

## SURREY HEATH BOROUGH COUNCIL

Surrey Heath House  
Knoll Road  
Camberley  
Surrey  
GU15 3HD

Tuesday, 19 February 2019

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, Knoll Road, Camberley, GU15 3HD on Wednesday, 27 February 2019 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

Karen Whelan

Chief Executive

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**1. Apologies for Absence**

To report apologies for absence.

**2. Minutes**

To approve as a correct record, the open minutes of the meeting of the Council held on 12 December 2018 and 30 January 2019.

**3. Mayor's Announcements**

**4. Appointment of Leader**

To appoint a Leader for the remainder of the term of office.

**5. Executive Arrangements**

The Leader has responsibility for the discharge of all executive functions, for the appointment of councillors to the Executive and for the determination of the individual portfolios to be allocated to the Portfolio Holders.

The Leader can choose to delegate any/all of the executive functions to the Executive as a whole; a committee of the Executive; an individual member of the Executive; an officer; an area committee; joint arrangements; local Member in relation to their ward, or another local authority.

The Leader to advise the Council in relation to

(a) the appointment of the Deputy Leader;

(b) the arrangements for the exercise of executive functions for the ensuing year;

(b) the appointment of councillors to the Executive;

(c) the individual portfolios to be allocated to the Portfolio Holders.

**6. Leader's Announcements**

**7. 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.

**8. 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).

**9. Questions from Councillors**

To deal with questions, if any, received under Council Procedure Rule 11.

**10. Setting of the Council Budget and Council Tax for 2019/20 (Pages 7 - 52)**

**11. Setting of Council Tax 2019/20 (Pages 53 - 58)**

**12. 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 – 11 December 2018 and 22 January, 30 January and 19 February 2019 (to be laid on the table)

At its meeting on 19 February 2019 the Executive will be asked to make the following recommendations:

### **Treasury Strategy 2019/20**

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

- (i) The Treasury Management Strategy for 2019/20;
- (ii) The Treasury Management Indicators for 2019/20 at Annex C of the agenda report; and
- (iii) The Minimum Revenue Provision policy statement and estimated minimum revenue provision payment table at Annex F of the agenda report

be adopted.

### **Corporate Capital Programme 2019/20**

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

- (i) the new capital bids for £2.348m for 2019/20, as set out at Annex A to the agenda report be approved and that they be incorporated into the Capital Programme; and
- (ii) the Prudential Indicators summarised below and explained in Annex C to the agenda report, including the MRP statement, for 2019/20 to 2021/22 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.

<b>Prudential Indicator</b>	<b>2019/20 Estimate d £000</b>	<b>2020/21 Estimate d £000</b>	<b>2021/22 Estimate d £000</b>
Capital Expenditure	2,348	640	600
Capital Financing Requirement	183,000	181,000	179,000
Ratio of net financing costs to net revenue stream	12.36%	11.65%	11.44%
Financing Costs	1,342	1,306	1,306
Operational Boundary	185,000	185,000	185,000
Authorised Limit	190,000	190,000	190,000

### **Investment Strategy 2019/20**

The Executive will be advised to **RECOMMEND** to Full Council the approval of the Investment Strategy, as set out at Annex A to the agenda report.

### **Capital Strategy 2019/20**

**The Executive will be advised to RECOMMEND to Full Council the approval of the Capital Strategy, as set out at Annex A to the agenda report.**

### **Pay Policy Statement**

**The Executive will be advised to RECOMMEND that the Surrey Heath Borough Council Pay Policy Statement 2019/20, as attached at Annex A to the agenda report, be agreed.**

- (b) Planning Applications Committee – 13 December 2018 and 10 January and 7 February 2019
- (c) Performance and Finance Scrutiny Committee – 5 December 2018 and 6 February 2019
- (d) Licensing Committee – 16 January 2019

### **6/L – Gambling Act 2005 - Draft Statement of Principles 2019- 2022**

**RECOMMENDED that the Gambling Act 2005 Statement of Policy – 31 January 2019 to 30 January 2022, as attached at Annex A to the agenda report, be adopted.**

- (e) Joint Staff Consultative Group – 17 January 2019
- (f) External Partnerships Select Committee – 12 February 2019

### **13. Governance Working Group (Pages 59 - 82)**

### **14. Community Governance Review (Pages 83 - 86)**

### **15. Leader's Question Time**

The Leader to answer questions from Members in relation to the Executive functions.

### **16. Exclusion of Press and Public**

The Mayor to move “That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the consideration of the business set out in items 17, 18 and 19 below on the ground that they involve

the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A of the Act.”

**17. Exempt minutes**

To approve as a correct record, the exempt minutes of the meeting of the Council held on 30 January 2019.

**18. Executive and Committees - Exempt (Pages 87 - 88)**

To receive the exempt minutes (reproduced in the Council Minute Book), to answer questions (if any) in accordance with Council Procedure Rule 11.5 and to consider any recommendations.

**19. Review of Exempt Items**

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

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## Setting of the Council Budget and Council Tax for 2019/20

### Summary:

This paper sets out the Council's Revenue Budget for 2019/20 together with recommendations for Council Tax. It also includes a financial forecast covering the next 3 years together with a strategy to address future financial challenges.

### Wards Affected – All

### Recommendation

The Council is advised to NOTE:

- a) that under delegated powers the Executive Head of Finance calculated the amount of the Council Tax Base as 38,054.42 (Band D Equivalent properties) for the year 2019/20 calculated in accordance with the Local Government Finance Act 1992, as amended;
- b) that expenditure totalling £2,042,116 be charged directly to reserves;
- c) that £185,000 be a special expense relating to the non-parished area of the Borough;
- d) That the budget includes provision of £250,000 for the proposed pay increase for all staff;
- e) the comments in respect of the robustness of the 2019/20 Budget and the adequacy of the Council's reserves, provisions and the General Fund Working Balance;
- f) the comments in respect of the financial forecast, strategy and future financial sustainability of the Council;

The Council is advised to RESOLVE:

- g) that the Budget Requirement for 2019/20 be £13,157,835 as set out at the end of Annex A;
- h) that the Council Tax Requirement for the Council's own purposes for 2019/20 be £8,324,785 as set out in Annex A and;
- i) that the Council Tax for 2019/20 (excluding special expenses and Parish precepts) be set at £218.66 for a Band D property

## 1. Resource Implications

- 1.1 This paper sets out the Council's revenue budget for the coming financial year. Councils are legally obliged to set a balanced budget and the budget presented achieves this through a combination of

efficiencies, increased returns from investment assets and increase in Council Tax.

- 1.2 This overall budget has increased compared to last year. This is due to inflationary pressures in areas such as wages and contracted costs together with reductions in grants for services the Council provides. This has been offset by increases in investment income, use of grants and reserves. There is no general savings target included within this year's budget.
- 1.3 The summary budget is included at the end of Annex A and a more detailed set of individual budget for services – the budget book – has been published on the website and is also available in the Member's room.
- 1.4 The Council continues to receive no Revenue Support Grant and central funding, which includes business rates, has fallen by £2.7m in 8 years. This loss, together with inflationary pressures, has been made up by the Council following a strategy of greater efficiency, investment in property and income generation rather than cuts to services.
- 1.5 So far this strategy has been successful but does carry a significant amount of risk. The current uncertain economic times, in particular around the future of the retail sector, poses a question as to whether this will be sustainable in the future. The financial forecast indicates that there are future budget pressures to be addressed if current services are to be maintained. That said, despite the risks, only the Council's commitment to its town centre through investment could actually bring the regeneration of Camberley to reality.
- 1.6 The Government has stated that Councils will be required to hold a referendum if their Council Tax increase is more than the higher of 2.99% or £5. This budget has been prepared on the basis of slightly below the maximum permissible increase of 2.94%, for rounding purposes. This level of increase is assumed by Government when they consider local authority funding and members are urged to approve it. Both Surrey County Council and the Police have gone for the maximum permitted increases. This will mean that the Surrey Heath Band D council tax will become £218.66 which is an increase of £6.24 on the previous year.

#### Future Resource Implications

- 1.7 There are a number of changes to Local Government Finance expected in the coming year. The Government has published a consultation paper on its proposals for changes to Business Rates and Council Funding. This will be implemented in the new funding settlement for 2020/21 onwards. Unfortunately from the information provided it is not possible to determine the impact of the changes on Surrey Heath or on Local Government in general. It will be interesting to see whether the funding review results in additional resources for



local government or just a change in how these are shared out. It is likely that District Councils will not feature highly in demands for additional cash compared to other areas such as social care and so their funding will at best stay level or more likely continue to reduce.

- 1.8 In addition to the funding changes the Government is keen to roll out its 75% localisation of business rates across the country in 2020/21. This will see Councils being able to keep 75% of any gains, but also being liable for 75% of any losses over a pre-set baseline. In addition to this the whole business rates system is likely to be rebased meaning that existing gains and losses will be shared out nationally. Clearly where the new baseline is set will have a major impact as to whether an individual council is able to make any gains/losses in the following years. If it is set too high then whatever the Council does to stimulate growth it is unlikely to benefit, if it is set too low then this may benefit successful areas disproportionately. The setting of the baseline will be closely linked to the outcome of the Fair Funding review. As if these changes were not enough there is also talk of a revaluation of business rates in 2020 which would impact what businesses pay and therefore what is collected. Considering all these things together it is extremely difficult to predict with any certainty what the Council's funding will be beyond this coming year. It is perfectly possible to foresee a situation after these changes where eventually the Council actually keeps no business rates at all.
- 1.9 There are also likely to be changes to other grants such as the New Homes Bonus, Homelessness, Housing benefit, Admin grants etc. but what these will be, other than a reduction, is difficult to predict.
- 1.10 The Council is required to prepare a Medium term Financial Forecast so as to demonstrate that it can achieve a balanced budget in the future or that it understands the challenges in delivering one. This forecast, together with the Financial Strategy, has been included as Annex C in this report. The preparation of the forecast this year has been particularly challenging given there is no information on funding beyond 2019/20.
- 1.11 The strategy includes a number of assumptions and these are set out in the paper. The key ones being:
  - An estimate as to what future funding will be
  - No reduction in services offered
  - Only capital expenditure, and the revenue costs resulting is included if approved by members.
  - The redevelopment of the London Road Development and the Arena Leisure centre have been assumed to be revenue neutral i.e. they will generate sufficient income to cover costs. If this is not the case then this may add or reduce financial and cash flow pressures going forward.

- 1.12 The financial strategy indicates that there will be an ongoing financial gap as follows:

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
<b>Resources</b>	11,191	10,790	10,903	11,031
<b>Expenditure</b>	-12,365	-12,723	-12,911	-13,102
<b>Net position</b>	-1,173	-1,933	-2,008	-2,071

- 1.13 The Council has over the years made significant internal efficiency savings and sought to reduce the cost of services through collaboration with other bodies. Rather than cut services the Council has pursued a strategy of increasing income, mainly through investment, and this has been successful in meeting these challenges so far. However the impact of further reduction in funding coupled with the impact of inflation and rising costs has meant that the Council has a future funding gap. This Investment strategy will need to continue to ensure that the Council has sufficient resources to maintain services independent of Government funding changes. Furthermore the Council will only be able to borrow money if it has a means to repay it since there is likely to be very little surplus resource within the existing budget. That said the ultimate solution may well be closer collaboration across Surrey if not a full reorganisation of local government as the current arrangements may not be financially sustainable in the longer term. This outcome may be precipitated anyway by the financial issues at Surrey County Council.

## 2. Key Issues

- 2.1 The level of budget set and the allocation of resources can impact all the Council's services. This report:
- Sets out recommendations for the Budget and Council tax for 2019/20
  - Gives details of expected funding including Business Rates and grants for 2019/20
  - Includes a financial forecast and strategy showing the financial challenges the Council faces in the future.
- 2.2 The 2019/20 budget has been built up from individual service budgets that are shown in detail in the budget book. Where possible inflationary pressures have been absorbed and an allowance of £250k has been made for pay increases this year.
- 2.3 Government funding in the form of business rates and New Homes Bonus has been based on the provisional settlement announced on the 13th December 2018. This was confirmed on the 29<sup>th</sup> January 2019.

- 2.4 Last year Surrey Heath was part of a Surrey based Business Rates pilot. This was expected to generate £500k which would have gone to Government. The actual amount will be known when the current financial year ends and so is not reflected in this budget, however it was agreed when the pilot application was made that it would be used for economic development projects. An application was made to join a new pilot for 2020/21, albeit on not such advantageous terms, and the outcome is still awaited. Although the Council collects £40m from local businesses only 4% comes to the borough to pay for services. That said Business Rates income has increased well above the original base and so some of this increase has been used to support the budget for this year.
- 2.5 Surrey Heath has invested money in property over the last 3 years which is contributing £1.245m, after borrowing costs and loan repayments, to support Council services. Although this income stream is not without risk it is vital if services are to be maintained in the face of Government funding cuts.
- 2.6 As the Council has no capital receipts the Council can only fund its capital plans by way of grant or borrowing. If these projects are not in themselves self-financing then the interest and Minimum Revenue Provision have to be covered. For every £1m borrowed about £36k revenue is required per year, assuming the asset has a life of 50 years, and so more income generating investments, or reductions in costs, will be required to cover this cost.
- 2.7 The Council maintains a number of earmarked reserves and provisions. All reserves and provisions are considered appropriate and supportive of future expenditure requirements. Revenue Reserves (including earmarked reserves) are projected to be around £30m at the 31st March 2019. These reserves are not only needed for future committed expenditure, such as SANGS, but also to manage the significant financial risks around commercial property and interest rates. Included within this budget is expenditure totalling £2m which has been charged to reserves.
- 2.8 The General Fund reserve, which is the Council's contingency fund, needs to be sufficient to deal with any unexpected expenditure. Provided Council Tax is increased as predicted and the budget delivered then the General Fund should be at least £2.0m at the 31st March 2020. A risk calculation, attached as Annex B indicates that a minimum balance of £2m is needed to provide financial cover for day to day cash flow and any financial emergencies which may occur during the financial year.
- 2.9 A number of fees and charges have been increased and have been approved in accordance with the Financial Regulations. These changes are reflected within the Budget.

2.10 The financial strategy, included as Annex C, sets out the predicted financial challenges that the Council faces and sets out ways that these can be addressed. It is the responsibility of the Section 151 Officer to ensure that the budget remains balanced and therefore the financial strategy is an important document in flagging up potential future issues.

