efficiencies - dog control	(0)				Actual figure for 2023/24 is £100
Star Chamber efficiencies - clean neighbourhoods	(4)				
Star Chamber efficiencies - Community Services	(39)				
Star Chamber efficiencies - recycling	(45)				
<b>Total Environment and Community service efficiencies</b>	<b>(967)</b>	<b>(721)</b>	<b>(982)</b>	<b>(579)</b>	
<b>Finance and Customer Services</b>					
Postage franking cost reduction	(10)				
<b>Total Finance and Customer Services service efficiencies</b>	<b>(10)</b>				

(all figures in £'000 - exact budgets will be loaded)

<u>Service and Bid name</u>	<u>Amount in year</u>				<u>Further detail</u>
	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	
<b>HR, Performance and Communications</b>					
Internship programme - reversal of one-saving in 2022/23	25				Single year saving in 2023/24 reversed and programme reinstated
<b>Total HR, Performance and Communications service efficiencies</b>	<b>25</b>				
<b>Investment and Development</b>					
Economic Development budget aligned with actual expenditure	(13)				
Asset manager - budget aligned to activity	(22)				
Asset manager - budget aligned to activity	(16)				
Asset manager - increased income from properties	(55)				
Asset manager - increased income from properties	(10)				
Vulcan Way - budget aligned to activity	(4)				
Vulcan Way - budget aligned to activity	(4)				
Vulcan Way increased income	(5)				
Trade City increased income	(40)				
St Georges budget aligned to activity	(3)				
St Georges increased income	(49)				
Ashwood - budget aligned to activity	(3)				
Albany - budget aligned to activity	(4)				
Albany - budget aligned to activity	(19)				
Albany - budget aligned to activity	(3)				
Albany - budget aligned to activity	(14)				
Albany - budget aligned to activity	(5)				
Albany - budget aligned to activity	(19)				
Albany increased income	(144)				
Public Offices increased income	(63)				
London Road - budget aligned to activity	(6)				
London Road increased income	(7)				
<b>Total Investment and Development service efficiencies</b>	<b>(508)</b>				
<b>Legal and Democratic Services</b>					
Star Chamber electoral registration	(3)				
<b>Total Legal and Democratic Services service efficiencies</b>	<b>(3)</b>				
<b>Planning</b>					
Star Chamber increase in Building Control Services fee income	(50)				
Star Chamber increase in Development Management fee income	(235)				
<b>Total Planning service efficiencies</b>	<b>(285)</b>				



(all figures in £'000 - exact budgets will be loaded)

<u>Service and Bid name</u>	<u>Amount in year</u>				<u>Further detail</u>
	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	
<b>Corporate Savings</b>					
New Star chamber during 2023/24	(500)	(350)	(200)	(150)	
Additional managed vacancy factor from pay award	(100)				
<b>Total Corporate savings</b>	<b>(600)</b>	<b>(350)</b>	<b>(200)</b>	<b>(150)</b>	
<b>Total Service Efficiencies including corporate savings</b>	<b>(2,348)</b>	<b>(1,071)</b>	<b>(1,182)</b>	<b>(729)</b>	

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## APPENDIX 2

# CAPITAL STRATEGY 2023/24 – 2026/27

(APPENDIX 2 TO THE MEDIUM TERM FINANCIAL STRATEGY 2023/24 TO 2026/27)



**February 2023**

Surrey Heath Borough Council  
Knoll Road, Camberley GU15 3HD





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## Introduction

1. This Capital Strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written with the intention of enhancing members' understanding of these sometimes technical areas.
2. Decisions made in the year on capital and treasury management can have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework summarised in this report.
3. The capital strategy and the supporting capital programme form part of the Medium Term Financial Strategy (MTFS) of the Council.

## Capital Expenditure and Financing

4. Capital expenditure is where the Council spends money on assets, such as property or vehicles that will deliver an economic benefit for more than one year. In local government this could include expenditure on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.
5. In 2023/24, the Council is planning capital expenditure of **£ 2.539 million** as summarised below:

### Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2021/22 Actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
Capital Projects	2.558	2.500	2.539	1.490	0.990	0.990
Capital investments	1.932	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>4.490</b>	<b>2.500</b>	<b>2.539</b>	<b>1.490</b>	<b>0.990</b>	<b>0.990</b>

6. The full capital programme is attached at Appendices 2-1 to 2-3 to this strategy and includes:
  - Disabled facilities grants – grants for improvements to enable residents to stay in their own home;
  - Members IT Equipment



- Upgrade of Adelante Cash Receipting System
- Esso Pipeline Environmental Projects
- Albert Road Playground Replacement
- Freemantle Playground Replacement (Match Funding)
- Goalpost Replacement
- Theatre Access Ladders and Wheelchair Access Lift
- Replacement Flooring at Frimley Lodge Park Café
- Replacement of Theatre Website and AV Equipment
- Health and safety works on paths in London Road Recreation Park
- Ashwood House Public Realm
- Vacant units in the Square
- London Road Block Works
- Provision of budget for Gypsy, Traveller and Travelling Show people sites as mandated in the new Local Plan

7. The figures do not include the implications of any schemes which may be carried forward from one year to the next. These will be considered by members on the basis of the Capital Outturn report to be presented later in the year.

### **Capital Contingency**

8. A key recommendation from the Public Realm Task and Finish Group was that adequate contingency be provided in the capital programme. Rather than allocate a general contingency to every project, it is proposed that centralised contingency controlled by the Strategic Director Finance and Customer Services be created and drawdown if required.
9. Approval for drawdown of this contingency will be from the Strategic Director Finance and Customer Services in consultation with the Portfolio Holder for Finance and Customer Services. Any drawdowns will be reported to the Performance and Finance Scrutiny Committee and the Executive in the next quarterly capital budget monitoring report.
10. Certain major projects will still hold their own specific contingency based on project management principles.

### **Governance**

11. Service officers will bid annually in October to include projects in the Council's capital programme. Bids, which include business cases, are collated by finance who calculate the capital financing cost (which can be nil if the project is fully externally financed). These bids are appraised by senior managers and the relevant portfolio



holder to ensure all bids are based on their contribution to the Five Year Plan as well as a comparison of service priorities against available financing resources. The budget papers are presented to Executive who in turn will make a recommendation to Council as part of the annual budget setting process.

12. Further details of the Council's capital programme can be found in the Capital Programme which is at Appendix 2-1 to this report.
13. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (prudential borrowing, leasing and/or Private Finance Initiatives). The planned financing of the above expenditure is as follows:

### Capital financing in £ millions

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
External sources	0.871	1.450	0.960	0.780	0.780	0.780
Own resources	1.687	1.050	1.579	0.710	0.210	0.210
Debt finance	1.932	0	0	0	0	0
<b>TOTAL</b>	<b>4.490</b>	<b>2.500</b>	<b>2.539</b>	<b>1.490</b>	<b>0.990</b>	<b>0.990</b>

14. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as "minimum revenue provision (MRP)". Councils are required by statute to make revenue provision transfers over the life of a loan to ensure that they have sufficient resources to repay debt. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance, but councils are not allowed to offset provisions against future or anticipated receipts. Planned repayments, MRP transfers and use of capital receipts to repay debt are as follows:

### Replacement of debt finance in £ millions

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
Annuity principal repayment	1.4	1.5	1.8	1.8	1.8	1.8
MRP Payment	0.8	0.8	0.9	0.9	0.9	0.9
Use of Capital Receipts	0.0	0.0	0.0	0.0	0.0	0.0



15. The Council's full MRP statement is included within the Treasury Strategy report for 2023/24 which can be found on the February 2023 Executive agenda. The increase in the Annuity principal repayment is due to the two Phoenix loans taken out in the year.
16. The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR) – its underlying need to borrow. This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to fall by £3m during 2022/23. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

#### Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget	31.3.2027 budget
General services Fund	7	7	7	8	8
Capital investments	167	164	160	156	153
<b>TOTAL CFR</b>	<b>174</b>	<b>171</b>	<b>167</b>	<b>164</b>	<b>161</b>

17. **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council does not plan to receive any capital receipts from asset sales in the four year period.

#### Capital receipts in £ millions

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
Asset sales	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Treasury Management

18. Treasury management is concerned with keeping sufficient but not excessive cash balances available to meet the Council's short-term spending needs, whilst managing the risks involved. Surplus cash balances are invested until required, while a temporary shortage of cash will be met by short-term borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash solvent in the short-term as revenue income streams are generally received before they are required to be expended, but generally cash poor in the longer-term as capital expenditure is often incurred before being financed. The





revenue cash surpluses are offset against capital cash shortfalls to reduce overall external borrowing.

19. **Borrowing strategy:** The Council’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 4.25%) and long-term fixed rate loans where the future cost is known but higher (currently 4.71%).
20. Following advice from the Council’s Treasury advisors the Council has retained the bulk of its borrowing in short term loan so as to take advantage of low interest rates.
21. Projected levels of the Council’s total outstanding debt (which comprises borrowing, leases are shown below, compared with the capital financing requirement (see above).

**Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions**

	31.3.203 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget	31.3.2027 budget
Gross External Debt	164	165	158	155	152
Capital Financing Requirement	174	171	167	164	161

22. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table above, the Council expects to comply with this in the medium term. If the Council decides to acquire more regeneration properties, then these will be funded by debt and the CFR will be rise accordingly.
23. **Affordable borrowing limit:** The Council is statutorily obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

**Prudential Indicators: Authorised limit and operational boundary for external debt in £ millions**

	2022/23 limit	2023/24 limit	2024/25 limit	2025/26 limit	2026/27 limit



Authorised limit – total external debt	235	235	235	235	235
Operational boundary – total external debt	230	230	230	230	230

24. The authorised and operational boundaries have not been increased in 2023/24 to reflect the changes due to the change in the accounting treatment for leases as the amount is not material.
25. Further details on borrowing are included in the treasury management strategy which can be found within the February Executive agenda
26. Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
27. The Council's policy on treasury investments is to prioritise security and liquidity over yield which focuses on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

### Treasury management investments in £millions

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Near-term investments	36.8	11.00	11.00	11.00	11.00
Longer-term investments	2.1	2.2	2.2	2.2	2.2
<b>TOTAL</b>	<b>38.9</b>	<b>13.2</b>	<b>13.2</b>	<b>13.2</b>	<b>13.2</b>

28. Further details on treasury investments are included within the treasury management strategy which is included within the February executive agenda
29. **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Strategic Director Finance and Customer Services who ensures that staff act in line with the treasury management strategy approved by Executive and Council. Half yearly reports on treasury management activity are presented to Executive and the Performance and Finance



Scrutiny Committee which is responsible for scrutinising treasury management decisions.

### Commercial Activities

30. With Government financial support for local public services declining, the Council will use its capital balances to save on ongoing revenue costs ('invest to save' or 'invest to spend less'). The Council will not however borrow to invest in commercial property for purely investment reasons.
31. The Council has limited commercial activities such as the Theatre, community services etc. which are primarily operated for community benefit, however they will expose the Council to some commercial risk. This risk could be significant for 2023/24 depending on the ongoing impact of the Covid-19 pandemic and the national economic position.

### Liabilities

32. In addition to debt of £165 million detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £6.3m). The Council also set aside last year £0.5m to cover risks of business rates appeals and revaluations and £1.4m for bad debts. These provisions will be reviewed as part of the accounts closure process for 2022/23.
33. **Governance:** The risk of liabilities crystallising and requiring payment is monitored by finance and reported within the annual financial statements.

### Revenue Budget Implications

34. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

### Prudential Indicator: Proportion of financing costs to net revenue stream

	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
Financing costs (£m)	6.7	6.8	6.8	6.8	6.8
Proportion of net revenue stream	0.56	0.50	0.49	0.58	0.56



35. **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Strategic Director Finance and Customer Service is satisfied that the proposed capital programme is prudent, affordable and sustainable because it is either funded by external grant or there is sufficient capital reserves to cover the costs of the current programme.
36. **Knowledge and Skills:** The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Strategic Director Finance and Customer Service is an experienced and qualified accountant, the property department has a qualified surveyor with investment experience and the legal department has lawyers experienced in property matters.
37. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Link Group as treasury management advisers, Praxis Real Estate Management as property consultants and management and Addleshaw Goddard as external lawyers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to appropriate knowledge and skills commensurate with its risk appetite.

### Investment and Development

38. The Council has a dedicated Investment and Development team responsible for:

- Property lettings,
- Major regeneration and development projects.
- Maintaining the Council's property estate.
- Acquisition of new assets.
- Economic Development team

39. This team is developing an proposed programme of capital works to be implemented over the next few years, some of which may stretch beyond the current Medium Term Financial Strategy. Each individual project will be the subject of a full report to Executive and Council (if required) and will contain as a minimum:

- Full business case
- Option(s) appraisal
- Benefits identification and realisation plan
- Risk management register
- Summary of whole life costs
- Summary of annual revenue costs/incomes (annual cost of ownership)



- Funding summary including debt financing and repayment.

### Property acquisition

40. Any property acquisition must be within the Borough boundary and fulfil at least one of the below criteria:

- Supports regeneration within the Borough
- Supports economic development within the Borough
- Supports the protection of employment within the Borough
- Provides civic amenity within the Borough
- Supports the Council's social and affordable housing objectives.

41. In addition to the criteria above, the acquisition should be at least cost-neutral to the local tax account in that it must pass the hurdle rate below in terms of income generated versus the total cost of the acquisition. The net income should equal or exceed the sum of the following:

- Current PWLB certainty rate for a maturity loan whose duration is based the life of the asset at the time of approval to acquire.
- An assessment of a repayment provision based on the life/holding of the asset.
- A contingency of 50 basis points (bps) [0.5%] rate
- A 100 bps [1%] overage. *NB: the overage can be foregone if the social benefit case is made for the acquisition*



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Capital Programme Schemes

NEW CAPITAL SCHEMES FROM 2023/24 to 2026/27

4 YEAR CAPITAL PROGRAMME	2023/24	2024/25	2025/26	2026/27	Four year funding requirement	Details of the capital scheme
	£m	£m	£m	£m	£m	
Disabled Facilities Grants	0.780	0.780	0.780	0.780	3.12	Central Government Grant to the Better Care Fund includes an element for Disabled Facilities Grant (DFG) allocated to Surrey Heath Borough Council. Whilst 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 with NHS and County Council Partners, and the Council will have to demonstrate how delivery of the service meets health and social care priorities. The level of expenditure will flex to match the level of funding provided.
Members IT Equipment	0.032	0.00	0.00	0.00	0.032	Purchase of essential IT Equipment for Members following the Council Elections in 2023
Upgrade of the Adelante Cash Receipting System	0.060	0.00	0.00	0.00	0.060	Essential upgrade of the Adelante Cash Receipting System enabling the Council to continue to handle cash payments.

4 YEAR CAPITAL PROGRAMME	2023/24	2024/25	2025/26	2026/27	Four year funding requirement	Details of the capital scheme
	£m	£m	£m	£m	£m	
Esso Pipeline Environmental Projects	0.080	0.00	0.00	0.00	0.080	Funding provided by Esso to cover a number of Environmental projects over a two year period.
Capital Maintenance Budget	0.110	0.110	0.110	0.110	0.440	Creation of a rolling maintenance of capital works (previously funded from revenue)
Albert Road Playground Replacement	0.040	0.00	0.00	0.00	0.040	Replacement of Playground Equipment
Health and Safety works to foot paths at London Road Recreation Ground	0.095	0.00	0.00	0.00	0.095	Paths within London Road Recreation Ground are failing in places due to their age, root disturbance and wear and tear. It has come to the position that there is such bad deterioration in the pathways that essential Health and Safety repairs are now required to allow for their continued use.
Freemantle Playground Replacement (Match Funding)	0.013	0.00	0.00	0.00	0.013	Replacement of Playground Equipment (Match Funding)
Goalpost Replacements	0.010	0.00	0.00	0.00	0.010	The Goalposts for the 3G pitch are aging and need to be replaced.
Water Bowser	0.010	0.00	0.00	0.00	0.010	We do not own a bowser so had to hire one to allow for this to happen. The cost for just the summer months was in excess of £1.5k. To have a



4 YEAR CAPITAL PROGRAMME	2023/24	2024/25	2025/26	2026/27	Four year funding requirement	Details of the capital scheme
	£m	£m	£m	£m	£m	
						bowser all year round allows for additional watering when planting trees/plants on sites when they are planted so not only extends the potential planting season but gets them off to a better start and reduces the risk of them perishing in more extreme spring and summer weather.
Frimley Lodge Park Café: Replacement Flooring.	0.015	0.00	0.00	0.00	0.015	To replace the flooring of the Café prior to the commencement of a new rental contract.
Theatre Access Ladders	0.010	0.00	0.00	0.00	0.010	One of the essential ladders at the theatre on inspection has been condemned as it no longer meets necessary standards. This is an essential access ladder from Stage right to the stage roof and is needed for the technicians to access areas to attach and moved equipment for performances etc
Wheelchair Access Lift	0.040	0.00	0.00	0.00	0.040	The lift allows access to all areas of the theatre for a person in a wheelchair. We have had to turn shows away or make temporary ramps through the loading bay to enable access in the past. The theatre should be a fully accessible building.

4 YEAR CAPITAL PROGRAMME	2023/24	2024/25	2025/26	2026/27	Four year funding requirement	Details of the capital scheme
	£m	£m	£m	£m	£m	
Theatre Website Replacement	0.034	0.00	0.00	0.00	0.034	The current operating system is being de-supported in November 2023 and will require migration to a more up to date system.
Replacement of Theatre AV Equipment.	0.010	0.00	0.00	0.00	0.010	Improved equipment at the Theatre that will allow live streaming of events and enhanced quality of audio visual equipment for hirers and other users of the facilities;
Ashwood House Public Realm	0.400	0.00	0.00	0.00	0.400	Public realm works in Pembroke Broadway and relocation of bus stops following the completion of the Lumina development.
The Square – vacant units	0.100	0.100	0.100	0.100	0.400	Works to vacant units to enable letting where required.
London Road Block	0.200	0.00	0.00	0.00	0.200	Initial stages of project for the redevelopment of the site
Local Plan provision for gypsy, traveller and travelling show people sites	0.500	0.500	0.00	0.00	1.000	The new Local Plan requires the Council to identify and acquire sufficient sites for the gypsy, traveller and travelling show people communities. This is bid provides an indication of potential costs to the capital programme.
<b>GRAND TOTAL OF ALL SCHEMES</b>	<b>2.539</b>	<b>1.490</b>	<b>0.990</b>	<b>0.990</b>	<b>6.009</b>	

## Centralised Capital Contingency

4 YEAR CAPITAL PROGRAMME Central Contingency	2023/24	2024/25	2025/26	2026/27	Four year funding requirement	Details of the capital scheme
	£m	£m	£m	£m	£m	
<p>Centralised capital contingency set at 10% of annual programme</p> <p><i>(funding will be as per the project(s) it is used for)</i></p>	0.254	Balance to be reduced or topped-up to 10% of the capital programme dependent on prior year use	Balance to be reduced or topped-up to 10% of the capital programme dependent on prior year use	Balance to be reduced or topped-up to 10% of the capital programme dependent on prior year use	1.000	<p>A key recommendation from the Public Realm Task and Finish Group was that adequate contingency be provided in the capital programme. Rather than allocate a general contingency to every project, it is proposed that centralised contingency be created.</p> <p>Approval for drawdown of contingency is from Strategic Director Finance and Customer Services in consultation with the Portfolio Holder for Finance and Customer Services.</p> <p>Any drawdown will be reported in the next quarterly monitoring report.</p> <p>Certain projects will still hold their own specific contingency based on project management principles.</p>

## Investment and Development

Two projects with existing budgets are being reprofiled into the programme. Budget approval for these projects has already been granted by Council in prior years.