### Robustness of the 2019/20 Budget

2.11 The Local Government Act requires the Council's Chief Financial Officer to report to Council upon:

- The robustness of the estimates made for the purposes of the calculation of the Council tax requirement; and
- The adequacy of the proposed financial reserves

2.12 CIPFA has recently published its draft resilience index for all local Councils and the Section 151 officers are to have regard for this when preparing a view on the robustness of the budget. The results for Surrey Heath are shown in the table below:

#### Surrey Heath

	Min	Authority	Max
Reserves Depletion Time	0.00	100.00	100.00
Level of Reserves	16.6%	300.0%	300.0%
Change in Reserves	-100.0%	50.8%	360.8%
Unallocated Reserves	0.0%	300.0%	300.0%
Earmarked Reserves	6.4%	300.0%	300.0%
Change in Unallocated Reserves	-84.5%	15.9%	400.5%
Change in Earmarked Reserves	-63.2%	58.6%	1946.3%
Grants to Expenditure Ratio	0.0%	0.0%	24.8%
Council Tax Requirement / Net Revenue Expenditure	37.0%	100.0%	100.0%
Retained Income from Rate Retention / Net Expenditure	2.1%	100.0%	100.0%
Auditors VFM Assessment	<b>Unqualified</b>		

2.13 Generally speaking, with the exception of grants ratio, the higher the value the more financially resilient the Council is considered to be.

2.14 The Council's Chief Financial Officer confirms he is satisfied that the preparation of the 2019/20 estimates has been undertaken with rigour and due diligence and provides the appropriate level of resources to meet forecast service requirements. He also reports that the Council's Reserves, Provisions and the General Fund Working Balance, supplemented by the Revenue Capital Reserves are at such levels to meet all known future expenditure requirements and fund any unforeseen or urgent spending which may arise.

2.15 The Chief Financial Officer would like to draw attention to:

- the risks within the Budget particularly around the reliance on income to fund services and;
- the continuing need to make further savings and increase income, as shown by the Medium Term Financial Forecast, if services are to be maintained and the Council remain financially sustainable into the future.

### **3. Options**

- 3.1 Members have the option of rejecting or amending the budget and/or Council Tax increase. However any changes must ensure that the budget remains balanced otherwise it cannot be approved.

### **4. Proposals**

- 4.1 It is proposed that the Council NOTES:

- a) that under delegated powers the Executive Head of Finance calculated the amount of the Council Tax Base as 38,054.42 (Band D Equivalent properties) for the year 2019/20 calculated in accordance with the Local Government Finance Act 1992, as amended;
- b) that expenditure totalling £2,042,116 be charged directly to reserves;
- c) that £185,000 be a special expense relating to the non-parished area of the Borough;
- d) That the budget includes a sum of £250,000 for the proposed pay increase for all staff;
- e) the comments in respect of the robustness of the 2019/20 Budget and the adequacy of the Council's reserves, provisions and the General Fund Working Balance;
- f) the comments in respect of the financial forecast and strategy in respect of the future financial sustainability of the Council;

- 4.2 It is proposed that the Council RESOLVES:

- a) that the Budget Requirement for 2019/20 be £13,157,835 as set out at the end of Annex A;
- b) that the Council Tax Requirement for the Council's own purposes for 2019/20 be £8,324,785 as set out in Annex A and;
- c) that the Council Tax for 2019/20 (excluding special expenses and Parish precepts) be set at £218.66 for a Band D property

### **5. Supporting Information**

- 5.1 This is included within the annexes to this paper.

### **6. Corporate Objectives And Key Priorities**

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

## **7. Legal Issues**

- 7.1 The Council has a statutory duty to set a balanced Budget. The Budget, which is approved by Full Council, will form part of the Council's Budget and Policy Framework. With only a very few exceptions, all decisions of the Executive, Council, Officers, and subordinate bodies must be taken in accordance with the Council's Budget and Policy Framework.
- 7.2 The Council has a duty to appoint an officer with specific responsibility for the proper administration of its financial affairs. At Surrey Heath Borough Council, this officer is the Executive Head of Finance ("Section 151 Officer"). When making recommendations for the Budget, the Council's Section 151 Officer must report on both the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council's Section 151 Officer has a duty to make a formal report - section 114 report (to full Council and to the external auditor) if it appears to him that the expenditure or proposed expenditure of the Council is likely to exceed the resources available to it to meet that expenditure.

## **8. Sustainability**

- 8.1 The Budget, setting of Council Tax and financial strategy underpin the Councils ongoing financial sustainability.

## **9. Risk Management**

- 9.1 There are a number of significant financial risks in relation to the budget as follows. These are as follows:

### National economy

- 9.2 The uncertainty over Brexit coupled with inflation could have a big impact on the Council's budget. Each 1% increase in interest rates adds over £1m to borrowing costs and similarly a 10% cut in retail rental values would take £500k out of the Councils retail income. Although a prudent view has been taken based on professional advice, the performance of the retail sector and its impact on property values is a particular cause for concern as the Council has invested so heavily in this sector. Similarly a downturn in the housing market could impact planning fees and housing development.
- 9.3 Inflation has added to budget growth during the year and continues to be a concern. If costs were to rise even more quickly this could also put strain on the budget. It should also be remembered that these factors may also impact our residents and businesses and therefore impact their ability to pay their Council Tax and Business Rates.

### Salaries

- 9.4 The salary budget has assumed a budgeted pay rise of 2.5%, which has been agreed with staff, in order to bring the Council in to line with other Surrey districts. The budget also assumes a 4% vacancy margin for staff turnover during the year.

#### Surrey County Council

- 9.5 The Council still receives grants from Surrey CC to support its community services although these have reduced significantly this year. There is a risk that these remaining grants may not be paid given the financial challenges in Surrey and therefore the cost of these services would then fall on the Council. If in the future Surrey County Council was unable to deliver a balanced budget this could lead to a full reorganisation of local Government within Surrey.

#### Financial Strategy

- 9.6 There are a number of financial risks within the forecast which are explored in more detail in the document itself. These primarily are around assumptions in respect of inflation, future funding, interest rates etc. Any change in these assumptions does have a major impact on the forecast going forward and the challenges it presents.

### **10. Equalities Impact**

- 10.1 The Council recognises that where budgetary proposals are likely to have a significant impact on Council policies or service provision, such changes may have a disproportionate impact on particular sectors or groups within the population. It is thus important to conduct an assessment of such impact, in line with the Council's commitments as set out in our Corporate Equality Plan, and in compliance with our statutory equality duties.
- 10.2 Where significant service changes are likely to occur as part of proposals included in budgetary proposals, the Council is thus conducting Equality Impact Assessments (EIA) of these proposals. EIAs are all about considering how such proposals may impact, either positively or negatively, on different sectors of the population in different ways. The purpose of such assessments is to;
- Identify whether the proposals are likely to have a disproportionate impact on any particular group within the population;
  - whether such an impact is positive or negative; and
  - whether such an impact might constitute unlawful discrimination.
- 10.3 Where disproportionate negative impact and/or unlawful impact are identified, the assessment provides a means for the Council to take appropriate steps to either avoid such an impact or take appropriate action to mitigate it.

## **11. PR And Marketing**

- 11.1 The financial standing of the Council is always a matter of interest to local residents and other stakeholders. It is important that the public is informed as to how little Business rates the borough receives compared to what it collects from local ratepayers.

## **12. Officer Comments**

### Conclusion

- 12.1 A couple of years ago it appeared that the council had gone a long way to addressing the financial challenges it faced. Since then there have been further cuts in funding and grants but more significantly costs have risen and these increases could not be absorbed through further efficiencies. In addition the continued slowing of the economy has impacted retail rents in particular and this has had a knock on impact on the Council's finances. It should be noted however that the Town centre was purchased with a view to advancing the Council's aspirations for Camberley rather than investment return however the returns did help to address the Council's financial challenges. Further properties have been purchased in 2018/19 and these have gone to help the Council deliver a balanced budget. In total in the 2019/20 budget property purchases are budgeted to contribute £1.2m to the Council's Budget – that is equivalent to an increase in Council Tax of 15%.
- 12.2 The investment in property coupled with increases in business rates and use of reserves has enabled the Council to maintain services and present a balanced budget for 2019/20. However the financial forecast has identified further challenges in future years leading to a budget gap of almost £2.2m by 2023/24. Although the Council has adequate reserves at the moment to manage this it only provides breathing space and so action must still be taken.
- 12.3 The Council will need to continue to grow and maximise its income streams, be this by further investment in property or raising charges, if service cuts are to be avoided in the future. It will also need to seriously consider greater collaboration with other Councils so as to reduce costs as well as looking at ways to manage demand.
- 12.4 None of what has been done so far or what is proposed is without risk and indeed in the current climate these risks could be significant enough to impact across the Council.
- 12.5 There is no doubt that in an ideal world Councils would be adequately funded through taxation for the services they provide. Sadly this is not likely in the foreseeable future and so Surrey Heath has to continue to be bold and take control of its own destiny, taking account of whatever risks and opportunities this may give rise to.



12.6 Members are therefore urged to grasp all income generating opportunities as they arise, however unpalatable they may seem, and this includes increasing Council Tax by the maximum amount permitted without a referendum.

<b>Annexes</b>	<b>A - 2019/20 Budget B - Adequacy of General Fund C - 2019/20-2022/23 Financial strategy</b>
<b>Background Papers</b>	<b>2019/20 Budget Book</b>
<b>Author/Contact Details</b>	<b>Adrian Flynn – Chief Accountant Kelvin Menon – Executive Head of Finance</b>
<b>Head of Service</b>	<b>Kelvin Menon – Executive Head of Finance Kelvin.menon@surreyheath.gov.uk</b>

## **ANNEX A**

### **Council Tax and Revenue Budget 2019/20**

#### **Introduction**

1. The Executive considered the Budget as outlined in this annex on the 19th February 2019 and, whilst recommending the Budget, decided to reserve its position on Council Tax for this meeting. Only Full Council can set the Budget and Council Tax. This paper sets out the information required to enable Council to make that decision and support the recommendation made.
2. The complete budget is included at the end of this Annex. However in order to aid members understanding it has been broken down in to various sections and these are examined in turn.

#### **Net Cost of Services**

3. Each service completes a detailed budget page for every activity it delivers. These are available in the Budget Book 2019/20 which has been placed on the website and in the members room. The individual budget pages are then added together to give the total for each service.
4. In order to get to the net cost of services the following adjustments are made:
  - A staff vacancy margin of 4% is deducted to represent staff turnover in the year;
  - The “minimum revenue payment” or MRP represents the statutory amount of debt the council must repay/set aside. Interest is charged directly to services;
  - Internal assets charges (or depreciation) which has been charged to services is reversed out as by statute this is not allowed to be charged to the General Fund and taxpayers.
5. The table below shows the breakdown of the net cost of services and notes have been provided on the key changes in service budgets compared to last year.

<b>NET COST OF SERVICES</b>			
	<b>2018/19</b>	<b>2019/20</b>	<b>Variance</b>
	<b>Budget</b>	<b>Budget</b>	
	<b>£</b>	<b>£</b>	
Business	943,324	961,515	18,191
Community	4,478,341	5,029,957	551,616
Corporate	1,629,680	1,851,855	222,175
Finance	1,837,587	1,969,280	131,693
Legal and Property	-45,220	-480,401	-435,181
Investment and development	-1,912,080	-852,389	1,059,691
Regulatory	1,897,265	2,139,019	241,754
Transformation	3,261,803	3,420,756	158,953
	<b>12,090,700</b>	<b>14,039,592</b>	<b>1,948,892</b>
Less: Staff cost amendments	200,000	0	-200,000
Add: Minimum Revenue Payment	1,353,000	2,014,000	661,000
Internal asset charges reversed	-2,294,700	-2,625,700	-331,000
<b>NET COST OF SERVICES</b>	<b>11,349,000</b>	<b>13,427,892</b>	<b>2,078,892</b>

#### Business - £18k growth

6. The services has made savings on its Grounds maintenance contract during the year but has had to use this to fund increases in costs as a result of the on street parking transferring to SCC and wages for staff.

#### Community - £551k growth

7. £425k of the total increase is due to an increase in asset charges (depreciation) of which £300k is due to the refuse vehicles alone. Under local authority rules these are not charged to the budget however the £300k for the refuse vehicles does get charged as part of the "minimum revenue payment" (MRP) since they are funded by borrowing. The service has also lost £138k in payments from Surrey CC for recycling and community services. Contractor inflation on refuse and street cleaning alone amounted to £281k although some of this has been offset through savings on waste contract management and additional income of £176k. In addition there have been staff savings of £80k, offset by wage rises, together with contractor penalties of £80k.

#### Corporate - £222k growth

8. £107k of the increase is the estimated cost of the elections in May 2019 which is being funded from reserves. The remainder relates to increments, wage rises and the vacancy margin which is now being held corporately

#### Finance - £131k growth

9. £40k growth has been included within corporate management to deal with traveller incursions and the remainder is wages

#### Legal - £435k saving

10. The two properties purchased in the year, Vulcan Way and Trade City will contribute £460k but this is offset in part by wage increases. All other changes have been absorbed within the service

#### Investment and Development - £1.0459 growth

11. The bulk of this, £1m, relates to the shortfall on rents which is being funded from the interest equalisation reserve. The remainder relates to wage growth.

#### Regulatory - £242k growth

12. Grants amounting to £71k relating to housing have been removed from the budget as it is anticipated these will not be available this year. £30k relates to an increase in asset charges for disabled grants and the remainder relates to salary increments, wages growth and the transfer of the vacancy margin to the corporate centre.

#### Transformation - £158k growth

13. £27k relates to asset charges for IT equipment. £34k has been saved from the closure of the council car scheme with the remainder being increases in staffing costs both in terms of increments, wages, new posts and vacancy margin now transferred
14. A budget book which includes a detailed for every function and service is published on the Council's website.

#### Contribution to the Budget from investment property

15. The Council has made substantial property investments over the last few years without which it would have been impossible to deliver a balanced budget. This is budgeted to contribute £1.245m to the 2019/20 budget after interest and loan repayments.
16. Although there are risks in property investment in that rentals and investment values can fall it is clear that without this investment being made services would have had to be cut or stopped as a result of funding reductions. In addition ownership of Camberley town centre has enabled the Council to advance its regeneration aspirations. The Council has adequate reserves to cover this risk in the short term to buy time so that further action can be taken.
17. Under the Prudential Regulations those Councils with borrowings must make an annual charge to revenue, called the minimum revenue payment (MRP), to ensure at the end of the life of the asset funded by debt the Council will have repaid, or will have the funds set aside to repay, any loans it has on that asset. Councils are prohibited from relying on

increases in asset values over time to repay debt. In the 2019/20 budget £2,014,000 has been charged to revenue in accordance with the Council's MRP policy for current and future debt repayment. This payment not only covers debts incurred for property purchase but also loans taken out to fund other assets such as refuse collection vehicles and capital improvements.

### **Surrey Heath Borough Council Tax Requirement**

18. The "Net Cost of Services" is not the amount Council Tax payers actually pay. Deductions are made for other sources of income such as grants, taxes and interest to come down to the "Council Tax Requirement" which represents the amount Council tax payers will be asked to fund. This is summarised in the table below:

<b>COUNCIL TAX REQUIREMENT 2019/20</b>			
	<b>2018/19</b>		<b>2019/20</b>
	<b>£</b>		<b>£</b>
<b>NET COST OF SERVICES</b>	11,349,000		13,427,892
Less: External Interest earned	-160,000		-140,000
Less: Internal Interest earned	-150,000		-150,000
Add: Contribution to Parishes	19,943		19,943
<b>BUDGET REQUIREMENT</b>	<b>11,058,943</b>		<b>13,157,835</b>
Less: Collection Fund Surplus	-379,500		-116,500
Less: Business Rates baseline	-1,508,666		-1,543,240
Less: Additional Business Rates	-200,000		-950,000
Less: New Homes Bonus	-863,886		-521,613
Add: Tfr to Reserves	863,886		521,613
Less: Funding from Reserves	-816,390		-2,042,116
Add: Parish Precepts	569,890		587,834
<b>COUNCIL TAX REQUIREMENT</b>	<b>8,724,277</b>		<b>9,093,813</b>
Less: Special Expenses	-180,000		-185,000
Less: Parish Precepts	-569,890		-587,834
<b>OWN COUNCIL TAX REQUIREMENT</b>	<b>7,974,387</b>		<b>8,320,979</b>
<i>Band D equivalent Properties</i>	<i>37,540.62</i>		<i>38,054.42</i>
<i>Base Council Tax per Band D property</i>	<b>£212.42</b>		<b>£218.66</b>

19. The main changes between the "Net cost of Services" and the "Council Tax Requirements" are as follows:

### **Investment Income**

20. The Council holds an average of £10m in investments externally and this is budgeted to earn £140k in interest over the year. On the advice of the Council's treasury advisors some investments "lent internally" to purchase assets rather than using external debt. As services pay the full interest cost on loans whether they are funded internally or externally an adjustment has been made to represent the interest foregone on the internal borrowing

Tax Base, Parish Support and Collection Fund

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

**Council Tax Base**

	<b>2018/19</b>	<b>2019/20</b>	<b>Change</b>
Bisley	1,587.78	1,640.07	52.29
Chobham	1,969.27	2,005.58	36.31
Frimley and Camberley	23,871.57	24,103.84	232.27
West End	2,020.58	2,189.73	169.15
Windlesham	8,091.42	8,115.20	23.78
<b>Total</b>	<b>37,540.62</b>	<b>38,054.42</b>	<b>513.80</b>

22. The increase in the tax base alone will generate an additional £110k in income each year.

23. The Council pays a special grant to parishes to compensate them for the change to the tax base due to the introduction of the Local Council Tax support scheme (LCTSS). This grant will remain unchanged from that paid in 2018/19 despite the fact that it is no longer funded by central government. This is shown in the table below:

**Support for Parishes due to the LCTSS**

<b>Parish/Town</b>	<b>Support given in 2018/19 &amp; 2019/20</b>
Bisley	1,334.30
Chobham	2,962.87
Frimley and Camberley	8,116.98
West End	1,591.65
Windlesham	5,937.64
<b>TOTAL</b>	<b>19,943.44</b>

24. Due to staff working hard to ensure that all money due to the Council for council tax is collected it is predicted that the collection fund will be in surplus at the end of 2018/19. The Section 151 officer has therefore

determined that a surplus of £1,000,000 can be declared for the year. Of this £756,700 will be paid to Surrey County Council, £126,800 to the Police and the remaining £116,500 to the borough. This will be used to support the budget for 2019/20

#### New Homes Bonus

25. In 2010 the Government introduced an incentive to encourage house building. This rewarded local authorities for the number of houses they constructed and also provided an additional payment for any affordable units built. This proved to be so successful in delivering houses that over successive years the Government has watered down the incentive to save money. This has moved the scheme from one which paid a fixed reward for every additional house built for each of 6 years to one which only pays the incentive for 4 years and assumes that the first 0.4% increase in house numbers (150 for Surrey Heath) would have been built anyway and therefore do not require a reward.
26. On the 13<sup>th</sup> December 2018 the Government announced that Surrey Heath can expect to receive £521,613 in New Homes Bonus for 2019/20. Of this only £10,360 relates to the last year.. This is because although 144 houses were actually delivered this was below the 0.4% (150 units) threshold so none actually qualified for New Homes Bonus. Due to this threshold the payments the Council can expect in future years will be minimal.
27. NHB is not “new” money and instead comes out of redistributed local authority funds – mainly by top slicing business rates and the Government has assumed that it is there to support on-going services rather than to offset the impact of development. For this reason it has been included in the Governments calculation of “Core Spending Power” which lists the resources all Councils have to deliver services.

#### Transfers to reserves

28. As the New Homes Bonus is not required to support the budget it will be transferred to reserves.

#### Transfers from Reserves

29. As in previous years £2,042,116 of expenditure is funded directly from reserves as follows:
- £75,000 of expenditure relating to community grants included in the budget is being funded from the community fund.
  - £250,000 of costs to support the work of organisational transformation, economic growth and town centre is being financed from the Capital Reserve as this will generate additional income/savings in the future. This may become an additional budget pressure going forward;

- £116,332 for grounds maintenance from the SANGS reserve which has been created to maintain SANGS in perpetuity;
- £26,650 for grounds maintenance and playgrounds from commuted sums which are provided by developers for maintenance of these facilities;
- £124,134 from reserves for Family Support and;
- £107,000 from reserves to fund the Council elections in May 2019;
- £1,000,000 from the rent equalisation reserve to fund the temporary shortfall in rents;
- £350,000 to fund the final year of pension deficit payments pending the actuarial review in 2019/20

#### Funding from Business Rates

30. The Council, with all the Surrey Districts and the County, is currently in a 100% Business Rates pilot. This pilot allows Pilot members to keep 100% of any Business Rates increases above their predetermined baseline. Whilst the financial outcome of the pilot will not be known until the end of the financial year this could generate an additional £500k for the borough.
31. The Government has already announced that a new 75% localisation scheme would be introduced nationally from 2020/21 and so it was hope that the 2018/19 pilot would be rolled over for another year. However the Government instead invited Council's to apply for a new 75% pilot, Surrey made an application but was unsuccessful. What this means is that Surrey Heath will revert to the 50% localisation scheme for that one year, and be part of a business rates pool (with a view to maximising some gains) with a smaller group of Surrey Districts.
32. Under the "standard" 50% scheme for every £1 collected above the baseline 50p goes to Government, 10p to Surrey CC, 20p for a safety net for less successful areas and 20p remains in Surrey Heath. A "pool" is identical to the 50% scheme except that the 20p safety net payment is retained by pool members for them to share out – they do however have to provide a safety net for each other.
33. What is important to remember is that whether the Council has a 50%, 75% or 100% scheme this does not denote the percentage of total business rates retained in that area. The percentages only apply to gains over a pre-set baseline. The bulk of Business Rates collected in Surrey Heath, at least 96%, is redistributed to the county and around the country.
34. The table below shows the level of business rates the Government expects Surrey Heath to collect and how this translates in to actual funding:



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

	2018/19	2019/20
	Final	Provisional
	£000	£000
Baseline - assumed minimum collected	33,420	34,798
Less: 50% to Government		-17,399
Less: 10% to SCC		-3,480
Less: 70% to SCC	23,394	
Share for SHBC	10,026	13,919
Less Fixed Tariff	-8,517	-12,376
Business Rates for SHBC	1,509	1,543
%age share	4.5%	4.4%
Safety Net	1,463	1,426

35. The above table reflects the figures released in the provisional settlement on the 13th December 2018 and does not include any impact of growth in business rates over 2018/19. In the budget it has been assumed that the Council will use at least £950k of this 2018/19 growth. Being a member of a pool could increase this amount still further.
36. The Council has worked hard to grow the local economy and support businesses. However despite this the Business rates base has remained static. New Business rates can only be levied on new business premises however the shortage of development land in the borough makes this challenging. On the other side the introduction by the Government of permitted development rights, which permits the conversion of offices to housing without planning permission, means that actually business premises are being lost to housing. Indeed the proposed extension of Permitted Development rights to shops could erode the Council's business rate base even further.

### Local Government Settlement 2019/20

37. The settlement, which was announced on December 13th 2018, confirmed that Surrey Heath would again receive no revenue support grant and that the negative grant of £933k anticipated for 2019/20 had in fact been withdrawn. It is worth stating that even without the negative tariff Surrey Heath has lost £2.7m in Government funding (Business Rates and central grant) since 2010/11.

### Council Tax

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

- Up to 3.00% - For those Councils with Adult Social Care responsibilities an additional 6% can be charged over 3 years but Surrey has already used their 6% over the last 2 years.
- £5 or up to 3% for Shire Districts – whichever is the higher
- £24 for Police commissioners
- No cap for Parishes and towns

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

40. The budget and council tax recommendations have been prepared on the assumption that Council Tax will be increased by the maximum allowed, however members can decide on any amount up to this level. Members are reminded though that it is a legal requirement that the budget must be balanced and so any change to Council tax levied must be covered elsewhere within the budget.

41. The current Surrey Heath band D Council Tax is £212.42. Taking account of the increase proposed the new Band D tax will be £218.66.

42. Surrey County Council and Police and Crime Commissioner have already agreed to increase their Council Tax by the maximum allowed and so the impact on a Band D taxpayer, including the proposed Surrey Heath increase is shown below. It is worth noting that even with the increase the Surrey Heath precept only represents 11.3% of the total bill.

:

	2019/20	2018/19	£ change	% change
	£	£		
Surrey Heath Borough Council	218.66	212.42	6.24	2.95%
Surrey County Council	1,453.50	1,411.29	42.21	2.99%
Surrey Police and Crime Commissioner	260.57	236.57	24.00	10.14%
	<u>1,932.73</u>	<u>1,860.28</u>	<u>72.45</u>	<u>3.89%</u>

*NB: All figures are provisional*

43. Given the challenges around financial and service sustainability the Council faces the Section 151 officer recommends that members increase Council tax this year by the maximum permitted as set out in this paper.

#### Special Expenses and Parish Precepts

44. Special Expenses are charged to reflect the cost of providing certain services to non-parished areas which in parished areas are funded by a parish precept. This charge is billed as a separate item to non-parished areas in a similar way to a precept in parished areas but does however fall within the borough's overall capping limit. Parishes on the other hand are free to set any precept they wish without any risk of Government intervention.

45. The parish precepts and special expenses are shown below:

Parish	2019/20			2018/19			Increase
	Tax Base	Precept	Band D	Tax Base	Precept	Band D	
Bisley	1,640.07	101,970	62.17	1,587.78	96,465	60.75	2.34%
Chobham	2,005.58	79,000	39.39	1,969.27	77,037	39.12	0.69%
West End	2,189.73	100,455	45.88	2,020.58	90,877	44.98	1.99%
Windlesham	8,115.20	306,409	37.76	8,091.42	305,511	37.76	-0.01%
<b>Total Parishes</b>	<b>13,950.58</b>	<b>587,834</b>	<b>42.14</b>	<b>13,669.05</b>	<b>569,890</b>	<b>41.69</b>	<b>1.07%</b>
Frimley & Camberley	24,103.84	185,000	7.68	23,871.57	180,000	7.54	1.79%
	<b>38,054.42</b>	<b>772,834</b>	<b>19.98</b>	<b>37,540.62</b>	<b>749,890</b>	<b>19.66</b>	<b>1.63%</b>

### **Total Budget**

46. The overall Budget reflecting all of the information above is shown below:

## ANNEXE A

## GENERAL FUND REVENUE ACCOUNT

## 2019/20 SUMMARY BUDGET

	2018/19	2019/20	Variance
	Budget £	Budget £	
Business	943,324	961,515	18,191
Community	4,478,341	5,029,957	551,616
Corporate	1,629,680	1,851,855	222,175
Finance	1,837,587	1,969,280	131,693
Legal and Property	-45,220	-480,401	-435,181
Investment and development	-1,912,080	-852,389	1,059,691
Regulatory	1,897,265	2,139,019	241,754
Transformation	3,261,803	3,420,756	158,953
	<b>12,090,700</b>	<b>14,039,592</b>	<b>1,948,892</b>
Staff and Pension amendments	200,000		-200,000
Add: Minimum Revenue Payment	1,353,000	2,014,000	661,000
Internal asset charges reversed	-2,294,700	-2,625,700	-331,000
<b>NET COST OF SERVICES</b>	<b>11,349,000</b>	<b>13,427,892</b>	<b>2,078,892</b>
Less: External Interest earned	-160,000	-140,000	20,000
Less: Internal Interest earned	-150,000	-150,000	0
Add: Contribution to Parishes	19,943	19,943	0
<b>BUDGET REQUIREMENT</b>	<b>11,058,943</b>	<b>13,157,835</b>	<b>2,098,892</b>
Less: Collection Fund Surplus	-379,500	-116,500	263,000
Less: Business Rates baseline	-1,508,666	-1,543,240	-34,574
Less: Additional Business Rates	-200,000	-950,000	-750,000
Less: New Homes Bonus	-863,886	-521,613	342,273
Add: Tfr to Reserves	863,886	521,613	-342,273
Less: Funding from Reserves	-816,390	-2,042,116	-1,225,726
Add: Parish Precepts	569,890	587,834	17,944
<b>COUNCIL TAX REQUIREMENT</b>	<b>8,724,277</b>	<b>9,093,813</b>	<b>369,536</b>
Less: Special Expenses	-180,000	-185,000	-5,000
Less: Parish Precepts	-569,890	-587,834	-17,944
<b>OWN COUNCIL TAX REQUIREMENT</b>	<b>7,974,387</b>	<b>8,320,979</b>	<b>346,592</b>
<i>Band D equivalent Properties</i>	<i>37,540.62</i>	<i>38,054.42</i>	
<i>Base Council Tax per Band D property</i>	<b>£212.42</b>	<b>£218.66</b>	