4 YEAR CAPITAL PROGRAMME (reprofiled)	2023/24	2024/25	2025/26	2026/27	2027/28	Five year funding £m	Details of the capital scheme
	£m	£m	£m	£m	£m		
London Road site assembly	3.600					3.600	To complete the site assembly of the London Road block to allow development and regeneration
Cambridge Square improvement works	1.400					1.400	As per the previously agreed report to Council

**FUNDING OF THE 2023/24 – 2026/27 CAPITAL PROGRAMME**

<b>FUNDING FOR 2023/24 – 2026/27 CAPITAL PROGRAMME</b>	<b>Scheme Total</b>	<b>Grant and contributions</b>	<b>Use of capital balances</b>	<b>Prudential borrowing</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	
Disabled Facilities Grants	3.120	3.120	0.000	0.00
Members IT Equipment	0.032	0.000	0.032	0.00
Replacement of Adelante Cash Receipting System	0.060	0.000	0.060	0.00
Esso Pipeline Environmental Projects	0.080	0.080	0.000	0.00
Replacement of Albert Road Playground Equipment	0.040	0.000	0.040	0.00
Health and Safety work to paths at London Road Rec	0.095	0.000	0.000	0.000
Replacement of Freemantle Playground Equipment	0.013	0.000	0.013	0.00
Replacement of Goalposts	0.010	0.000	0.010	0.00
Provision of G&T and TS site	1.000	0.000	1.000	0.00
Water Bowser	0.010	0.000	0.010	0.00
Replacement Flooring at Frimley Lodge Park Café	0.015	0.000	0.015	0.00
Theatre Access Ladders	0.010	0.000	0.010	0.00
Wheel Chair Access Lift	0.040	0.000	0.040	0.00
Replacement of Theatre AV Equipment	0.010	0.000	0.010	0.00
Theatre Website Replacement	0.034	0.005	0.034	0.00
Ashwood House Public Realm	0.400	0.000	0.400	0.00
The Square Vacant Units	0.400	0.000	0.400	0.00
London Road Block	0.200	0.000	0.200	0.00
Capital Maintenance Budget	0.440	0.000	0.440	0.00
<b>GRAND TOTAL OF ALL SCHEMES</b>	<b>6.009</b>	<b>3.300</b>	<b>2.714</b>	<b>0.00</b>

**Movement in Available Capital Receipts**

	<b>2023/24 Estimate £m</b>	<b>2024/25 Estimate £m</b>	<b>2025/25 Estimate £m</b>	<b>2026/27 Estimate £m</b>
Forecast Capital Receipts 1st April	2.000	0.421	0.000	0.000
Capital Receipts during year	0.000	0.000	0.000	0.000
<b>TOTAL AVAILABLE FUNDS</b>	<b>2.000</b>	<b>0.421</b>	<b>0.00</b>	<b>0.00</b>
Proposed Capital Programme	(2.539)	(1.490)	(0.990)	(0.990)
Grant funding	0.960	0.780	0.780	0.780
<b>Capital reserve funding</b>	<b>1.579</b>	<b>0.710</b>	<b>0.210</b>	<b>0.210</b>
<b>Balance of capital receipts</b>	<b>0.421</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>



APPENDIX 3

**TREASURY MANAGEMENT STRATEGY**

**2023/24**

**(APPENDIX 3 TO THE MEDIUM TERM FINANCIAL STRATEGY 2023/24 TO 2026/27)**



February 2023

Surrey Heath Borough Council  
Knoll Road, Camberley GU15 3HD





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## Part 1 - Treasury Investment Strategy

- 1.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. This is expected to remain at an average of about £17 million over 2023/24.

### Objectives:

- 1.2 The CIPFA Code requires the Council to invest its treasury funds prudently, and with regard to the security and liquidity of its investments before seeking the highest return 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. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

### Strategy:

- 1.3 The majority of the Council's surplus cash is currently invested in money market funds and the UK Government. On the advice of our retained advisors, the public sector treasury arm of Link Group, no changes are proposed to the 2023/24 investment strategy from that adopted and approved in 2022/23.

### Business Models:

- 1.4 Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

### Approved Counterparties:

- 1.5 The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown:



<u>Sector</u>	<u>Time limit</u>	<u>Counterparty limit</u>	<u>Sector limit</u>
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£3m	Unlimited
Secured investments *	25 years	£3m	Unlimited
Banks (unsecured) *	13 months	£2m	Unlimited
Building societies (unsecured) *	13 months	£2m	£5m
Registered providers (unsecured) *	5 years	£2m	£5m
Money market funds *	n/a	£3m	Unlimited
Strategic pooled funds	n/a	£3m	£5m
Real estate investment trusts	n/a	£3m	£3m

*This table must be read in conjunction with the notes below.*

- 1.6 \* **Minimum Credit Rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 1.7 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £2 million per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.
- 1.8 **Banks and Building Societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.



- 1.9 **Secured Investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies 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. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.
- 1.10 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- 1.11 **Registered Providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- 1.12 **Money Market Funds (MMF):** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times. Due to the diversity of the fund elements, the low volatility and the ringfencing of assets to the fund subscribers, money market funds are normally granted a AAA rating.
- 1.13 **Strategic Pooled Funds:** Bond, equity and property funds that 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.



**1.14 Real Estate Investment Trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

**1.15 Operational/Transactional Bank Accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £3 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. Deposits with the Council's current account are restricted to overnight deposits.

**1.16 Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. 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.

**1.17** Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") 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.

**1.18 Other Information on the Security of Investments:** 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, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive



doubts about its credit quality, even though it may otherwise meet the above criteria.

- 1.19 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, 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 or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.
- 1.20 **Investment Limits:** The maximum that will be lent to any one organisation (other than the UK Government) will be £3 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 1.21 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £3 million in operational bank accounts count against the relevant investment limits.
- 1.22 Limits are also be placed on fund managers, investments in brokers’ nominee accounts and foreign countries 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. Please refer to the table below:

	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	Unlimited



## Part 2 - Borrowing Strategy

- 2.1 The Council currently holds £165.5 million of loans, which it is using to fund its property acquisitions. The Council may borrow in advance to pre-fund future years' requirements in order to access better rates, providing this does not exceed the authorised limit for borrowing of £235 million; however the Council will incur a net cost of carry until the funds are utilised and must not borrow purely for investment purposes.
- 2.2 **Objectives:** 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 or repay loans should the Council's long-term plans change is also an objective.
- 2.3 **Strategy:** 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. With short-term interest rates currently much lower than long-term rates, it is likely to continue to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 2.4 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Link Group will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 2.5 The Council has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.
- 2.6 Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.



2.7 In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

2.8 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury’s PWLB lending facility (formerly the Public Works Loan Board)
- 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
- Any other UK public sector body

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

- Leasing
- Hire Purchase
- Private Finance Initiative
- Sale and Leaseback

2.10 **Annual Minimum Revenue Provision (MRP) statement:** 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 Provision or MRP. Best practice guidance recommends that Authorities 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 22nd February 2023 as part of the Capital budget for 2023/24.

2.11 The recommended policy is attached in Annex F and the forecast MRP in £million is shown in the table below:

£ million	<b>2021/22 actual</b>	<b>2022/23 actual</b>	<b>2023/24 Forecast</b>	<b>2024/25 budget</b>	<b>2025/25 budget</b>
<b>MRP Payment</b>	0.8	0.8	0.9	0.9	0.9



2.12 On 31st December 2022, the Council held £164 million of borrowing and £23.7 million of treasury investments.

2.13 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 below their underlying levels, sometimes known as internal borrowing subject to holding a minimum of £5 million.





## Treasury Management Strategy – other items 2023/24

### Other Items

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

#### 1. Financial Derivatives

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

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.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

At the moment the Council does not hold any Financial Derivatives.

#### 2. Investment Advisers

The Council has appointed Link Group as treasury management advisers and receives specific advice on investment, debt and capital finance issues. This is monitored by



holding regular meetings with the advisers 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.

### 3. Investment of Money Borrowed in Advance of Need

The total amount borrowed will not exceed the authorised borrowing limit of £235 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.

### 4. Other Options Considered

The MHCLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Strategic Director Finance and Customer Services, having consulted the Portfolio Holder, 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.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
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

**Markets in Financial Instruments Directive (MIFID II)**

The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council’s treasury management activities, The Strategic Director Finance and Customer Services (Chief Finance Officer) believes this to be the most appropriate status.