## Annex B

<b>GENERAL FUND REVENUE RESERVE</b>						
<b>CALCULATION OF THE MINIMUM REQUIREMENT</b>						
			<b>Calculation Basis</b>		<b>Total</b>	<b>TOTAL</b>
			<b>Base</b>	<b>%</b>		
			<b>£000</b>			<b>£000</b>
<b>Provision for cash flow on expenditure Items</b>						
Based on gross General Fund Expenditure			25,000	3%		625
<b>Provision for shortfall in major income budgets</b>						
Arena			202	3%	6	
Building control Fees			312	3%	9	
Car Park Income			2,309	5%	115	
Community alarms			245	3%	7	
Community Transport			176	3%	5	
Development Control			581	3%	17	
Housing			95	3%	3	
Investment Income			140	5%	7	
Licensing			170	3%	5	
Local Land charges			230	3%	7	
Meals on Wheels			170	3%	5	
Older peoples centres			127	3%	4	
Parks			462	5%	23	
Property Rents			8,048	5%	402	
Theatre			1,076	5%	54	
Waste and recycling			915	3%	27	
			<b>15,258</b>		<b>698</b>	<b>698</b>
<b>Other Contingencies</b>						
- Major Incident or business recovery						50
Cost of major enquiry						50
- interest changes by 0.5%						500
- Shortfall on Business Rates						100
<b>TOTAL RESERVE REQUIRED</b>						<b>£2,023</b>

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# **MEDIUM TERM FINANCIAL STRATEGY AND FORECAST**

2020/21 – 2023/24

*“Great Place, Great Community, Great Future”*

## **EXECUTIVE SUMMARY**

1. The Medium Term Financial Strategy was last presented to Executive in July 2016. Since then the Council's finances have been transformed with income increasing from property, underspends on most services and excellent collection rates on both Business Rates and Council Tax. However this should not be taken to mean the Council's financial problems are solved. The Council is now dependent on property income for services and is therefore exposed to risks in the wider economy, especially around retail. Government funding is likely to fall as are grants from partners and inflation, particularly its impact on wage costs, is beginning to bite. In addition demand for services and investment, especially in Camberley Town Centre, continues to rise. All this means that there is now a new set of financial challenges which this strategy seeks firstly to try and quantify and then seek to address.
2. It is important to remember that this report is not a blueprint for setting the budget but rather a prediction based on the facts as known now coupled with a number of assumptions. Estimates of Council Tax or pay growth are merely that – estimates – and are not to be taken as policy. This will be determined by Members, guided by Government, through the budget setting process in due course.
3. Council funding beyond 2019/20 is still not known. Although the Government has said it intends rollout 75% Localisation of Business Rates in 2020/21 the details of how this will work in a general sense have only just been released. No information is available as to what this means for individual Councils. In addition the "Fair funding review", and Business Rates rebasing and revaluation, are also likely impact the Council's funding. For the purposes of this forecast it has assumed that Surrey Heath Borough Council will at least start with its share of business rates as per the 2015 settlement but that this will reduce over time.
4. The Council is under a legal duty to set a balanced budget each year and there are various statutory safeguards in place to ensure that this happens. For example if a Council tries to set an unbalanced budget the auditor is obliged to report on this and any precept levied is likely to be illegal. A more well-known safeguard, due to recent events in Northampton, is the serving of a Section 114 notice by the Sec 151 officer which has the effect of stopping all non-essential expenditure. This notice is served if there is a risk that the Council will spend beyond its financial resources and hence become insolvent.
5. This forecast is designed to highlight the challenges in delivering a balanced budget in the future so that action can be taken now. Potential reductions in funding, coupled with the Council's ambitious capital investment programme and volatility in income streams do have the potential to put considerable strain on the Council's finances. This may be addressed by further income generation through investment and charges coupled with greater efficiency and collaboration. However if this is not sufficient service reductions may be required.
6. The Council has already taken big steps on the road to self-sufficiency and dealing with the financial challenges it faces. These challenges were not of the Council's own making but imposed by Central Government and the Council has had to take on considerable risk to address them. These risks, especially the



dependency on property income, has meant that the Council's finances are much more volatile than in the past. Fortunately, the Council does have reserves to deal with some of this volatility for the short term but it is not immune to the ups and downs of the domestic and global economy. However had the Council not invested and therefore not taken on these risks services would have had to be reduced significantly which would have a very dramatic impact on the community. This would have impacted in particular the most vulnerable who depend on the Council's discretionary services.

7. All of the Surrey Districts have come a long way to address the problems they all face. Mostly this has been achieved through income generation from property but there have also been initiatives to work more collaboratively to reduce costs, such as through the Joint Waste Contract. Most Councils have slimmed down their workforce and office space and used technology to become more efficient. What is clear is that there is a limit to what an individual Council can achieve and eventually a different approach is needed. Combining Councils, be this through the creation of new unitaries or super districts, could deliver substantial savings to maintain services. This has to be the medium term goal for Local Government in Surrey and indeed the financial situation at Surrey CC may well precipitate this. Until then Surrey Heath will need to continue to drive efficiency and grow income through charges and investment.

## **BACKGROUND AND CONTEXT TO THE MEDIUM TERM FINANCIAL STRATEGY**

### **Introduction**

8. The Medium Term Financial Strategy (MTFS) sets out the financial challenges that the Council faces over the next four years and sets out a strategy for dealing with them. This builds on the strategy outlined in July 2016 the benefits of which are now being realised.
9. This MTFS endeavours to take account of all the various factors and influences that may impact on the Council for the next few years. These factors include economic conditions, Government spending plans, current expenditure patterns, inflation, capital plans, planned changes to service delivery, changing demand for services, the impact of new legislation, sources of income etc. However exact information is not always available and so a number of assumptions have been made. Hence the forecast should be seen as an indication of the Council's future financial position rather than a solid prediction.
10. The MTFS looks forward anticipating 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 ahead for future challenges now rather than waiting for when they actually arise.
11. The Council continues to be committed to maximising the use of increasingly scarce resources, directing resources towards its priorities and generating income whilst keeping Council Tax within permitted levels.

12. Over the last couple of years, the Council continued to make significant progress in the achievement of its strategic financial priorities building on work already done. This means that the Council's underlying financial position remains strong but this has been achieved by the Council accepting higher levels of risk.
13. Despite these achievements there are still significant challenges facing Council finances. For example it is not known what the impact of Business Rates localisation or "Fair Funding" will be, the retail economy is very fragile, Brexit has its own set of risks and on top of that there are financial problems at Surrey County Council which could impact us. Hence the strategy needs to remain flexible and the Council's Reserves sufficiently resilient to respond to the impact of these challenges. The Council has always managed to set a balanced budget and its financial standing is sound. However the drive for further savings and new income streams will need to continue to maintain financial stability and the ongoing provision of services to our residents.

### **Delivering the Council's Objectives**

14. The Council has four main objectives which were refreshed last year as follows:
- **We want to make Surrey Heath an even better place where people are happy to live**
  - **We will support and promote our local economy so that our people can work and do business across Surrey Heath**
  - **We will deliver effective and efficient services better and faster**
  - **We will build and encourage communities where people can live happily and healthily.**
15. These form the basis of the Council's Five Year Strategy and flow through to the Annual Plan each year.

## **Objective of the Financial Strategy**

16. The objective of the financial strategy is to illustrate the financial effects of existing financial commitments over the medium term and hence to set parameters for the efficiency gains and/or income necessary to achieve a balanced budget.

## **NATIONAL CONTEXT**

17. The 2015 Local Government finance settlement set out Council funding up to the year 2019/20. The clear direction of the settlement was to further reduce the level of Local Government funding from Central Government. A distinct change in policy was the acceptance that increasing Council Tax was seen as a way of increasing resources available to fund local services. The intention to transfer a proportion of Business Rates to local Councils, albeit with new duties, signalled that the Government felt that on a national basis local services should be paid for with local taxes. For a number of Districts, Surrey Heath included, the settlement not only took away all Government grant funding by 2017/18 but also contained an obligation to pay money to the Government from 2019/20 by the application of negative grant. Following lobbying it was announced in December 2018 that the negative grant would in fact not be applied in the last year of the settlement namely 2019/20.

18. The Government launched a “Fair Funding Review” in 2016 with the intention of changing the way Local Government finance is distributed. The outcome of this is awaited and it will be interesting to see whether the actual resources to be distributed between Councils increases or whether it is just shared out in a different way. The outcome of the Fair funding review will be one of the factors that will set the base line for the introduction of 75% localisation of business rates in 2020/21. In this new system 75% of any gains above the baseline will be retained by the Council in some way. Whilst this sounds attractive in the same year the business rates system would be “rebased” (this is where gains and losses from across the country are shared), there could also be a full revaluation and one suspects a new set of business rates reliefs for businesses. Overlaying all of this is the next Spending Review which is due in 2020 and could lead to overall cuts (or increases) in Local Government funding. What this will probably mean is that the Council is unlikely to see any increase in its funding from these sources. Although the Government has eased austerity, it is likely that any additional cash will go to areas such as the NHS and social care first as they are seen as having the greatest pressures. How all this will impact on Surrey Heath is difficult to predict, and so the following has been assumed:

- There will be no negative grant going forward.
- Councils will continue to be encouraged to increase Council Tax by the maximum allowed – for Districts 3% or £5 – whichever is the higher;
- The reductions to New Homes Bonus will continue despite the impact on house building;
- Even with the localisation of business rates the amount received will continue to fall over time as any benefit to Surrey Heath will be cancelled out by the Fair Funding Review;

## **Government Support**

19. Central Government support including business rates has decreased from £4.2m in 2010/11 to £1.5m in 2020/21. As the 4 year settlement is not due until later in 2019 there is no certainty re future funding beyond March 2020. As a result of this all these figures are estimates.

## **Business Rates**

20. Surrey Heath is responsible for collecting business rates, which are set centrally, from all businesses in the borough. Under the standard 50% system, 50% of all business rates collected go to the Government with 40% remaining with the borough and 10% going to the county. In two tier areas, in order to ensure that Districts did not get more money than their relative needs, a “fixed tariff” is charged against the 40% allocation which in effect means that most of it is lost. In addition, the Government sets an annual baseline as to the level of business rates it expects to be billed in the year. If the Council manages to over achieve against this target, then it can effectively keep 40% of any increase (reduced to 20% by the application of a safety net levy) with 10% going to the county and 50% to the Government. If, however, it underachieves then it will suffer 40% of the shortfall but can call on the safety net if there is a large loss. Business rates go up and down not only because businesses open and close but also due to revaluations resulting from appeals from the Valuation Office which can go back several years.
21. For 2018/19 Surrey Heath was in a 100% Surrey Business rates pilot with the County and all the districts. This means that 100% of growth, rather than 50%, is retained in Surrey and split 70:30 between the county and districts. There is also no levy charged. Sadly this scheme was not rolled over in to 2019/20 and a new application was been submitted to join a 75% pilot – however this was unsuccessful and so the Council has reverted back to the standard 50% business rates localisation, as explained above, albeit in a pool with some other Districts. This removes the safety net levy and hence retains an additional 20% of any gains locally.
22. The Government has said that it would like to implement 75% localisation by 2020/21 and potential impact of this has already been set out above. The giving of more business rates to Councils by Central Government is to be welcomed as it enables Councils to share in any growth. The downside of this is that Business rates income is more volatile, than say a direct grant, as it is impacted by the wider economy and that could impact services.

23. The 4 year settlement figures together with the projections are shown in the table below. It has been assumed that the amount of business rates the Council receives will fall over time.

Central Government Funding								
	4 year settlement - February 2016				Estimated	Estimated	Estimated	Estimated
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£0	£0	£0	£0	£0	£0	£0	£0
<b>Core Funding</b>								
Revenue Support Grant	357	0	0	0	0	0	0	0
Share of Business Rates	1,435	1,464	1,507	1,543	1,250	1,000	750	500
	1,792	1,464	1,507	1,543	1,250	1,000	750	500
<b>Other Grants rolled in:</b>								
Transitional Grant	133	84						
	<b>1,925</b>	<b>1,548</b>	<b>1,507</b>	<b>1,543</b>	<b>1,250</b>	<b>1,000</b>	<b>750</b>	<b>500</b>
Reduction in funding		-377	-41	36	-293	-250	-250	-250

### New Homes Bonus

24. Due to the success of the New Homes Bonus the Government implemented changes to the New Homes Bonus scheme in 2017 to reduce its overall cost as follows:

- For 2018/19 the incentive was to be paid for 4 years rather than the original 6;
- The first 0.4% of the tax base increase each year will not qualify for NHB. That means that the first 150 units built in the borough do not qualify for a bonus. This is likely to have a major impact on the amount of bonus received in any given year

25. Further changes relating to restrictions on NHB for homes granted on appeal or the lack of a local plan have been mooted but were not been implemented in 2019/20.

26. It is difficult to predict the future level of News Homes Bonus. Although the Government may be tempted to reduce the incentive still further they also want more houses to be delivered. Hence it has been assumed that provided houses continue to be delivered at the same rate as now the bonus will remain reasonably static.

Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m	£m
<b>Estimated payment</b>	0.864	0.521	0.400	0.400	0.400	0.400

## **Council tax income**

27. The Local Government Settlement for 2018/19 allowed Districts to increase Council Tax by up to 3% or £5, whichever is the higher. The Government has stated this will be the limit going forward and so has been assumed in the forecast.
28. It has also been assumed that the tax base will increase by 1.0%. This is about 270 Band D properties per annum.
29. In the future the Government may allow Councils to increase Council Tax through new band or a levy but this has been ignored for forecasting purposes.

### **Council Tax Forecast**

<b>Year</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
<b>Tax base</b>	37,540	38,054	38,435	38,819	39,207	39,599
<b>Band D</b>	£212.42	£218.76	£225.33	£232.09	£239.06	£246.23
<b>Total funding</b>	£7.974m	£8.325m	£8.661m	£9.010m	£9.373m	£9.751m

*It should be noted that the figures exclude the Special Expenses charge.*

***It is a major element of the Financial Strategy that Council tax is increased by the maximum permitted level each year***

## **SERVICE AND OTHER PRESSURES**

### **Employee Costs**

30. The Council has historically sought to limit the growth in salary costs by fixing in cash terms the salaries budget despite increases in wages and increments. This was achieved by greater efficiency resulting in a lower headcount. However more recently the Council has found it increasing difficult to recruit in a number of professional areas resulting in an upward pressure on wages costs. In addition further reductions in headcount are unlikely unless the Council radically changes the way it delivers services. As a result pay growth will be an ongoing budget and for the purposes of the forecast an increase of 2.0% per annum has been assumed.
31. Historically pensions have been an increasing burden on the Council. However a recent actuarial review indicated that the scheme is almost fully funded so no increase in contributions is anticipated over the life of this forecast.

### **Inflation**

32. A number of the Council's contracts are indexed in some way to inflation. It has been assumed that these increases will be in line with CPI and this has been estimated to be 2.0% pa. Any inflation over this will need to be managed through greater efficiency and/or service rationalisation.

### **Reduction in Surrey County Council support**

33. The Council currently receives £350k revenue funding from Surrey County Council to support a number of services including recycling, older people's services, environmental services and supporting families. It has been assumed that this funding will disappear over the next 2 years but the services will be maintained at the expense of SHBC.

### **Fees and Charges**

34. The Council generates a significant income from fees and charges, of which £2m alone comes from parking charges. It has been assumed that all charges will increase by 2.00% pa and this has been incorporated in to the forecast.

### **Property income**

35. The Council holds a significant portfolio of investment property which has made a major contribution to the Council's finances.

36. In terms of the SQ it has been assumed that there will be rental growth of only £50k per annum for the forecast period and that £500k of the current temporary rent reductions will be recovered from 2020/21.

37. In terms of rents for other properties, such as the industrial estates, it has been assumed that these will rise by 1% per annum. In addition the forecast assumes that no properties are purchased over the MTFS period however in reality this will be one of the ways that the financial gap will be addressed.

### **Treasury Management**

38. The Council, as at the 30<sup>th</sup> November 2018, had £14m invested in various institutions and funds. The Council has also taken out a significant amount of borrowing to fund its investments – currently this stands at £140m. The model assumes that this will be at a constant rate of 2% for the life of the forecast or the PWLB rate if already borrowed. In reality the short term rate the Council is using is likely to be less resulting in a significant saving. This advantage will reduce over time as loans have been forward fixed to reduce risk – £25m in 2022 and £25m in 2023 although it has been assumed the average will still be 2%. That said if rates were to rise sharply, each 1% rise would cost £1m pa, then this could put the Council under financial strain.

## **Capital**

39. The Council has an Asset Management Plan and Capital Strategy. The Capital Strategy sets the framework for capital investment and this is supported by the detailed capital programme each year. The Council is currently reviewing its estate to ascertain take advantage of development opportunities and generate returns.
40. The Council has almost no capital receipts and all capital funding is now either from revenue, grants or through internal and external borrowing. It has therefore been assumed that all capital investment will be self-funded.

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

41. 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 sound 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.
42. Reserves generally are kept for 3 overriding reasons:
- As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general reserves
  - A contingency to cushion the impact of unexpected events or emergencies
  - A means of building up funds, often referred to as earmarked reserves, to meet known or anticipated requirements. An example is the ongoing maintenance of a SANG.
43. The main reserve the Council utilises in terms of managing its overall financial position is the General Fund reserve. This reserve is used:
- To protect the working capital of the authority i.e. to manage fluctuations in spending and to ensure there are sufficient funds to meet the ongoing commitments of the Council;
  - To support the Council through any unforeseen occurrences e.g. to support the Council’s budget if there are expenditure pressures such as a loss of car parking income or very high price increases (e.g. in fuel) which are unforeseen
  - To be available to fund emergencies for example flooding etc.



44. As part of its Medium Term Financial Strategy there are also some fundamental principles which apply to how reserves are used:

- The reserves must only be used to fund one off items of expenditure;
- Reserves should be maintained at a sustainable level to ensure an adequate working balance is maintained;
- As the Councils funding becomes more volatile, a higher level of reserves needs to be maintained to manage this volatility.

45. The required level of reserves is not specified by statute, either as a cash amount or as a percentage of the Council's budget. The level set is such that the Council's financial position is maintained, having regard to the risks the authority faces, in the foreseeable future. The Section 151 Officer reports at budget setting time on the adequacy of the reserves and whether they are sufficient for the operation of the Council. Currently the Council holds approximately £27m in earmarked and non-earmarked reserves

46. In assessing the overall level of risk, some of the factors which have been considered are:

- The level of inflation on services and wages;
- The impact of the wider economy on say the housing market and council income and the demand for services;
- The continued reduction in Local Government funding across the country as part of central Government's deficit reduction programme;
- The level of volatility in a number of the Council's income streams such as property and business rates
- Legislative pressures and macro-economic policies such as new responsibilities and changing interest rates.

47. At the moment the level of reserves is considered to be adequate to meet most future risks.

## MEDIUM TERM FINANCIAL FORECAST

### Introduction

48. The Medium Term Financial Forecast sets out the forecast level of resources and expenditure for the authority over the next four years as at the date of preparation. It is important to note that the figures shown in the plan are local forecasts, based upon a number of local and national assumptions and variables, the majority of which are beyond the control or influence of the Council.
49. In preparing this forecast, the Council has taken into account local and national data regarding resources levels and expenditure pressures. This allows the Council to determine the sustainability of its medium term financial position.
50. Whilst it is highly probable that the figures shown in this forecast will change a key benefit of preparing this plan is to understand the degree to which they could change. This then can enable appropriate actions to be in place to ensure that the Council can deal with such changes.

### Revenue Resources Projection

#### Medium Term Revenue Resources Forecast

51. Using the above individual revenue resource stream projections, the medium term revenue resource forecast is set out below. The forecast reflects an estimate in respect of Local Government funding as far as they are known.

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Business Rates	1,250	1,000	750	500
Business Rates surplus	500	0	0	0
Council Tax	8,675	9,052	9,443	9,849
Collection Fund Surplus	200	200	200	200
Special Expenses	185	185	185	185
New Homes bonus	400	400	400	400
	<b>11,210</b>	<b>10,837</b>	<b>10,978</b>	<b>11,134</b>

52. In terms of revenue expenditure, it has been assumed that the cost of services will stay broadly the same, subject to the areas discussed earlier in this paper. In summary the following assumptions have been made around key cost drivers and income streams used in the forecast.

<b>Base Budget Changes</b>				
	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Wages Inflation	200	404	612	824
contract Inflation	200	404	612	824
Fees and charges inflation	-140	-283	-428	-577
Rental growth	-40	-80	-121	-162
Interest charges change	-78	-121	-164	-208
SCC Grant reduction	175	350	350	350
SQ rent changes per ME	-50	-100	-150	-200
Hof Rental loss	-500	-500	-500	-500
<b>Total</b>	<b>-233</b>	<b>74</b>	<b>210</b>	<b>351</b>

53. The Council has an ambitious capital programme in respect of the SQ and Camberley Town centre. The cost of funding for already approved plans (Phase 1) has been reflected in this forecast. Interest is payable from the date of borrowing whereas MRP, which represents the debt repayment, is only required the year after. An implied interest rate of 2.0% has been used.

54. No allowance has been made for any funding for a new Arena Leisure Centre or the redevelopment of the London Road Site since it has been assumed that these will be self-financing. i.e. The cost of borrowing will be covered by income generated. Were this not to be the case then there could be additional financial pressures or indeed resources.

## Revenue Expenditure Forecast

55. Using the assumptions above, the revenue expenditure projection for the authority is shown in the table below.

### REVENUE FUND PROJECTION 2019/20 to 2023/24

2019/20 £000		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Budget</b>	<b>Portfolio</b>				
961	Business	961	961	961	961
5,030	Community	4,850	4,850	4,850	4,850
1,852	Corporate	1,745	1,745	1,745	1,745
1,969	Finance	1,969	1,969	1,969	1,969
-480	Town centre and Regeneration	-480	-480	-480	-480
-852	Legal and Property	-852	-852	-852	-852
2,139	Regulatory	2,139	2,139	2,139	2,139
3,421	Transformation	3,421	3,421	3,421	3,421
<b>14,040</b>		<b>13,753</b>	<b>13,753</b>	<b>13,753</b>	<b>13,753</b>
	<b>Other items</b>				
-2,625	Internal Asset charges	-2,625	-2,625	-2,625	-2,625
20	Contribution to Parishes	20	20	20	20
-290	Investment income	-160	-160	-160	-160
2,014	MRP funding - current	2,047	2,098	2,150	2,200
521	Tfr to reserves				
-2,043	Reserves funding	-437	-437	-437	-437
<b>11,637</b>		<b>12,598</b>	<b>12,649</b>	<b>12,701</b>	<b>12,751</b>
	<b>Base budget changes</b>				
	Wages Inflation	200	404	612	824
	contract Inflation	200	404	612	824
	Fees and charges inflation	-140	-283	-428	-577
	Rental growth	-40	-80	-121	-162
	Interest for capital program	-78	-121	-164	-208
	SCC Grant reduction	175	350	350	350
	SQ rent changes	-50	-100	-150	-200
	Hof Rental recovery	-500	-500	-500	-500
<b>0</b>	<b>Total</b>	<b>(233)</b>	<b>74</b>	<b>210</b>	<b>351</b>
<b>11,637</b>	<b>Total Budget to be funded</b>	<b>12,365</b>	<b>12,723</b>	<b>12,911</b>	<b>13,102</b>

## **Overall Position**

56. Using the medium term revenue and expenditure projections, the resulting overall forecast position for the authority is shown below.

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
<b>Resources</b>	11,191	10,790	10,903	11,031
<b>Expenditure</b>	-12,365	-12,723	-12,911	-13,102
<b>Net position</b>	-1,173	-1,933	-2,008	-2,071

57. The gap rises from about £1.2m to almost £2.1m over the life of the forecast driven by reductions in income from property, grants etc. and the impact of inflation.

58. Whilst this can be covered by reserves and indeed the assumptions made may turn out to be better than expected steps will still need to be taken to address this funding gap be it through savings or additional income.

## **Other issues that may affect the forecast**

59. Changes imposed by Central Government could reduce the funding available to Councils and put restrictions on Council Tax. They could also transfer extra duties to Councils, which could have a financial cost, in exchange for greater localisation of business rates.

60. Local factors, such as the pension fund valuation and pressure on wages, could affect the forecast together with more macro-economic factors such as inflation, interest rates and the commercial property market.

## **Impact of further Capital Expenditure on the forecast**

61. So far £6m has been approved for Phase 1 of the SQ refurbishment and about £1m for High Street public realm improvements both of which have been reflected in the forecast.

62. That said, there are further schemes that may be advanced such as Phase 2 at the SQ, capital contributions for the Arena, tenant incentives etc. The revenue cost of this borrowing will depend on the interest rate as well as the length of time the loan is for. Under the prudential regulations the Council must have sufficient revenue resources to cover the interest on the loan as well as make annual provision for debt repayment (Minimum Revenue Payment or MRP). This can add a significant pressure to the revenue budget and ultimately impact services unless it is funded by new income.

63. The table below shows the impact on the revenue budget (interest and debt repayment) of different levels of borrowing over different periods at an interest rate of 3.0%.

<b>Revenue costs of borrowing</b>				
	<b>10 years</b>	<b>20 years</b>	<b>40 years</b>	<b>50 years</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>£1m</b>	117	67	43	39
<b>£5m</b>	586	336	216	195
<b>£10m</b>	1,172	672	532	390
<b>£20m</b>	2,344	1,344	1,064	780

### **Sensitivity**

64. The projection can vary widely for a few percentage points. Taking the prudent scenario as a base point then for a number of changes in parameters the savings required for the year ended March 2024 would be:

<b>Change in parameter for forecast period</b>	<b>Cumulative impact on the forecast</b>	<b>Change in projected savings for 2023/24</b>
No changes – base position	0	2,178
0.5% increase in pay each year	522	2,392
0.5% rise in contract inflation each year	522	2,392
0.5% increase in fees and charges	-366	2,029
0.5% increase in borrowing costs in first year	2,500	2,678
Additional 100 houses for Council Tax	-486	1,930
1% rise in direct rents	-413	2,011
HoF to remain empty for life of forecast	2,000	2,678

65. It can be seen that small variations can have a large impact on the overall projection. Similarly if the Council were to receive a fair share of Business Rates collected – say 5% - then this would add between £0.75m and £1.5m to each year of the forecast.

## **PROPOSED FINANCIAL STRATEGY**

66. The Council's strategy has always been to seek to achieve a balanced budget with no reductions in services to the public. This has required a two pronged approach which firstly looked at increasing efficiency and thus making savings, and secondly at increasing income.
67. The strategy to date has been particularly successful. Over the last 9 years, the Council has reduced its cost base in real terms and yet continued to deliver broadly the same range of services without any impact on the public at large. Initially this was achieved through changes to staffing, greater use of technology and collaborative working with other public bodies. However as the scope for further savings reduced, the emphasis changed to one of income generation through the introduction of new chargeable services, increasing existing charges, getting better returns from assets and investing in property for growth. This income growth, particularly from property whether bought for investment or regeneration, has made a major contribution to the Council's finances and enabled it to deal so far with the financial challenges placed upon it by Central Government. However this success has been at the price of the Council taking on increased risk, as can be seen by the recent downturn in retail property, and so the challenge for the Council is not only about generating more income but also coping with the volatility that this can sometimes bring.
68. There are a number of different areas the Council should concentrate on in order to address its financial challenges going forward. These are as follows:

### **Business Rates and Needs based funding**

69. A key area of uncertainty is the Government position on the full localisation of Business Rates and Needs Based Funding. Currently Surrey Heath gets to keep less than 4% of the Business Rates it collects and this may reduce even further over time. There is no way this could be described as "an incentive for growth" and so the Council needs to continue to lobby to ensure it gets a fair share of the economic growth it creates.

*Continue to lobby the Government to give a fairer deal to Districts by fixing the baseline at the actual rates achieved and to provide within the new localisation scheme a genuine incentive for growth.*

### **Delivery of Housing**

70. The delivery of housing within the Borough is a key driver for economic growth and is in line with Government policy. An additional 1,000 houses over and above the baseline of 149 units would not only give an additional £212k in Council Tax *per year* but also potentially £4.8m in New Homes Bonus. Affordable Housing not only attracts a higher NHB but also reduces the cost of bed and breakfast and homelessness within the borough.

*Support the delivery of significant new housing developments within the Borough.*

### **Internal efficiency**

71. Whilst a lot of work has already been done to release the easier efficiencies, there is still scope for further work to be done in areas such as shared services, combined management, better procurement, reduced customer contact and streamlined management.

*Internal efficiencies, including demand management, and collaborative working, including reducing the number of Surrey Councils, be pursued to deliver further efficiencies*

#### **Additional income from charges**

72. Charging for discretionary services is an accepted way of increasing resource to support other areas of the Council's activities. For example, charging for parking in parks, where in effect the user pays for the discretionary service they are using.

*Introduce new charges in order to generate income to support unfunded services*

#### **Additional income from assets**

73. The Council has been successful in renting space to partners in Surrey Heath House. So far this contributes £250k to the budget in terms of rent and shared service costs. Applying agile working to all Council staff would free up more space for rent and deliver more income. There is also potential to generate capital receipts from the development of surplus land across the borough and use this to reduce debt.

*Put in place a new asset management strategy which will seek to rent out surplus office space and develop/sell surplus land*

#### **Reduction in provision of Discretionary Services**

74. The Council provides a whole range of services which are not required by statute and therefore not funded. This includes Meals on Home and Community Buses, the theatre, parks and the museum. These services in total cost around £1m hence steps have been taken over recent years to reduce their cost. These services may need to operate on the basis of "the user pays" or be reduced over time. Services which are the legal responsibility SCC may need to be handed back if SCC is unable to adequately fund them.