### **Treasury Management Indicators 2023/24**

The Council measures its exposure to treasury management risks using the following indicators. The Council is asked to approve these indicators:

#### 1. Security – Average Credit Rating

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

<b>Credit Risk Indicator</b>	<b>Target</b>
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. Unrated investments are assigned a score based on their perceived risk.

#### 2. 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.

<b>Liquidity Risk Indicator</b>	<b>Target</b>
Total cash available within 3 months	£5m

#### 3. Interest Rate Exposures:

This indicator is set to control the Council's exposure to interest rate risk. The Council holds investments of £23.7 million and variable rate borrowing of £164 million which equates to net borrowing of £ 140 million. The limit on one-year revenue impact of a 1% rise in interest rates has been set at £1 million. The Council has sufficient reserves in an Interest Equalisation Reserve to mitigate the impact of an interest rate rise for 2023/24.



4. 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:

Refinancing rate risk indicator	Upper	Lower
Not over 1 year	100%	0%
Over 1 but not over 2 years	100%	0%
Over 2 but not over 5 years	100%	0%
Over 5 but not over 10 years	100%	0%
Over 10 but not over 15 years	100%	0%
Over 15 but not over 20 years	100%	0%
Over 20 but not over 30 years	100%	0%
Over 25 but not over 30 years	100%	0%
Over 30 but not over 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. This table means there is total flexibility on borrowing periods to achieve the most cost-effective option.

5. Principal Sums Invested for Periods Longer than a year:

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:

Price Risk Indicator	2023/24	2024/25	2025/26
Limit on principal invested beyond year end	£2.5m	£2.5m	£2.5m



## Annex D

**INVESTMENTS as of 31<sup>st</sup> December 2022**

	£
Debt Management Office	8,500,000
Other Local Authorities Short Term	0
<b>Total Government</b>	<b><u>8,500,000</u></b>
Aberdeen Standard	3,000,000
CCLA Public Sector Deposit Fund	3,000,000
Federated	3,000,000
Legal and General	3,000,000
<b>Total Money Market Funds</b>	<b><u>12,000,000</u></b>
CCLA Property Fund	<u>2,172,000</u>
<b>Total Longer-Term Investments</b>	<b><u>2,172,000</u></b>
<b>Total Invested (excluding the NatWest Business Reserve)</b>	<b><u>22,672,000</u></b>
NatWest Business Reserve	1,065,076
<b>Total Invested (including NatWest Business Reserve)</b>	<b><u><u>£23,737,076</u></u></b>



## Existing Investment &amp; Debt Portfolio

	<b>31 Dec 22 Actual Portfolio £m</b>
<b>External Borrowing:</b>	
Public Works Loan Board - Long Term	51.100
Phoenix Loan	49.317
Local authorities - Short Term	63.50
<b>Total Gross External Debt</b>	<b>163.917</b>
<b>Investments:</b>	
Banks & Building societies	1.065
Government – DMO	8.500
Government - Other Local Authorities	0
Money Market Funds	12.00
Other Pooled Funds	2.172
<b>Total Treasury Investments</b>	<b>23.737</b>
<b>Net Debt</b>	<b>140.18</b>



### Minimum Revenue Policy (MRP) Statement

1. Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the local Authority has financed Capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).
2. The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent
3. 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.

<b>Estimated economic lives of assets</b>	<b>Estimated economic life</b>
Asset Class	
Land and heritage assets	50 years
Buildings and services	50 years
Vehicles and Plant	10 years
IT equipment and software	5 years
Investment property	50 years
Assets for regeneration and/or under construction	0% until development complete

4. The Council will aim to minimise the impact of MRP on the General Fund by only acquiring assets with a longer rather than shorter economic life through borrowing.
5. In accordance with provisions in the guidance MRP will be charged starting in the year following the date an asset becomes operational.





6. The forecast MRP in £million is shown in the table below:

£ million	2021/2022 actual	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget
<b>MRP Payment</b>	2.2	2.3	2.4	2.4	2.4



## Treasury Management Policy Statement

The Council's financial regulations require it to create and maintain a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury activities, as a cornerstone for effective treasury management.

### Definition

1. The Council defines its treasury management activities as: The management of the Council's borrowing, 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.

### Risk management

2. This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

### Value for money

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

### Borrowing policy

4. The Council greatly values revenue budget stability. Short-term and variable rate loans will only be borrowed to the extent that they either offset short-term and variable rate investments or can be shown to produce revenue savings.
5. The Council will set an affordable borrowing limit each year in compliance with the Local Government Act 2003, and will have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when setting that limit. It will also set



limits on its exposure to changes in interest rates and limits on the maturity structure of its borrowing in the treasury management strategy report each year.

#### Investment policy

6. The Council's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local Council services is an important, but secondary, objective.
7. The Council will have regard to the Communities and Local Government Guidance on Local Government Investments and will approve an investment strategy each year as part of the treasury management strategy. The strategy will set criteria to determine suitable organisations with which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.



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<u>31 March 2022</u>	<u>Reserve</u>	<u>Forecast</u>
£,000		<u>31 March 2023</u>
		£,000
	<b>Earmarked Revenue Purposes</b>	
9,214	Revenue reserve for capital funding	9,214
1,032	Affordable Housing	1,032
66	Armed Forces Reserve	66
320	Atrium S106 agreement	320
54	Blackwater Valley developers contributions	54
12,079	Business Rates Equalisation fund	12,079
5	Chobham & Town Team Partnership	3
151	Community Fund 2002	151
653	CIL Admin and Monitoring	653
260	Commuted Sums	260
574	Contain Outbreak Management Fund	467
1,096	Covid19	-
35	Crime and Disorder/Community Safety Partnership	35
72	Custom Build	72
286	Deepcut Village Centre : Alma Dettingen	286
27	Developers Contributions	27
151	Frimley Lodge 3G Pitch	151
7	Heatherside: multi-use games area	7
170	Industrial Rent arrears - equalisation	170
194	Insurance Reserve fund	194
7,318	Interest Equalisation Fund	7,318
2,275	JPUT balance (pending reallocation to GF)	-
384	Land Drainage	384
182	New Burdens Fund	182
185	Nottcutts (Bagshot Project)	185
17	Old Dean toddlers playground	17
427	One Public Estate	427
142	Planning S106 agreements	142
1,557	Property Maintainance	1,557
45	Remediation fund	45
107	Rental Equalisation	107
400	Retail Rent Arrears - equalisation	400
73	SAMM	73
7,341	SANGS	7,341
147	Southampton/London Pipeline	147
-	Surrey Family Support Programme	-
211	Homelessness	211
239	Swift Lane	239
-	Syrian Refugees	-
40	EH - covid	40
46	Home Improvement Agency	46
<b>47,582</b>	<b>Total Earmarked Revenue Reserves</b>	<b>44,102</b>
<b>6,906</b>	<b>General Fund Balance</b>	<b>9,215</b>
<b>54,488</b>	<b>Total available reserves</b>	<b>53,317</b>
		[Estimated]

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**Surrey Heath Borough Council**  
**Council**  
**22<sup>rd</sup> February 2023**

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**Setting of Council Tax 2023/24**

**Strategic Director/Head of Service** Bob Watson  
**Report Author:** Adrian Flynn – Chief Accountant  
**Wards Affected:** All

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**Summary and purpose**

To set the Council Tax for 2023/24

**Recommendation**

The Council is advised to RESOLVE

- (i) to note that the Council Tax Base for 2023/24 calculated in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992:
- (a) For the whole Council area is 39,613.40 (Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the 'Act)); and
  - (b) For dwellings in those parts of the area to which a Parish precept relates the following:
- |            |          |
|------------|----------|
| Bisley     | 1,666.50 |
| Chobham    | 2,088.64 |
| West End   | 2,413.37 |
| Windlesham | 8,323.63 |

(Being the amounts calculated by the Council in accordance with regulation 6 of the Regulations, as the amount of its Council Tax base for the year for dwellings in those parts of the area to which special items relate);

- (ii) that the Council Tax requirement for the Council's own purposes for 2023/24 (excluding parish precepts and special expenses) is £9,532,823
- (iii) that the following amounts be calculated for the year 2023/24 in accordance with Sections 31 to 36 of the Act:

- (a) £46,756,876 being the aggregate for the amounts which the Council estimates for the items set out in Section 31A 2 of the Act taking into account all precepts issued to it by Parish Councils.
  - (b) £36,370,789 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - (c) £10,386,087 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
  - (d) £262.19 being the amount at (c) above (Item R), as divided by Item T ((i) (a) above) calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
  - (e) £853,264 being the aggregate amount of all special items referred to in Section 34(1) of the Act.
  - (f) £240.65 being the amount at (d) above less the result given by dividing the amount at (e) above by Item T, calculated by the Council in accordance with Section 34(2) of the Act, as the basic amount for its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.
- (iv) to note that the County Council and Surrey Police and Crime Commissioner have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwelling as indicated in the Table at paragraph 4(i) and 4(ii) below.
  - (v) that the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables at paragraph 4(iii), 4(iv), 4(v) and 4(vi) below as the amounts of Council Tax for 2023/24 for each part of its area and for each category of dwellings.
  - (vi) to note that the Council's basic amount of Council Tax for 2023/24 is NOT excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992 as the proposed increase is not more than £6.99 at Band D.

## **1. Background and Supporting Information**

- 1.1 Having determined its Council Tax Requirement for 2023/24, Members are now required to formally approve the Council Tax for the area taking into account precepts received from Surrey County Council, Surrey Police and Crime Commissioner and the Parishes.