*Work to reduce subsidy for Discretionary services and discuss with Surrey how funding for these services can be maintained*

#### **Generate Income through Investment**

75. Surrey Heath has invested heavily over the past few years and this made a significant impact on its budget position in 2017/18. Although 2018/19 has proved to be difficult in terms of retail rents it is worth stating that the Camberley Town Centre was never purchased as a pure investment but rather to kick start regeneration and maintain the local economy. That said it still makes a hefty contribution to the finances. Despite the risks investment in property is likely to be the only thing which can bridge the financial gap the Council is forecasting in the time available.



76. The Council has always been open about the risks from property investment. It has sought to reduce these risks by using professional advisers, concentrating on the local market, having a mixed portfolio and looking for solid investments. Of the Council's current investments about 25% are in industrial property with the remainder in retail. It was always intended that property purchased would be held for the longer term with a focus on maintaining income rather than capital growth. As income becomes more volatile, it will be essential that the Council maintains adequate reserves to enable it to deal with these peaks and troughs as they occur.

77. It is important that income from existing investments is maximised. This is because the loan has to continue to be financed even if the income from the asset is much reduced. It is therefore vital that property when it becomes empty is either re-let or repurposed as quickly as possible so as to minimize the adverse impact on the Council's finances.

*Continue to invest prudently in property to generate additional income and ensure that income from assets already owned is maximised*

78. The strategy above has already been shown to work, and despite some fluctuations, has enabled the Council to maintain services despite losing a significant amount of Government funding.

### **Looking ahead**

79. It is clear that the Council will continue to find itself in an environment where the need to deliver savings and income growth is ongoing. This is due in the main to the Government taking more and more of the Councils resources, as well as the fact that rising cost and demand far outstrips the ability of Council Tax to fund them. Unless the Government is prepared to share to business rates more fairly only a strategic re-organisation of Local Government in Surrey can eventually deliver the financial cost savings required. In the meantime continued investment, development and more efficient working will be needed to plug the gap.

80. The performance of the wider economy could have a significant impact on the Council's finances in the years to come which will need to be managed.

## **RISK MANAGEMENT**

81. The Corporate Risk Register includes the risk of the Council being unable to deliver a balanced financial strategy over the medium term. Specific risk factors include:

- External limitations including the Government's ongoing review of Local Government resources, planned localisation of Business Rates and Council Tax pressures including capping;
- Reduced income from fees and charges, which the Council is dependent upon to help balance its revenue budget;
- Budget pressures created by change in demand – decrease/increase in demand for existing services or demand for new services and increased customer expectations.
- In respect of Business Rates, were the claim for charitable relief from NHS bodies be successful the Council would have to repay up to £6m and potentially lose £500k pa in income depending on how the localisation works.
- Risks inherent in property investment and development in terms of movement in the market, development overruns and loss of sales, rental void periods and competition. This risk, driven by the national economy particular in respect of retail, is by far the most significant risk the Council faces and could prove to be very difficult to manage.
- Risks arising from interest rate changes. The forecast is based on an average rate of 2% and at the moment the council is achieving significantly below this. However if this was to change by 1% then this could potentially add £1m to interest rate costs. This risk has been partly reduced by taking a forward loan for £50m at a fixed rate.

82. The Council is attempting to address these risks by ongoing sound financial management and placing an emphasis on value for money, efficiency planning and invest to save initiatives. The Council conducts a thorough due diligence process on all its investments and employs professional advisers to advise it on potential acquisitions to try to minimise risks.

83. The Council also employs professional property managers to advise on tenants and maintain income from the estate. The quality of this advice will be crucial in the very difficult times ahead. Whilst not investing in property would eliminate the risk, it would lead to a reduction in services to cover the loss in funding the Council has suffered.

84. The Council seeks to manage its risks, at least in the short term, by retaining an adequate level of reserves to allow time for other actions to be taken.
85. A major risk, which is outside of the Council's control, is the financial stability of Surrey County Council. In the forecast it has been assumed that Surrey CC funding will be withdrawn over 4 years. Were this to happen more quickly this would increase the financial pressure on Surrey Heath as it tries to maintain those services. In addition Surrey CC has an ambitious savings program which needs to be delivered if it is to remain financially viable. If it was unable to achieve this then this could lead to a full reorganisation of local government within Surrey as has happened in Northamptonshire. Were this to happen any financial obligations entered into by Surrey Heath would transfer to the new Council.

## **EQUALITIES**

86. The strategy has been prepared as far as possible in line with the Council's approach to equalities in that it does not discriminate or support discrimination on the grounds of age, disability, gender, race, religion or belief, or sexuality. The effect on protected groups of actions required to deliver the strategy would form part of an Equalities impact assessment when those changes are considered

## **OVERALL CONCLUSIONS**

87. This strategy and forecast give an overview of the current and future position of the Council. Prospects for the Borough's finances are better than they might have been due to the focus on income generation, but the financial challenges continue to grow in the years ahead.
88. Maintaining reserves does enable the Council to cover cyclical shortfalls in income for a few years until rents recover in the future. However, despite the current issues around retail investment, the Council has taken the decision to invest in its own town centre to deliver regeneration and hence it must continue to support these through investment with the view that there will be a positive outcome. The Council can take some comfort that its track record so far has been good. Savings have been achieved, income generated and most importantly services maintained, however the challenge continues. Work will need to continue in earnest to seek more efficiencies and to generate income through construction lead growth, new charges, asset utilisation and investment. This will also include giving up some control in order to work more closely with other local authorities.
89. Whilst the last few years have brought challenges to Councils, they have also given real opportunities to those that are prepared to take the initiative. Surrey Heath has shown through its investment in property and transformational approach to services that it is not afraid to take difficult decisions. The course has been set and the journey started – now we just have to “Keep calm and carry on”.

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**Setting of Council Tax 2019/20**

Portfolio:	Finance
Ward(s) Affected:	All

**Purpose**

**To set the Council Tax for 2019/20**

1. Having determined its Council Tax Requirement for 2019/20, 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.

**Proposal in this paper**

2. This paper sets out the Council Tax implications based on a 2.94% increase in Council Tax for Surrey Heath Borough Council as presented in the earlier budget paper.
3. The actual recommendation proposed is dependent on the decision taken in the item entitled "Council Tax and Budget 2019/20"
4. In approving the Council Tax for 2019/20, Council should note the following:
  - i. The Executive, at its meeting on 11<sup>th</sup> December 2018, approved the draft Council Tax base for 2019/20 but delegated the final setting of the base to the Executive Head of Finance. The tax base has been set at 38,054.42 Band D equivalent properties.
  - ii. Precepts have been received from the Parishes for 2019/20 and these are shown in this report.
  - iii. The Surrey County Council Precept for 2019/20 is £55,312,099.47 (was £52,980,701.60). This does not include any increase to the Social Care precept as this has already been precepted to the maximum allowed over the last 2 years.
  - iv. The Surrey Police and Crime Commissioner Precept for 2019/20 is £9,915,840.22 (was £8,880,984.47)

## Recommendation to increase Council Tax by 2.94% for Surrey Heath

### Council Tax Levels for 2019/20

1. The following Parish Precepts and Special expenses have been received for the financial year 2019/20:

Parish	2019/20			2018/19			Increase
	Tax Base	Precept	Band D	Tax Base	Precept	Band D	
Bisley	1,640.07	101,970.00	62.17	1,587.78	96,465.00	60.75	2.34%
Chobham	2,005.58	79,000.00	39.39	1,969.27	77,037.00	39.12	0.69%
West End	2,189.73	100,454.50	45.88	2,020.58	90,877.00	44.98	2.00%
Windlesham	8,115.20	306,409.00	37.76	8,091.42	305,511.00	37.76	0.00%
<b>Total Parishes</b>	<b>13,950.58</b>	<b>587,833.50</b>	<b>42.14</b>	<b>13,669.05</b>	<b>569,890.00</b>	<b>41.69</b>	<b>1.07%</b>
Frimley & Camberley	24,103.84	185,000.00	7.68	23,871.57	180,000.00	7.54	1.79%
	<b>38,054.42</b>	<b>772,833.50</b>	<b>19.98</b>	<b>37,540.62</b>	<b>749,890.00</b>	<b>19.66</b>	<b>1.63%</b>

2. The table below sets out the basic Council Tax at Band D properties for 2019/20 as compared with 2018/19.

	2019/20	2018/19	£ change	% change
	£	£		
Surrey Heath Borough Council	218.66	212.42	6.24	2.94%
Surrey County Council	1,453.50	1,411.29	42.21	2.99%
Surrey Police and Crime Commissioner	260.57	236.57	24.00	10.14%
	<b>1,932.73</b>	<b>1,860.28</b>	<b>72.45</b>	<b>3.89%</b>

3. It should be noted that Surrey Heath's Council Tax is the smallest of the three principal precepting authorities and represents 11.3% of the total Council Tax Bill. In cash terms this represents 60p per day for each Band D property.

### Recommendations to Members

The Council is recommended to RESOLVE to:

4. NOTE that the Council Tax Base for 2019/20 calculated in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992:
- a) for the whole Council area as 38,054.42 (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 its area to which a Parish precept relates as in Table B below.

Bisley	1,640.07
Chobham	2,005.58
Frimley and Camberley	24,103.84
West End	2,189.73
Windlesham	8,115.20

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 its area to which special items relate.

5. RESOLVE that the Council Tax requirement for the Council's own purposes for 2019/20 (excluding parish precepts and special expenses) is £8,320,979
6. RESOLVE that the following amounts be calculated for the year 2019/20 in accordance with Sections 31 to 36 of the Act:
- a) 57,892,630 being the aggregate of the amounts which the Council estimates for the items set out in Section 31(A)2 of the Act taking into account all precepts issued to it by Parish Councils.
- b) 48,798,817 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
- c) 9,093,813 being the amount by which the aggregate at 7(a) above exceeds the aggregate at 7(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) £238.97 being the amount at 7(c) above (Item R), as divided by Item T (5(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) 185,000 being the aggregate amount of all special items referred to in Section 34(1) of the Act (as per para 1 above)
- f) £218.66 being the amount at 7(d) above less the result given by dividing the amount at 7(e) above by Item T (1(a) above), calculated by the Council

in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

7. NOTE that the County Council and the Police Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.

### Surrey County Council Basic Precept

Precept	Valuation Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Basic	900.74	1,050.86	1,200.99	1,351.11	1,651.36	1,951.60	2,251.85	2,702.22
Adult Social Care	68.26	79.64	91.01	102.39	125.14	147.90	170.65	204.78
Total	969.00	1,130.50	1,292.00	1,453.50	1,776.50	2,099.50	2,422.50	2,907.00

*The Adult Social Care precept levied by Surrey County Council can only be used to fund that service. The amount shown is the aggregated amount of the ASC precept*

### Surrey Police and Crime Commissioner

Valuation Bands							
A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
173.71	202.67	231.62	260.57	318.47	376.38	434.28	521.14

8. RESOLVE 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 below as the amounts of Council Tax for 2019/20 for each part of its area and for each of the categories of dwellings.

### Parish precepts and special expenses

Valuation Band								
Part of Area	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Bisley	41.45	48.36	55.27	62.17	75.99	89.81	103.62	124.35
Chobham	26.26	30.64	35.01	39.39	48.14	56.90	65.65	78.78
Frimley and Camberley	5.12	5.97	6.82	7.68	9.38	11.09	12.79	15.35



West End	30.58	35.68	40.78	45.88	56.07	66.26	76.46	91.75
Windlesham	25.17	29.37	33.56	37.76	46.15	54.54	62.93	75.51

### Surrey Heath Borough Council

Valuation Bands							
A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
145.77	170.07	194.36	218.66	267.25	315.84	364.43	437.32

### Aggregate of Parish and Surrey Heath Borough Council

Valuation Band								
	A	B	C	D	E	F	G	H
Part of Area	£	£	£	£	£	£	£	£
Bisley	187.22	218.43	249.63	280.83	343.24	405.65	468.05	561.67
Chobham	172.03	200.71	229.37	258.05	315.39	372.74	430.08	516.10
Frimley and Camberley	150.89	176.04	201.18	226.34	276.63	326.93	377.22	452.67
West End	176.35	205.75	235.14	264.54	323.32	382.10	440.89	529.07
Windlesham	170.94	199.44	227.92	256.42	313.40	370.38	427.36	512.83

### Total of all Precepts

Valuation Band								
	A	B	C	D	E	F	G	H
Part of Area	£	£	£	£	£	£	£	£
Bisley	1,329.93	1,551.60	1,773.25	1,994.90	2,438.21	2,881.53	3,324.83	3,989.81
Chobham	1,314.74	1,533.88	1,752.99	1,972.12	2,410.36	2,848.62	3,286.86	3,944.24
Frimley & Camberley	1,293.60	1,509.21	1,724.80	1,940.41	2,371.60	2,802.81	3,234.00	3,880.81
West End	1,319.06	1,538.92	1,758.76	1,978.61	2,418.29	2,857.98	3,297.67	3,957.21
Windlesham	1,313.65	1,532.61	1,751.54	1,970.49	2,408.37	2,846.26	3,284.14	3,940.97

9. NOTE that the Council's basic amount of Council Tax for 2019/20 is NOT excessive in accordance with the principles approved under Section 52ZB Local Government Finance Act 1992.

*Relevant amount of Council Tax 2018/19 for the basis of the referendum  
£217.21*

*Relevant amount of Council Tax 2019/20 for the basis of the referendum  
£223.52*

*Increase of £6.31*

As this increase of £6.31 is less than 3% of the 2018/19 level (£6.52) but more than £5 of the basic amount of Council Tax for 2019/20 it is NOT deemed to be excessive.

*NB: Parishes are not subject to the “Excessiveness Principles” and so are free to levy any increase they wish*

Background Papers:           None

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**Governance Working Group**

Portfolio	Non-executive function
Ward(s) Affected:	n/a

**Purpose**

**To consider recommendations from the Governance Working Group in relation to**

- a. The ICT Code of Practice for Members**
- b. Committee Sizes; and**
- c. Minor amendments to the Constitution.**

**To note the Governance Working Group’s decision in relation to adopting a revised Anti-Fraud and Corruption Strategy and that the Social Media Protocol for Councillors is under review.**

**Background**

1. The Governance Working Group, at its meeting on 11 January 2019, reviewed
  - a. the ICT Code of Practice for Members;
  - b. the size of the committee memberships;
  - c. a number of proposed minor changes to the Constitution;
  - d. revisions to the Social Media Protocol for Councillors and a new Social Media Guide for Councillors; and
  - e. a revised Anti-Fraud and Corruption Strategy;

**ICT Code of Practice for Members**

2. The Working Group reviewed revisions to the ICT Code of Practice for Councillors, which had included the following changes:
  - (i) a paragraph prohibiting the auto-forwarding of emails to another email account, including to Surrey County Council email addresses;
  - (ii) new sections on data protection to reflect recent legislative changes; and
  - (iii) the inclusion of a sentence reminding Members to write emails in a business-like manner.
3. The Working Group also considered the restriction on councillors using non-council email addresses for council businesses. Whilst the reasons for such restrictions regarding council business and constituency work were supported, it was recognised that in some instances political group work was more appropriately managed through personal email accounts and this provision would need to be treated flexibly.

4. It was also agreed to extend paragraph 8.1 regarding the Council retaining the right to monitor email usage to clarify that this would only take place under the supervision of the Monitoring Officer.
5. The Working Group recommends that the revised ICT Code of Practice for Members, as set out at Annex A to this report, be adopted.

#### Committee Sizes

6. The Council, at its Annual Meeting in May, will be asked to establish Standing Committees for the 2019/20 municipal year. However, in order to facilitate a smooth process for nominations to committees following the elections, the Working Group was asked to consider making a recommendation on the number of members on each committee, taking into account the reduced Council size from May 2019 onwards.
7. The Working Group reviewed the current committee sizes and supported a reduction of members appointed to the larger committees, in line with the 12.5% reduction in the Council size.
8. The Group considered the size of the Planning Applications Committee. It was noted that the membership of this committee had traditionally allowed for 1 member per ward; the Council would have 14 wards from May 2019, which would correspond with the proposed reduction by 12.5%. However, it was suggested that an uneven number of members on Planning Applications Committee could help address the issue of using the Chairman's casting vote, which was reported to have arisen several times in the recent past. Taking into account these factors, the Working Group agreed to recommend that, from May 2019, the Planning Applications would comprise 15 members.
9. It was felt that the Audit & Standards Committee and Appointments Committee had a suitable number of members, with 7 and 5 members respectively. No changes were therefore proposed to the size of these committees.
10. The Working Group therefore recommends that, from May 2019, membership levels for each of the committees be as follows

Planning Applications	15
Licensing	13
Performance and Finance Scrutiny	13
External Partnerships Select	13
Audit & Standards	7
Appointments	5

#### Minor changes to the Constitution

11. The Working Group reviewed a number of proposed amendments to the Constitution. The changes proposed principally updated references in the Constitution and ensured that cross references in different sections of the Constitution were consistent.
12. Consideration was also given to the maximum number of members of the Executive that could be appointed to the Regulatory Committees and the Joint Staff Consultative Group. This had been proposed in view of the reduction in councillors from May 2019, taking into account a potential reduction in the size of committees, whilst also recognising a need to ensure an appropriate balance of members on these non-executive bodies.
13. The Working Group noted the reasons for the proposed changes but also recognised that such an amendment could affect the majority group leader's ability to allocate sufficient members to a committee. It was agreed to recommend that the rule be amended so it was expressed as a percentage of the body's membership, but the situation would be monitored.
14. A schedule of proposed minor amendments to the Constitution is attached at Annex B to this report.

#### Social Media Policy for Councillors

15. The Working Group considered a new Social Media Guide for councillors. This guide was intended to provide practical guidance for councillors in their use of social media and would sit alongside the Social Media Protocol for Councillors, which formed part of the Documents Which Support the Constitution.
16. The Working Group also reviewed the Social Media Protocol for Councillors. An additional paragraph had been proposed encouraging councillors to share the posts on their own social media channels whilst also requesting that they don't post questions or political statements below the posts on the Council's page.
17. Concerns were expressed about restricting councillors' ability to express views on the Council's pages. It was suggested that the paragraph should be amended to encourage Members to contact officers before posting a comment and that, where relevant, the appropriate Portfolio Holder would be asked to respond to any political statements made instead of an officer. The restriction on Members posing on Council pages would be removed.
18. The Working Group agreed that paragraph would be revised and circulated to its members for agreement; the Executive Head of Corporate would thereafter be asked to update the Social Media Protocol for Councillors in accordance with authority granted in the Scheme of Delegation of Functions to Officers.

## Anti-Fraud and Corruption Strategy

19. The Anti-Fraud and Corruption Strategy had been updated to reflect amendments to job titles and the change of the Council's External Auditor.
20. In accordance with the Scheme of Delegation of Functions to Officers, following feedback from the Working Group, the Executive Head of Corporate agreed the proposed changes to the Anti-Fraud and Corruption Strategy. The revised Anti-Fraud and Corruption Strategy is attached at Annex C to this report for information.

## Options

21. The Council has the option to agree, amend or reject any of the changes recommended as part of this report.

## Resource Implications

22. There are no direct resource implications arising from this report.

## Recommendation

23. The Council is asked to RESOLVE that
  - (i) the ICT Code of Practice for Members, as attached at Annex A to this report, be agreed;
  - (ii) from May 2019, membership levels for each of the committees be as follows:

Planning Applications	15
Licensing	13
Performance and Finance Scrutiny	13
External Partnerships Select	13
Audit & Standards	7
Appointments	5
  - (iii) minor updates to the Constitution, as attached at Annex B to this report, be agreed; and
  - (iv) the revised Anti-Fraud and Corruption Strategy, as set out at Annex C to the report, be noted.

Annexes: Annex A – revised ICT Code of Practice for Members  
Annex B – schedule of minor updates to the Constitution  
Annex C – revised Anti-Fraud and Corruption Strategy

Background Papers: None

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**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 tablets 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
- 2.4 The Member must return all the equipment supplied by the Council, if the Member ceases to be a Member of the Council, or on request by the Council, 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 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.

### **3. Training and User Guides**

- 3.1 User notes are normally provided for email and iPad usage. Additional assistance and training at Surrey Heath Borough Council offices can be provided on request through the ICT Service

### **4. Passwords**

- 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.

### **5. Email and Internet Usage**

- 5.1 The email 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, applicable to the professional body associated with such work or which assists the Member with carrying out his/her duties as a Councillor”.
- 5.2 The Council will provide an official email account, for each Member, using the domain name of surreyheath.gov.uk. This email account should be used for all official and work related email sent and received by the Member. Web based personal or non-Council email accounts such as Hotmail and Yahoo 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 forward emails including to Surrey County Council if also a Surrey County Councillor.
- 5.4 As a Member of the Council it is important that an appropriate language and style of communication is used. Councillor emails and written communication fall under the Freedom of Information Act and need to be made available 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 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.

## **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 documents designed for viewing or printing. Internet Browser plug-in programs are required to view the contents of some web sites and may be downloaded, but only if the site cannot be viewed without the additional software being installed.

## **8. Monitoring of Email**

8.1 The Council reserves the right to monitor email usage under the supervision of the Monitoring Officer.

## **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.

## **10. Data Protection**

10.1 Elected members have data protection responsibilities for personal information they process in their work. They are data controllers under the General Data Protection Regulation for Ward 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 GDPR. Each councillor has been registered with the Information Commissioner's Office by Surrey Heath Borough Council for their Ward work and are given a copy of their registration.

10.2 In the event of electronic or paper medium containing 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.

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Part and Section	Title	Paragraphs to be amended
<b>Article 12 - Officers</b>	-	12.6 Officers will comply with the Code of Conduct for Employees <b>included within Staff Terms and Conditions of Employment</b> and the Member and Officer Protocol set out in Part 5 of this Constitution.
<b>Article 15 – Review and Revision of the Constitution</b>	-	<p>15.2 Changes to the Constitution</p> <p><del>(a) — Apart from the Executive Head of Corporate being authorised to amend the Constitution, including the Scheme of Delegation of Functions to Officers in respect of the officers designated to exercise delegated authorities where changes in the management structure and post titles have resulted from organisational restructures, changes to the Constitution will only be approved by the full Council.</del></p> <p><del>(b) — Any councillor, any committee or the Leader/Executive may submit proposals for changes to this Constitution to the Council for consideration.</del></p> <p><del>(c) — The Council must take reasonable steps to consult local electors and other interested persons in the area, and comply with legislative requirements, when drawing up proposals to change from a leader and cabinet form of Executive to an elected mayor and cabinet, or vice versa.</del></p> <p><b>Any councillor, any committee or the Leader/Executive may submit proposals for changes to this Constitution to the Council, through the Monitoring Officer, for consideration.</b></p> <p><b>Apart from the following exceptions, changes to the Constitution will only be approved by the full Council</b></p> <p><b>(a) the Executive Head of Corporate who is authorised to amend the Constitution, including the Scheme of Delegation of Functions to Officers in respect of the officers designated to exercise delegated authorities, where changes in the management structure and post titles have resulted from organisational restructures</b></p>

Part and Section	Title	Paragraphs to be amended	
		<p style="text-align: center;"><b>(b) the Leader/ Executive in respect of amendments to the Scheme of Delegation of Functions to Officers relating to executive functions</b></p> <p style="text-align: center;"><b>The Council must take reasonable steps to consult local electors and other interested persons in the area, and comply with legislative requirements, when drawing up proposals to change from a leader and cabinet form of Executive to an elected mayor and cabinet, or vice versa.</b></p>	
<b>Part 3 Section B</b>	Scheme of Delegation of Functions to Officers - General Principles	5.2	The Chief Executive, Executive Heads of Service, Heads of Service, or Returning Officer are authorised to vire amounts specified in revenue budget headings in accordance with Financial Regulations, subject to the approval of <b>Corporate Management Team</b> Management Board.
		7.1	7.1.3 in respect of the officers designated to exercise delegated authorities where changes in the management structure and post titles have resulted from organisational restructures – by the Monitoring Officer <b>Executive Head Of Corporate</b> .
<b>Part 4 Section A</b>	Council Procedure Rules	13 (q)	to not hear further a member named under Rule <del>21.3</del> <b>21.5</b> or to exclude them from the meeting under Rule <del>21.4</del> <b>21.6</b> ;
<b>Part 4 Section B</b>	Executive Procedure Rules	9.1	When decisions have been taken by the Executive, the Chief Executive <b>Monitoring Officer</b> will issue to all members of the Council a summary of the decisions as soon as reasonably practical, normally by 5 p.m. on the following working day.
		9.2	Decisions taken by the Executive can be called-in for scrutiny by a Scrutiny Committee. The protocol for call-ins is set out in the Scrutiny Committee Procedure Rules in Part 4. Requests for call-ins must be submitted by noon <b>5pm</b> on the <del>third</del> <b>fifth</b> working day following the issue of the summary of decisions. Decisions of the Executive will take effect or be actioned <del>four</del> <b>six</b> working days after the issue of the summary unless the call-in process has been triggered.

Part and Section	Title	Paragraphs to be amended	
<b>Part 4 Section C Annex A</b>	Scrutiny Committee Procedure Rules	7	The request must identify the decision and state the reason(s) for requesting the review and must be submitted by noon 5pm on the third <b>fifth</b> working day following issue of the Summary.
<b>Part 4 Section D</b>	Committees, sub committees and other bodies procedure rules	4.1	<p>All councillors may be members of a committee except:</p> <ul style="list-style-type: none"> <li>(a) At least one member of the Executive will be appointed to the Appointments Committee.</li> <li>(b) <del>No more than three members of the Executive will be appointed to the Joint Staff Consultative Group.</del> <b>No more than 25% of the employer's representatives will be members of the Executive.</b></li> <li>(c) <del>No more than four members of the Executive will be appointed to the Planning Applications Committee.</del> <b>No more than 10% (rounded up) of members appointed to the Planning Applications Committee will be members of the Executive.</b></li> <li>(d) <del>No more than three members of the Executive will be appointed to the Licensing Committee.</del> <b>No more than 10% (rounded up) of members appointed to the Licensing Committee will be members of the Executive.</b></li> </ul>
		18	<p>18.3 <u>Determination of Planning Applications and any other related consent applications</u></p> <ul style="list-style-type: none"> <li>18.3.1 The Executive Head of Regulatory's report and recommendation will be introduced.</li> <li>18.3.2 Public speaking to take place in accordance with the Procedure for Public Participation at Meetings set out in Part 4 of the Constitution.</li> <li>18.3.3 The Chairman will invite debate on the application in relation to the Executive Head of Regulatory's recommendation.</li> </ul>

Part and Section	Title	Paragraphs to be amended
		<p data-bbox="846 316 2103 379">18.3.4 The Chairman will invite a Member to <del>propose a motion</del> <b>make a proposal</b> in relation to the Executive Head of Regulatory's recommendation.</p> <p data-bbox="846 416 1464 448">18.3.5 The Chairman will ask for a seconder.</p> <p data-bbox="846 485 2103 619">18.3.6 <del>Any amendments to that motion and any subsequent motions will be dealt with in accordance with the Council Procedure Rule 14 – Rules of Debate.</del> <b>The proposal, once seconded, will be put to the vote. If the vote is lost, the Chairman will seek an alternative proposal.</b></p> <p data-bbox="846 655 2103 815">18.3.7 Voting will be by a show of hands but the names of those members voting in favour, those voting against and those abstaining will be called out by the Legal Services Representative so that the names can be recorded on the audio record and in the minutes of the meeting. Where there is a unanimous vote this procedure does not need to be followed and the Chairman will state this for the record.</p> <p data-bbox="846 852 2103 916">18.3.8 Members may not participate in the debate or vote in connection with any application unless they are present for the whole consideration of that application.</p> <p data-bbox="846 959 2040 991">18.4 <u>Decisions Made Contrary to the Executive Head of Regulatory's Recommendation</u></p> <p data-bbox="846 1027 2103 1187">18.4.1 Where the Committee makes a decision to REFUSE an application contrary to the officers' recommendation, Members must give clear reasons for that decision and identify the planning reasons for refusal. The exact wording of those reasons may be delegated to the Executive Head of Regulatory to determine after consultation with the Chairman, Vice Chairman and ward councillors.</p> <p data-bbox="846 1230 2103 1327">18.4.2 Where the Committee makes a decision to APPROVE an application contrary to the officers' recommendation, Members must give clear reasons for that decision, identify the conditions to be imposed and the reasons for the imposition of those conditions.</p>