## 2. Proposal and Alternative Options

- 2.1 This paper sets out the Council Tax implications based on an increase at Band D of £6.99 for Surrey Heath Borough Council as presented in the earlier budget paper on this agenda.
- 2.2 The recommendations proposed in this report are dependent on the decision taken in the item entitled 'Council Tax and Budget 2023/24' considered earlier on this agenda.
- 2.3 In approving the Council Tax for 2023/24, Council should note the following:
- (i) The Executive, at its meeting on 6 December 2022, approved the draft Council Tax base for 2023/24 at 39,613.40 Band D equivalent properties.
  - (ii) Precepts have been received from the Parishes for 2023/24 and these are shown in the report.
  - (iii) The Surrey County Council Precept for 2023/24 is £66,355,614.07 (was £63,390,501.92 for 2022/23). This includes an increase in core precept of 0.99% and an increase in the Adult Social Care precept of 2%.
  - (iv) The Surrey Police and Crime Commissioner Precept for 2023/24 is £12,302,733.64 (was £11,520,186.57 for 2022/23), an increase of £15.00 at Band D.

## 3. Council Tax Levels for 2023/24

- 3.1 The following Parish Precepts and Special Expenses have been received for the financial year 2023/24:

Parish	2023/24			2022/23			
	Taxbase	Precept	Band D	Taxbase	Precept	Band D	% Change
Bisley	1,666.50	98,107	58.87	1658.21	102,759	61.97	(5.00)
Chobham	2088.64	97,000	46.44	2075.35	92,000	44.33	4.76
West End	2413.37	120,367	49.87	2393.10	115,136	48.11	3.66
Windlesham	8328.63	347,791	41.76	8222.82	327,000	39.77	5.00
<b>Total Parishes</b>	<b>14,497.14</b>	<b>663,265</b>	<b>45.75</b>	<b>14,349.48</b>	<b>636,895</b>	<b>44.38</b>	<b>3.09</b>
Frimley and Camberley	25,116.26	190,000	7.56	24,626.69	187,000	7.59	(0.39)
<b>Totals</b>	<b>39,613.40</b>	<b>853,265</b>	<b>21.54</b>	<b>38,976.17</b>	<b>823,895</b>	<b>21.19</b>	<b>1.65</b>

3.2 The table below sets out the basic Council Tax at Band D properties for 2023/24 as compared with 2022/23:

	<b>2023/24</b>	<b>2022/23</b>	<b>£ change</b>	<b>% change</b>
Surrey Heath Borough Council	240.65	233.66	6.99	2.99
Surrey County Council	1675.08	1626.39	48.69	2.99
Surrey Police and Crime Commissioner	310.57	295.57	15.00	5.07
<b>Total</b>	<b>2226.30</b>	<b>2155.62</b>	<b>70.68</b>	<b>3.28</b>

3.3 The increase in the Surrey County Council precept comprises 0.99% increase in Council Tax for core services and 2.0% for Adult Social Care.

3.4 Surrey Heath Borough Council's element of the Council Tax is just 10.81% of the total bill, and the Band D charge of £240.65 in 2023/24 equates to just 0.66 p per day.

#### 4. Precepts by Valuation Bands

##### (i) Surrey County Council

Precept	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
<b>Basic</b>	971.43	1133.33	1295.24	1457.14	1780.95	2104.76	2428.57	2914.28
<b>ASC</b>	145.29	169.51	193.72	217.94	266.37	314.80	363.23	435.88
<b>TOTAL</b>	<b>1,116.72</b>	<b>1,302.84</b>	<b>1,488.96</b>	<b>1,675.08</b>	<b>2,047.32</b>	<b>2,419.56</b>	<b>2,791.80</b>	<b>3,350.16</b>

*The Adult Social Care precept levied by Surrey County Council can only be used to fund that service.*

##### (ii) Surrey Police and Crime Commissioner

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£	£	£	£	£	£	£	£
207.05	241.55	276.06	310.57	379.59	448.60	517.62	621.4

##### (iii) Surrey Heath Borough Council

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£	£	£	£	£	£	£	£
160.43	187.17	213.91	240.65	294.13	347.61	401.08	481.30

**(iv) Parish Precepts and Special Expenses**

<b>Precept</b>	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
<b>Part of Area</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Bisley</b>	39.25	45.79	52.33	58.87	71.95	85.03	98.12	117.74
<b>Chobham</b>	30.96	36.12	41.28	46.44	56.76	67.08	77.40	92.88
<b>Frimley &amp; Camberley</b>	5.04	5.88	6.72	7.56	9.24	10.92	12.60	15.12
<b>West End</b>	33.25	38.79	44.33	49.87	60.96	72.04	83.12	99.75
<b>Windlesham</b>	27.84	32.48	37.12	41.76	51.04	60.32	69.60	83.52

**(v) Aggregate of Parish and Surrey Heath Borough Council**

<b>Precept</b>	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
<b>Part of Area</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Bisley</b>	199.68	232.96	266.24	299.52	366.08	432.64	499.20	599.04
<b>Chobham</b>	191.39	223.29	255.19	287.09	350.89	414.69	478.48	574.18
<b>Frimley &amp; Camberley</b>	165.47	193.05	220.63	248.21	303.37	358.52	413.68	496.42
<b>West End</b>	193.68	225.96	258.24	290.52	355.09	419.65	484.20	581.05
<b>Windlesham</b>	188.27	219.65	251.03	282.41	345.17	407.93	470.68	564.82

**(vi) Total of all Precepts**

<b>Precept</b>	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
<b>Part of Area</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Bisley</b>	1523.45	1777.35	2031.26	2285.17	2792.99	3300.80	3808.62	4570.60
<b>Chobham</b>	1515.16	1767.68	2020.20	2272.74	2777.80	3282.85	3787.90	4545.74
<b>Frimley &amp; Camberley</b>	1489.24	1737.45	1985.65	2233.86	2730.27	3226.69	3723.10	4467.72
<b>West End</b>	1517.45	1770.35	2023.26	2276.17	2782.00	3287.81	3793.62	4552.35
<b>Windlesham</b>	1512.04	1764.04	2016.05	2268.06	2772.08	3276.09	3780.10	4536.38

**5. Contribution to the Council's Five Year Strategy**

- 5.1 Tax collected allows resources to be available to ensure that the five-year strategy can be followed and completed.

**6. Resource Implications**

- 6.1 The precept collected supports services to residents and businesses

**7. Section 151 Officer Comments:**

- 7.1 Information as laid out in the report

**8. Legal and Governance Issues**

8.1 None

**9. Monitoring Officer Comments:**

9.1 None

**10. Other Considerations and Impacts**

**Environment and Climate Change**

10.1 None

**Equalities and Human Rights**

10.2 None

**Risk Management**

10.3 None

**Community Engagement**

10.4 None

**Annexes**

N/A

**Background Papers**

Various Working papers by the Council's Finance Team  
Precept letters 2023/24: Parishes, Surrey County Council, Surrey Police and Crime  
Commissioner

**Surrey Heath Borough Council**  
**Council**  
**22 February 2023**

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**Governance Working Group**

**Head of Service** Gavin Ramtohal - Head of Legal & Democratic Services  
**Report Author:** Rachel Whillis – Democratic Services  
**Wards Affected:** n/a

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**Summary and purpose**

To consider the recommendations agreed by the Governance Working Group at its meeting on 27 January 2023.

**Recommendation**

The Council is advised to RESOLVE that

- (i) the ICT Code of Practice at Part 5, Section C of the Constitution, be updated as set out at Annex A to this report;
- (ii) the Social Media Protocol for Councillors, one of the Documents which supports the Constitution, be updated as set out at Annex B to this report; and
- (iii) the Protocol for appointment and role of Honorary Freemen and Honorary Aldermen, as set out at Annex C to this report, be adopted as a Document which supports the Constitution.

**1. Background and Supporting Information**

1.1 The Governance Working Group met on 27 January 2023 and has made a number of recommendations in relation to:

- (i) revisions to the ICT Code of Practice
- (ii) revisions to the Social Media Protocol for Councillors
- (iii) adopting a Protocol for the appointment and role of Honorary Freemen and Honorary Aldermen.

**2. ICT Code of Practice**

2.1 The Governance Working Group considered proposed revisions to the ICT Code of Practice at Part 5 of the Council's Constitution. The changes primarily

reflect the proposal to supply councillors with laptops from May 2023 onwards.

- 2.2 The Working Group reviewed paragraph 5.4 of the Code and expressed a view that councillors should not be permitted to use Social Media on Council provided devices. However, no alterations were proposed to this paragraph.
- 2.3 The Working Group also recognised that, whilst requiring councillors to undertake Data Protection training every two years was preferable, it was not enforceable. It was therefore agreed to amend this paragraph to reflect that the training would be strongly encouraged.

### **3. Amendments to the Social Media Protocol for Councillors**

- 3.1 The Governance Working Group reviewed the changes to the Social Media Protocol for Councillors proposed by the Monitoring Officer.
- 3.2 The introduction has been amended to provide more explanation on when a Member may be deemed to be acting in an official capacity during use of social media platforms, as well as emphasising the need for caution during use of social media platforms. Given that the application of the Code of Conduct is fact specific, and dependent on circumstances, the Monitoring Officer has recommended that it is appropriate to encourage prudent and cautious use of social media platforms.
- 3.3 The “do” and “don’t” sections have been updated to include references to the Nolan principles. This assists Members to appreciate the link between the guidance provided in the Protocol and the Code of Conduct.
- 3.4 The section on “*When the Code of Conduct may apply*” has been updated to also reference the Nolan principles and to emphasise that the Council expects Members to adopt high standards even if the Code of Conduct does not strictly apply.

### **4. Protocol for the appointment and role of Honorary Freemen and Honorary Aldermen**

- 4.1 Section 249 of the Local Government Act 1972 provides for Local Authorities to admit a person of distinction as an honorary freeman of the borough in recognition of their eminent services to the borough; the person nominated in respect of an appointment as honorary freeman may be an organisation. The Act also provides for Local Authorities to confer the title of honorary alderman upon a past member of the Council in recognition of their eminent services to the Council.
- 4.2 The Council has appointed ten Aldermen to date and there are currently four serving Aldermen. The Council has not previously appointed any individuals as Freemen, although a number of organisations have been awarded Freedom of the Borough. The Council has not previously adopted any

framework for appointing Honorary Freemen and Honorary Aldermen and any such appointments have followed an informal nomination process.

- 4.3 The Governance Working Group considered a draft protocol that proposes definitions of eminent service, for both Honorary Freemen and Aldermen, and a suggested minimum length of service for a councillor to be eligible for appointment as an Alderman. The draft protocol also proposes a process for making nominations to these roles.
- 4.4 The Working Group considered the Protocol and discussed the need to balance criteria for selection to these distinguished roles that reflects the 'above and beyond' service from that individual, whilst not being too prescriptive to prevent the nomination of suitable candidates.

## **5. Proposal and Alternative Options**

- 5.1 It is proposed that the Council considers the recommendations from the Governance Working Group and agrees whether to agree them, with or without any amendments it considers appropriate.

## **6. Contribution to the Council's Five-Year Strategy**

- 6.1 No specific matters arising.

## **7. Resource Implications**

- 7.1 There are no specific resource implications arising from the decisions sought in this report.

## **8. Section 151 Officer Comments:**

- 8.1 No matters arising.

## **9. Legal and Governance Issues**

- 9.1 Any decision to amend the Constitution is reserved to Full Council. The adoption of new Documents Which Support the Constitution is also reserved to the Full Council.
- 9.2 The Council's power to appoint Aldermen and Freemen is provided by Section 249 of the Local Government Act 1972.

## **10. Monitoring Officer Comments**

- 10.1 As set out above.

## **11. Other Considerations and Impacts**

## **Environment and Climate Change**

11.1 No matters arising.

## **Equalities and Human Rights**

11.2 No matters arising.

### **Annexes**

Annex A – proposed revisions to the ICT Code of Practice

Annex B – proposed revisions to the Social Media Protocol for Councillors

Annex C – new Protocol for appointment and role of Honorary Freemen and  
Honorary Aldermen

### **Background Papers**

[Local Government Act 1972 -Section 59](#)



# PART 5 - CODES AND PROTOCOLS

## SECTION C

### ICT CODE OF PRACTICE FOR MEMBERS

#### 1. Introduction

- 1.1 The Council is committed to e-governance and has accordingly agreed to provide ~~tablet~~ equipment to all members of the Council who require it to ensure this aspiration can be achieved. All members of the Council have to be readily accessible by email and be able to receive information electronically. In recognition of the importance the Council views this provision; the Council has adopted the IT Code of Practice as part of the Members' Code of Conduct.
- 1.2 The sections of this document provide important information regarding the Council's protocol for Information Management. Failure to follow the guidelines detailed in this Code of Practice could lead to a breach of the Members' Code of Conduct.

#### 2. Equipment and Software

- 2.1 The Council is only responsible for the control and maintenance of computer equipment provided by the Council. The Council provides ~~tablet~~equipment for the use by Councillors. No responsibility or work will be undertaken by ICT on computer or telephony equipment not provided by the Council. Members using their own computer equipment will be responsible for the cost and maintenance. Support for council provided equipment can only be provided at Surrey Heath Borough Council offices in Knoll Road.
- 2.2 All equipment and software provided by the Council remains the property of the Council at all times. The equipment provided is solely for the use of the Council Member for whom the equipment is provided and is not to be used by other members of the household, friends or relatives.
- 2.3 The Member is responsible for keeping the equipment provided in a good condition, subject to fair wear and tear. Due care must be undertaken to keep the provided equipment safe and secure, in accordance with the signed equipment agreement. Equipment must not be left unattended in a vehicle in plain sight and must be removed overnight. In the event of a device being lost which has access to Council information should be reported to the ICT team ~~team as soon as possible~~ as soon as possible or by the next working day if over a weekend.
- 2.4 The Member must return all the equipment supplied by the Council, if the Member ceases to be a Member of the Council, the equipment is no longer required. ~~or~~ on request by the Council, or if the Audit and Standards Committee is satisfied that the Member has broken this Code of Practice. The equipment should be returned, or made available for collection as soon as possible and within one month of the above circumstances occurring.

2.5 Access to USB storage is disabled on Council supplied equipment and all data should be saved in provided cloud storage solution. ~~Waste computer output must be disposed of with due regard to its sensitivity. Printed output with confidential or personal details must be shredded. Special confidential waste sacks can be provided by the Council for the disposal of sensitive waste.~~

2.6 ~~Waste Ceomputer output must be disposed of with due regard to its sensitivity. Printed output with confidential or personal details must be shredded. Special confidential waste sacks can be provided by the Council for the disposal of sensitive waste.~~

### 3. Training and User Guides

3.1 User notes are normally provided for email, storage and iPadequipment usage. An induction / training session will be provided as part of equipment issue. Additional assistance and training at Surrey Heath Borough Council offices can be provided on request through the ICT Service Desk.

### 4. Passwords / Authentication

4.1 Passwords must be kept secure and must not be disclosed to anyone, except to staff authorised by ICT staff, where required. Passwords must not be written down or displayed in any way that would allow the password to become known to others. Multifactor Authentication (MFA) must be used in combination with a password to further enhance security.

4.2 Access to your Surrey Heath provided account outside of UK is restricted, should you require access outside the UK please provide at least 5 working days' notice to the ICT team.

### 5. Email, Storage and Internet Usage

5.1 The email, storage and software facilities provided by the Council should be principally used for Council business. Council business is defined as "business which is applicable to the work officially undertaken for the Council and relates to the services of the Council", this may include communication with your constituents. If storing ward work, for example; personal details of complaints, personal data held for constituency purposes, surgery lists, charity association data, canvassing data, political party records or data that does not relate directly to the statutory function of the Council this should be stored in a separate folder so that it can be easily identified to ensure that it is not released under FOI and is not retained by the Council for longer than is necessary. Data should be saved to Cloud storage and not directly to the laptop – ICT cannot be held responsible for any data loss as a result of data being saved directly to the device.

5.2 The Council will provide an official email account, for each Member, using the domain name of [surreyheath.gov.uk](mailto:surreyheath.gov.uk). This email account should be used for all Council official and work related email sent and received by the Member. Web

based personal or non-Council email accounts such as Hotmail and Gmail must not be used for Council business.

- 5.3 Under no circumstances should a rule be applied to your Surrey Heath provided email account to automatically redirect emails or calendar appointments. This includes to another Council if a Surrey County Councillor or a Parish Councillor.
- 5.4 As a Member of the Council it is important that appropriate language and style of communication is used. Councillor emails, storage, Teams, Social Media accounts and written communication fall under the Freedom of Information Act and Data Protection Subject Access Rights and need to be made available for release, subject to applicable exemptions being applied, on request from the Information Governance Manager.
- 5.5 Abusive, harassing or defamatory remarks, fraudulent or obscene messages or materials must not be used within email messages or attachments. The sending or forwarding of chain letters, text jokes, joke images or other forms of mass mailing is also prohibited. Members should always be aware that material that they personally may find inoffensive could be offensive or hurtful to others. Emails should be written in a business-like manner.
- 5.6 Unacceptable uses of the Internet from council provided equipment include, but are not limited to:
- (i) the downloading, transmission or posting of any material which is pornographic, obscene, threatening, insulting or otherwise offensive in nature.
  - (ii) personal use for product advertisement, recreational or commercial activities.
  - (iii) any unlawful or illegal activities.
  - (iv) any other activity which, under the Code of Conduct, would bring the Council into disrepute.
- 5.6 All external outgoing email will be appended automatically with the Council's standard disclaimer.

5.7 To protect the Council network any suspicious activity or communications should be reported to the ICT Service Desk as soon as possible. You should not click on any links or forward any emails unless you are sure who they have come from and that they are legitimate, if in any doubt at all contact the ICT Service Desk.

## **6. Use of Social Network Sites**

- 6.1 Members need to assess the risk posed by their individual use of social network sites such as Facebook or Twitter. If a member is unsure of whether to use a social networking or public online site, they should seek advice and guidance from the Group Leader or the Monitoring Officer. Members must be mindful that they follow the Surrey Heath Code of Conduct for Members when they represent Surrey Heath Borough Council on such sites.

## 7. Software Licensing

- 7.1 The Council operates software-licensing controls and deliberate downloading of unauthorised software from the Internet onto Council provided equipment is strictly forbidden. Authorised downloads would normally only include Council prescribed apps and documents designed for viewing or printing. Any additional software requests need to be approved by ICT Management.

## 8. Monitoring of Email, Storage and Teams

- 8.1 The Council reserves the right to monitor email, storage and Teams usage under the supervision of the Monitoring Officer.

8.2 Council supplied devices will be monitored to ensure they remain in compliance with configuration and updates. ICT have the ability to remotely wipe a device should it be lost or stolen, to maintain security. Devices that do not check-in online within a 90 day window will be automatically wiped (emails and data stored in the cloud will be retained).

8.3 Should a device loose configuration, ICT must be informed and will undertake the enrolment process to ensure the device receives the required policies

## 9. Abuse of the Code of Practice

- 9.1 Breach of the Code of Practice, as determined by the Audit and Standards Committee, may result in Council owned equipment being removed and /or wiped.-

## 10. Data Protection

10.1 Elected members have data protection responsibilities for personal information they process in their work. This means they are responsible for making sure all personal data handled by their office is done in a way that complies with the requirements of the Data Protection Act and UK General Data Protection Regulations. Further guidance for Councillors when collecting and processing data can be found in the SHBC Data Protection Guidance for Councillors.

10.2 Elected members are data controllers under the UK General Data Protection Regulation for Ward work. It is the responsibility of each member to identify if they are required to register with the Information Commissioners Office.

10.3 Elected members should use the Council's email and storage facility provided to them by the Council for Council business, if a Councillor chooses to store ward work on the Council provided storage then as the data controller of that data they are responsible for ensuring that this is separated and clearly identified. Information stored on the Council network may be subject to the Council's Freedom of Information procedures and Data Protection policy.

10.4 Councillors are advised that they must not hold personal information for longer than is necessary for the purposes in which they received the information. It is

advised to securely delete data when it is no longer required and to run annual audits of the personal data that they are processing and storing to ensure they are not holding data for longer than is necessary, ~~any data that is no longer required or has met its retention period should be securely deleted or destroyed.~~

- 10.5 Any data stored on the Council network by the member will be retained until such a time that the member leaves office. When the member has left office the Council will close access to the data and the data will be deleted from the network. Any Member's emails will be retained in line with the Council's email retention policy.
- 10.6 In the event of electronic or paper medium containing Council personal, sensitive or confidential information being lost or miscommunicated, the Data Protection Officer (Monitoring Officer), Information Governance Manager or ICT Manager must be notified immediately.
- 10.7 In order to protect themselves and the Council, all Members are strongly encouraged~~required~~ to undertake bi-annual~~biennial~~ training in relation to Data Protection.

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# Documents which support the Constitution

## Part F

### Social Media Protocol for Councillors

#### Introduction

1. All ~~Councillors~~ ~~Members~~ of the authority are required to act in accordance with the ~~Councillor~~~~Member~~ Code of Conduct whilst acting in their official capacity. Any Councillor's use of social media platforms may be deemed to be acting in an official capacity if the circumstances would lead a reasonable person to conclude that this is the case. An objective test would apply and, as such, a Councillor's view on the matter is instructive but not conclusive. It is therefore advisable for Councillors to apply the guidance in this protocol at all times when using social media platforms.
2. Blogging and social media networking are effective methods for ~~C~~eouncillors to interact with constituents and support local democracy. Used effectively, they can engage those who would not normally have access to local ~~C~~eouncillors and politics. However, it is not always clear whether such activities are covered by the Code of Conduct. This guide is intended to assist ~~Councillor~~~~members~~ in complying with the Code, – promote high standards and ensuring that the use of online media is well received.
3. ~~Councillors~~~~You~~ should reflect carefully on the content and tone of communicationsthink about what you say and how you say it and apply the same considerations as communications in person or by email or letter. Acceptable conduct and standards are constantly evolving and Councillors should be mindful of the diversity of views and opinions, particularly on sensitive subjects,– in just the same way as you must when making statements in person or in writing.
4. ~~You will also need to think about whether you are seen to be, or give the impression that you are acting in your official capacity as a councillor. If you do give the impression that you are acting in your official capacity whilst blogging or using social media, such activity will be caught by the Code.~~
- 5.4. ~~C~~individual councillors are permitted to have their own official social media sites as ~~Councillor~~~~Members~~ of Surrey Heath Borough Council and should be aware that any communications, on such sites, wouldmay be in an official capacity. but in these they must conform to the protocols of the Council.
- 6.5. ~~If Councillors are likely to be deemed to be acting in an official capacity if any communications on you have a private blog relate you must bear in mind that if you refer to council business or could be interpreted as relating to council business. in it, you may be viewed as acting in your official capacity.~~
- 7.6. ~~To assistmake sure Councillorsyou to~~ comply with the Code of Conduct whilst acting in an official capacity, you are requested to observe the following guidelines should be observed:

#### Do

- Consider whether there is a~~you~~ need to set appropriate privacy settings for ~~a~~your~~ blog or networking site ~~–especially~~ for a~~if you have a~~ private, non-political blog.~~

- ~~Delete any~~Keep an eye out for defamatory or obscene posts ~~from others on any~~your blog or page ~~and remove them as soon as possible, to avoid the perception that you condone such views~~
- ~~Be aware that the higher your profile as a Councillors that have leadership roles or responsibilities, a greater degree of scrutiny and significance may apply to social media communications; this reflects the Nolan principles embedded in the Code of Conduct, in particular leadership. These principles are set out in Annex 1, the more likely it is you will be seen as acting in your official capacity when you blog or network~~
- ~~Ensure you use council facilities appropriately; and be aware that any posts you make using Council facilities will be viewed as being made in your official capacity/ and or an inappropriate use of Council resources.~~
- ~~Councillors should be~~Be aware that by publishing information that you could not have accessed without your position as a councillor, you they will be seen as acting in any official capacity if they publish information on social media platforms that could only have been accessed in their position of Councillor.
- ~~Make political points, but be careful about being too specific or personal if referring~~Give due consideration to comments about ~~to~~individuals. ~~Personal comments about individuals may be outside the boundaries of political freedom of speech and expression. An attack on individuals may be seen as disrespectful, whereas general comments about another party or genuine political expression is less likely to be viewed as disrespect.~~

### Don't

- Blog in haste.
- Post comments that may be deemed inappropriate you would not be prepared to make if otherwise sent by email or letter~~n~~writing or made in person, face to face
- Use council facilities for personal or party political blogs.
- Refer to or republish, on any social media platform any information identified by the Council as confidential or exempt~~in any Social Media Channel~~

### When the Code of Conduct may apply

~~8-7. Councillors Bear in mind the Code when you blog or use social networking sites. You should pay particular attention to the following values and behaviours identified~~paragraphs in~~of~~ the Code:

- Disrespect
- Bullying
- Disclosure of confidential information
- Disrepute
- Misuse of authority resources



9.8. It is difficult to give definitive advice on the application of the Code as each blog and social networking page is different. The content of a blog or other social networking tool and the circumstances surrounding its creation will determine whether or not it might be covered by the Code.

10.9. Ethical use of online social media is not limited to what is covered in the Code. ~~Councillors are encouraged to respect the principles of the Members' Code of Conduct, which can be found at Part 5, Section A of the Constitution.~~ While ~~communications~~ your conduct may not be a breach of the Code, ~~they~~ it may still be viewed as less than exemplary and attract adverse publicity for ~~the~~ your office of Councillor, political party/group and the Council. The Nolan principles of Leadership an integrity are paramount in all communications with Councillors and promote high standards of conduct. It is expected that Councillors observe these principles at all times when using social media when acting in their capacity as a Councillor.

### Derogatory comments

11.10. On occasion, Councillors might find themselves the subject of offensive or defamatory remarks on other people's' blogs or networking sites. The following approach is advised in such circumstances, and applies equally to any form of publication:

- Pursue a policy of indifference to such remarks, but any response should avoid the if you do wish to respond, do not be tempted into retaliation because this would you may risk breaching the Code. You could ask the blog owner/person could be asked making the remarks to remove the remarks from the site.
- If the person making the comments is a local authority, town or parish Councillor, discuss the situation with the Monitoring Officer. It might be the case that the Councillor person has breached the Code by making the remarks, and it could be appropriate to make a complaint to the Monitoring Officer.
- Aside from any possible breaches of the Code ~~of Conduct~~, the matter is usually deemed private between yourself and the individual. The Council cannot provide legal assistance for pursuit of a claim through the civil courts, but seeking you may decide that you wish to take independent legal advice may be a consideration.

### Use of Media Devices during Council Meetings

12.11. With the exception of meetings of the Planning Applications Committee, the Licensing Sub Committee, Standards Hearing Sub Committees, or the Full Council when considering major planning applications, Councillor Members may use media devices for any purpose.

13.12. At meetings of the Planning Applications Committee, Licensing Sub Committee, Hearing Sub Committees or the Full Council, when considering major planning applications, the decision-making Councillor Members may only use media devices to access meeting papers and for note-taking. Other Councillor Members in attendance at these meetings may use media devices for any purpose.

14.13. At all meetings, during the consideration of exempt items, Councillor Members may only use media devices to access meeting papers and for note-taking.

## Interaction with [the authority's SHBC](#) social media accounts

~~15-14.~~ The Council has its own official social media channels, predominantly on Facebook ([www.facebook.com/surreyheath](http://www.facebook.com/surreyheath)) and Twitter ([www.twitter.com/surreyheath](http://www.twitter.com/surreyheath)). Councillors are encouraged to share those posts onto their own social media accounts, adding accompanying comments if they so wish.

~~16-15.~~ Councillors should never disclose exempt information. Councillors should not add extra information beyond that in [any](#) the social media post/press releases as this could potentially compromise the Council, or even result in legal action.

~~17-16.~~ Councillors should not add any party ~~–~~ political comments in relation to a Council social media post that is advocating support or opposition for any political party or group.

~~18-17.~~ Council press releases are written by officers, and express the official Council position as democratically decided, including quotes from the Leader or Portfolio Holder. Related social media posts are not therefore an online debating chamber, and [C](#)ouncillors are encouraged (but not compelled) to use their own channels instead.

~~19-18.~~ Officers reserve the right to remove any comments (including those by [C](#)ouncillors) that may be deemed offensive or abusive in the view of the Monitoring Officer, or other appropriate officer.

## Annex 1

### Selflessness

Holders of public office should act solely in terms of the public interest.

### Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

### Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

### Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

### Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

### Honesty

Holders of public office should be truthful.

### Leadership

Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

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# **Documents which support the Constitution**

## **Part L**

### **Protocol for the appointment and role of Honorary Freemen and Honorary Aldermen**

#### **1. Procedure for nomination and appointment**

- 1.1 The Council may, in accordance with Section 249 of the Local Government Act 1972, and the provisions of this protocol, admit a person of distinction as an honorary freeman of the borough in recognition of their eminent services to the borough; or confer the title of honorary alderman upon a past member of the Council in recognition of their eminent services to the Council.
- 1.2 Any person conferred with the title of honorary freeman may elect to use the title of honorary freewoman. All provisions relating to honorary freemen in this protocol apply equally to those choosing to be referred to as an honorary freewoman.
- 1.3 Any person conferred with the title of honorary alderman may elect to use the title of honorary alderwoman. All provisions relating to honorary aldermen in this protocol apply equally to those choosing to be referred to as an honorary alderwoman.
- 1.4 Any person nominated for appointment as honorary freeman or honorary alderman must be proposed by a serving councillor and seconded by at least one other councillor and any such nomination must be put to the Head of Legal & Democratic Services in writing.
- 1.5 The nomination shall provide evidence that the person nominated meets the eligibility requirements referred to in section 2 of this protocol.
- 1.6 The 'person' nominated in respect of an appointment as honorary freeman may be an organisation.
- 1.7 The Head of Legal & Democratic Services will receive nominations, which will be referred to Group Leaders for consideration.
- 1.8 The Head of Legal & Democratic Services will liaise with the nominating councillors to ascertain whether the nominated individuals or organisations would be minded to accept the appointment.
- 1.9 The Proper Officer will arrange an extraordinary meeting of the Council in consultation with the Mayor.
- 1.10 The formal admission of a person of distinction as an honorary freeman or conferment of the title of honorary alderman upon a past member of the

Council shall be by a resolution of the Council passed by not less than two thirds of the councillors present and voting thereon.

## **2. Qualifications required for appointment**

### **Honorary Freeman**

- 2.1 A person shall be deemed eligible for appointment as an honorary freeman provided that they meet all of the following requirements:
- 2.2 The person shall:
- (i) be a person of distinction
  - (ii) have given eminent service to the borough. "Eminent service" in this context includes but is not limited to any of the following:
    - a) public service (including past distinguished service as an officer of the Council)
    - b) artistic and/or cultural endeavours
    - c) business, economic growth and prosperity
    - d) charitable work
    - e) religious and spiritual life
    - f) sporting activities
    - g) improvement to the built and/ or natural environment
  - (iii) have a strong and continuing connection with and commitment to the borough of Surrey Heath, or have made a major contribution to national life and in doing so have enhanced the reputation of the borough.

### **Honorary Alderman**

- 2.3 A person shall be deemed eligible for appointment as an honorary alderman provided that they meet all of the following requirements.
- 2.4 The person shall:
- (i) not be a serving councillor
  - (ii) have served as a Surrey Heath Borough councillor for an aggregate total period of at least 8 years
  - (iii) have given eminent service to the Council during that period. "Eminent service" in this context includes but is not limited to holding during their period of service as a councillor any of the following offices:
    - a) Mayor
    - b) Leader of the Council
    - c) committee chairman

### **3. Rights and Privileges**

#### **Honorary Freeman**

3.1 An honorary freeman shall be entitled to the following rights and privileges:

- (i) To enjoy the courtesy title of Honorary Freeman and to be so addressed.
- (ii) To have their name inscribed on the "Roll of Honorary Freemen of the Borough" at the Civic Offices.
- (iii) To participate in civic occasions and processions.
- (iv) To enjoy such other privileges as the Council may confer upon them from time to time.

#### **Honorary Alderman**

3.2 An honorary alderman shall be entitled to the following rights and privileges:

- (i) To enjoy the courtesy title of Honorary Alderman and to be so addressed.
- (ii) To have their name inscribed on the "Roll of Honorary Aldermen of the Borough" at the Civic Offices.
- (iii) To have a tree planted in their honour, in a place of their choosing.
- (iv) To participate in civic occasions and processions.
- (v) To have access to parking at the rear of Surrey Heath House.
- (vi) To have access to the Members' Room at Surrey Heath House.
- (vii) To receive a copy of the agenda for each Council meeting.
- (viii) To receive travel expenses when representing the Council on official occasions, in line with the provisions in the Members' Allowances Scheme.
- (ix) To enjoy such other privileges as the Council may confer upon them from time to time.

### **4. Restrictions on rights and privileges**

#### **Honorary Freeman**

4.1 Honorary freemen will be expected to conduct themselves in such a manner so as to not bring the office of honorary freeman or the Council into disrepute

nor to use the title or allow it to be associated with any matter of public controversy or any matter which is in any way political in nature.

## **Honorary Alderman**

- 4.2 The role of Alderman is an honorary one and to the public is perceived to be representative of the Council. In taking up this role all Aldermen must agree and adhere to the protocol laid down by this Council.
- 4.3 In taking this role, the Alderman becomes apolitical in public, knowing that any views expressed may be interpreted as views of the Council. Aldermen are not to speak on behalf of the Council in any way whatsoever.
- 4.4 The Alderman should seek to use the honorary title for civic events, which should be attended wherever possible, and in the furtherance of community activities for the benefit of society.
- 4.5 Section 249 of the Local Government Act 1972 provides that whilst an honorary alderman may attend and take part in such civic ceremonies as the Council may from time to time decide, they shall not, as such, have the right:
- (i) to attend meetings of the Council or a committee of the Council in any capacity other than as a member of the public; or
  - (ii) to receive any allowances or other payments as are payable to councillors.
- 4.6 No honorary alderman shall, while serving as a councillor, be entitled to be addressed as honorary alderman or to attend or take part in any civic ceremonies of the council as an honorary alderman.
- 4.7 Honorary aldermen will be expected to conduct themselves in such a manner so as to not bring the office of honorary alderman or the Council into disrepute nor to use the title or allow it to be associated with any matter of public controversy or any matter which is in any way political in nature. The Council also expects honorary aldermen to refrain from making public statements which are critical of the Council.

## **5. Withdrawal of honorary titles**

- 5.1 The offices of honorary freeman and honorary alderman are awarded for eminent service to the Borough and Council respectively, and are deemed by the Council to be non-political roles. It is therefore inconsistent for an honorary freeman or honorary alderman to be politically active. In the event of an honorary freeman or honorary alderman seeking election to the Council, or any other public office, he or she shall cease to hold the office of honorary freeman or honorary alderman (as the case may be) if he or she is still standing as a candidate immediately following the deadline for withdrawal of candidature.



- 5.2 At that time, the entitlement to the rights and privileges referred to in section 3 of this protocol shall cease automatically. The name of the person concerned will be deleted from the Roll of Honorary Freemen of the Borough or Roll of Honorary Aldermen of the Borough, as appropriate, and that person advised accordingly.
- 5.3 The Council may withdraw the title of honorary freeman or honorary alderman on a person, together with the associated rights and privileges, for significant reasons such as bringing the Council into disrepute. The question as to whether the respective title should be withdrawn shall be put by way of formal notice of motion, which must be submitted to the Chief Executive. The motion shall contain the reasons for such withdrawal. The Chief Executive shall ensure that the motion is included on the agenda for the next available meeting of the full Council. The formal withdrawal of the title of honorary freeman or honorary alderman from a person shall be confirmed only following a resolution of the Council passed by not less than two-thirds of the councillors present and voting thereon.
- 5.4 The honorary freeman or honorary alderman who is the subject of a motion referred to in paragraph 5.3 above shall be entitled, if they wish, to make representations to the Council when the motion is considered, for which they shall have five minutes immediately following the proposer and seconder's speeches. The honorary freeman or honorary alderman shall be granted a right of reply for a further period of three minutes at the end of the debate and before a final decision or vote is taken.
- 5.5 On the passing of such resolution in accordance with paragraph 5.3 above, the name of the person concerned shall be deleted from the Roll of Honorary Freemen of the Borough or Roll of Honorary Aldermen of the Borough, as appropriate, and that person advised accordingly.
- 5.6 Any person appointed as an honorary freeman or honorary alderman, who is subsequently re-elected as a councillor shall automatically assume the title and status of honorary freeman or honorary alderman once they cease to be a councillor.
- 5.7 Before the Council considers the formal withdrawal of an honorary title from an individual whom, it is alleged, has transgressed this protocol, the Monitoring Officer shall, subject to being satisfied that there is evidence of such transgression, contact them to remind them of the protocol and warning them that they risk censure by the Council and possible withdrawal of their title.
- 6. Resignation from the office of honorary freeman or honorary alderman**
- 6.1 An honorary freeman or honorary alderman may, at any time, tender their resignation from the respective offices of honorary freeman or honorary alderman which shall be given in writing to the Head of Legal & Democratic Services.

- 6.2 Upon receipt by the Head of Legal & Democratic Services of the written notice of resignation referred to in a) above, the entitlement to the rights and privileges described in paragraph 3 of this protocol shall cease automatically. The name of the person concerned shall be deleted from the Roll of Honorary Freemen or the Roll of Honorary Aldermen of the Borough, as appropriate.