Part and Section	Title	Paragraphs to be amended
		<p>The exact wording of the conditions and the reasons for their imposition may be delegated to the Executive Head of Regulatory to determine after consultation with the Chairman, Vice Chairman and ward councillors.</p>
<b>Part 4 Section I</b>	Contract Standing Orders	<p>14.1 The requirement for the Council to follow these standing orders may be waived in the following circumstances:</p> <ul style="list-style-type: none"> <li>a) For contracts which are not subject to the EU Rules, the work, supply or service is required as a matter of urgency and a delay would be likely to lead to financial loss, personal injury or damage to property; or</li> <li>b) Where it can be demonstrated that there is a genuine single source of supply for the goods/service required</li> <li>c) the circumstances set out in the Public Contract Regulations 2006 Regulation 14 apply (whether or not the contract is of a type which is subject to the application of the EU Rules); or</li> <li>d) the contract is awarded under a framework agreement of a type where a competition has already been undertaken on behalf of the Council; or</li> <li>e) at the discretion of <b>Corporate Management Team</b> <del>Management Board</del> who may proceed in a manner most expedient to the efficient management of the service/Council with reasons recorded in writing.</li> </ul>
		<p>14.3 All waivers from these Contract Standing Orders must be:</p> <ul style="list-style-type: none"> <li>a) Fully documented</li> <li>b) Subject to a written report to be submitted in advance to the Monitoring Officer <b>and Section 151 Officer</b> which shall include reasons for the waiver which demonstrate that the waiver is genuinely required</li> <li>c) Applications for waivers which are a result of poor contract planning will rarely be considered genuinely exceptional.</li> </ul>

Part and Section	Title	Paragraphs to be amended										
<b>Part 4 Section L</b>	Petitions Scheme	<p>3.2 The response from the Council will depend upon the number of signatures received:</p> <table border="1" data-bbox="750 411 1921 946"> <thead> <tr> <th data-bbox="750 411 1332 448">Number of signatures received</th> <th data-bbox="1332 411 1921 448">Minimum response</th> </tr> </thead> <tbody> <tr> <td data-bbox="750 507 1332 544">50 to 99</td> <td data-bbox="1332 507 1921 544">A response from the relevant officer</td> </tr> <tr> <td data-bbox="750 603 1332 639">100 to 749</td> <td data-bbox="1332 603 1921 703">A response from the relevant Member of the Executive <b>or relevant regulatory committee Chairman</b></td> </tr> <tr> <td data-bbox="750 767 1332 804">750 to 3,499</td> <td data-bbox="1332 767 1921 836">Referred to the Executive <b>or relevant regulatory committee</b></td> </tr> <tr> <td data-bbox="750 900 1332 936">3,500 or more</td> <td data-bbox="1332 900 1921 936">Debated at a meeting of the full Council</td> </tr> </tbody> </table>	Number of signatures received	Minimum response	50 to 99	A response from the relevant officer	100 to 749	A response from the relevant Member of the Executive <b>or relevant regulatory committee Chairman</b>	750 to 3,499	Referred to the Executive <b>or relevant regulatory committee</b>	3,500 or more	Debated at a meeting of the full Council
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3,500 or more	Debated at a meeting of the full Council											
<b>Part 5 Section B</b>	Member and Officer Protocol	<p>3.1 The Code of Conduct for Officers <b>forms part of officers' Terms and Conditions of Employment.</b> <del>is at Section E of Part 5 of this Constitution.</del> It sets out the standards of conduct and integrity which are expected of a local government officer and the standard of service to the public. It reiterates that mutual respect between officers and councillors is essential to good government.</p>										



## ANTI-FRAUD AND CORRUPTION STRATEGY

Surrey Heath Borough Council has a duty to protect public funds under its controls against the risk of fraud or corruption.

In administering its responsibilities the Council is committed to high standards of accountability, openness and integrity.

This commitment will result in the desired outcome of creating a zero tolerance culture, promoting high ethical standards, encouraging prevention, promoting detection and formalising the procedures for investigation. This will assist in minimising the opportunity for fraud and corruption to exist within the Council's systems. This framework is in line with the strategic aims and objectives of the Council in relation to preventing crime and ensuring value for money.

**Fraud is defined as:**

The intentional distortion of financial statements or other records, by an individual or organisation carried out to deliberately conceal the misappropriation of assets for gain.

**Corruption is defined as:**

The offering, giving, soliciting or acceptance of an inducement, or reward which may influence the action of an individual.

**Bribery is defined as:**

The offering, giving, receiving, or soliciting of something of value for the purpose of influencing the action of an official in the discharge of his or her public or legal duties.

This strategy should be read in conjunction with the Anti-Bribery Policy, and Code of Conduct for Officers can be found at :

<https://intranet.surreyheathonline.gov.uk/hr/policies-and-procedures>



## **1. Introduction**

- 1.1 Surrey Heath Borough Council in managing its responsibilities is determined to protect itself against fraud and corruption both from within the Council and from external sources. This Anti-Fraud and Anti-Corruption Strategy is designed to prevent and detect corruption and fraud, and to identify methods of investigation and correction.
- 2.1 To deliver the Council's corporate strategy, we need to maximise the financial resources available to the Council. In order to do this, we must eliminate fraud and misappropriation and effectively promote an anti-fraud culture. The Council also recognises the role of external bodies, such as the National Audit Office (including External Audit and Inspection), Local Government Ombudsman, Standards Hearing and Determination Committee, HM Revenue & Customs scrutinising the Council's activities.
- 3.1 Our strategy to deal with fraud, corruption and misappropriation is built upon seven key concepts: Culture, Deterrence, Prevention, Detection, Investigation, Sanction and Redress.

## **2. Culture**

- 2.1 Our strategy to reduce fraud is based on deterrence, prevention, detection, investigation, sanctions and redress within an over-riding anti-fraud culture. We will promote this culture across all our service areas and within the community as a whole. One pound lost to fraud means one pound less for public services.
- 2.2 The Council requires all Members and employees to lead by example in ensuring that the Council complies with the law and the Council's own regulations, procedures, and practices.
- 2.3 The Council's elected Members and employees are an important element in the stance against fraud and corruption and are expected to maintain the highest possible standards of conduct in public life. These standards are set out in the Council's adopted Code of Conduct for Members in respect of Members and the Council's Code of Conduct for Officers.
- 2.4 Employees who are members of a Professional Institute are further expected to follow the relevant codes of conduct laid down by that Institute.
- 2.5 The Council takes a holistic approach to anti-fraud measures. Fraud prevention and system security is an integral part of the development of new systems and on-going operations. Managers will consider the



fraud threats and take advice where appropriate when implementing any financial or operational system.

- 2.6 The holistic approach extends to the investigation of allegations and the prevention of fraud through system reviews. The Internal Audit and Corporate Enforcement Team provide the Council's fraud investigation and system audit functions. They employ a multi-disciplinary approach to the deterrence, prevention, detection and investigation of fraudulent activity. In addition, the team are free to work with other agencies in the pursuance of the Council's anti-fraud aims.

### 3. **Deterrence**

- 3.1 The Council takes ultimate responsibility for the protection of our finances. In turn, our managers have a duty to protect their service area from losses due to fraud and irregularity and are responsible for implementing proper internal controls.

- 3.2 The corporate framework, which underpins the operation of the Council, has a number of facets that exist to protect the Council against losses from fraud and act as a deterrent. Key elements include:

- An established Standards Hearing and Determination Committee and an adopted Code of Conduct for Members.
- The Constitution, financial regulations rules, contract procedure rules, standing orders and the scheme of delegation.
- Internal control reviews by Internal Audit.
- A Whistle-blowing policy and procedure.
- Anti-Bribery Policy.
- Policy on the Regulation of Investigatory Powers Act (RIPA)
- Information Governance strategy and policy.
- Complaints procedure.
- Fraud Response Plan.
- The promotion of awareness of anti-fraud and corruption issues reinforced by training and publicity.



- Effective recruitment procedures, disciplinary procedures and standards of conduct for officers.

#### **4. Prevention**

- 4.1 The Council's Financial Regulations, Standing Orders on Contracts, Codes of Conduct and any relevant practice and procedure documents are an important protection against fraud and corruption. Managers must ensure that they are complied with at all times. All of the Council's employees are expected to know and understand the relevant Financial Regulations and Standing Orders which apply to areas of their work.

#### [Financial Regulations | Intranet](#)

- 4.2 The Council recognises that an important measure in the prevention of fraud and corruption in its employees is to take effective steps to establish the integrity and propriety of all new employees. Human Resources policies are in place which establish as far as possible the previous record of potential employees in terms of their propriety and integrity. Where necessary, officers will undertake checks with the Disclosure and Barring Service (DBS)
- 4.3 The Council has in place systems and procedures, which incorporate efficient and effective internal controls, including adequate separation of duties, to ensure that as far as possible, errors and improprieties are prevented. Under Financial Regulations, service managers are fully accountable to the Section 151 Officer for the financial management of their services.
- 4.4 The Council will ensure that an adequate and effective internal audit is undertaken of the Council's systems and processes. The Internal Audit team will assist managers in implementing proper controls and correcting any control failures identified by audit work.

#### **5. Detection**

- 5.1 It is the responsibility of the Council's Executive Heads and managers to prevent and detect fraud and corruption. It is, however, often the alertness of staff, Members and the public to the possibility of fraud and corruption that enables detection to occur and appropriate action to take place when there is evidence that fraud or corruption may have been committed or is in progress
- 5.2 The Council actively encourages staff to report colleagues who are suspected of committing fraud. All members of staff, the public and Members are encouraged to contact the Corporate Enforcement Manager with any suspicion of fraud, corruption, financial malpractice



or the misuse of official position. The Council operates a Whistle-blowing Policy and Procedure setting out the protection offered by the Public Interest Disclosure Act 1998 to employees and third parties.

- 5.3 All internal audit reviews will have regard to the possibility of fraud. Internal Audit will also undertake a series of proactive anti-fraud audits in high risk areas with a view to uncovering fraud and misappropriation.
- 5.4 We will utilise all methods available to detect fraud. This includes data matching, open source research, surveillance and intelligence led investigation. We will also actively participate in the National Audit Office National Fraud Initiative (NFI).

## **6. Investigation**

- 6.1 The Council has adopted the principle (contained in Financial Regulations) that investigations into fraud and corruption will be undertaken under the supervision of the Corporate Enforcement Manager. Managers must not attempt to carry out their own investigations.

### Members

- 6.2 Allegations of fraud and corruption made against our Members will be fully investigated in accordance with the provisions of the Localism Act 2011 and any subsequent statute or codes of practice. The Standards Hearing and Determination Committee is responsible for the initial assessment of any complaints that Members may have breached the Code of Conduct for Members. The Council will fully assist the Standards Hearing and Determination Committee or other law enforcement agencies with any investigation concerning a Member.
- 6.3 Any concerns that a Member may have breached the Code of Conduct will be referred immediately to the Monitoring Officer. The Monitoring Officer may utilise the Corporate Enforcement Team or any other appropriate person for the purposes of any investigation.

### Staff

- 6.4 The Audit and Corporate Enforcement Team is charged by the Head of Paid Service with leading the Council's fight against fraud. The teams are free to examine all allegations of fraudulent, financial misconduct, corruption and other behaviour affecting the finances or integrity of the Council.



- 6.5 The Audit and Corporate Enforcement Team will investigate any allegation that may have a direct or indirect impact on the Council's finances. Staff have a duty to assist the Council with any matter under investigation. Failure to assist with an investigation may be considered as a breach of trust or failure to comply with financial regulations.

#### Contractors and partners

- 6.6 Our partners will provide full access to their financial records, as they relate to our finances, and their staff will be required to assist fully with any investigation. These conditions will be included in any contract terms or agreements. Personnel records of any person suspected of being involved in fraud will be made available to the Corporate Enforcement Manager.

### **7. Sanctions and Redress**

- 7.1 The Council will utilise its own Standards Hearing and Determination Committee to the fullest extent to promote high standards and regulate the conduct of our Members and will take appropriate action if a Member is in breach of the Code of Conduct.
- 7.2 We will seek the most appropriate sanctions against staff who commit fraud against the Council, its clients or the public purse. This will include disciplinary action, prosecution and civil proceedings.
- 7.3 Employees found guilty of gross misconduct at disciplinary for offences of fraud, theft, serious financial malpractice, using their position for personal gain or for the gain of others, may be subject to summary dismissal. This applies to employees who improperly benefit from the Council as a corporate body and not just those who steal funds from their own unit. It also applies to employees who defraud or steal from the Council's clients. We will also take disciplinary action against staff who commit fraud against other Local Authorities, or any other agency administering public funds.
- 7.4 We will seek the strongest available sanctions against contractors in respect of their staff who commit fraud against the Council or who commit fraud against the public purse. We will request that the organisation takes appropriate disciplinary action against the individual and / or we will require that they are removed from the Council's contract. The ability to request removal of staff will be written into contract terms.
- 7.5 It is likely that all cases involving criminal activities will be reported to the police. The decision to advise the police will be taken by the Chief Executive and the Section 151 Officer.





## **8. The public and external organisations**

- 8.1 Members of the public receive financial assistance and benefits from the Council through a variety of sources. These include Housing Benefit and Council Tax Reduction.

From 1<sup>st</sup> October, 2015 Surrey Heath Borough Council's power to investigate Housing Benefit fraud were rescinded and responsibility transferred to the Department for Work and Pensions. Any suspected fraud relating to Welfare benefits are now referred to the Single Fraud Investigation Service (SFIS) Members of the Public can report suspected Housing Benefit fraud on online at: [www.go.uk/report-benefit-fraud](http://www.go.uk/report-benefit-fraud) or the National Benefit Fraud Hotline on 0800 854 440.

The Council Tax Reduction Scheme is a locally funded scheme and any allegations of suspected fraud involving Council Tax will be investigated by the Corporate Enforcement Team.

Allegations of Tenancy Fraud will be investigated by the Corporate Enforcement Team in conjunction with the appropriate Registered Social Landlord (RSL). Accent Group is the largest RSL within the Surrey Heath area.

## **9. Conclusions**

- 9.1 The Council has in place a clear Corporate Governance framework to fight against fraud and corruption. These arrangements will keep pace with future developments or techniques for preventing and detecting such activities.
- 9.2 The Council maintains a continuous review of such arrangements and through the Section 151 Officer and Head of Legal Services will ensure regular reviews of Financial Regulations, Standing Orders on Contracts, Codes of Conduct, Financial Procedures and Audit arrangements.



Document revisions

Name of Author	Date Agreed	Document revised (date)	Details of revisions made	Version
J. Greenfield	10.07.13			1
J. Greenfield	2.11.18		Revisions relate to revised team titles, National Audit Office, Housing Benefit and Council Tax Reduction	2

**Community Governance Review**

Portfolio:	Non-Executive Function
Ward(s) Affected:	Bagshot; Windlesham

**Purpose:** To consider a request from Windlesham Parish Council to conduct a Community Governance Review in order to re-instate an equal number of councillors representing each village in the parish area.

**1. Background**

- 1.1. In 2016-17 the Local Government Boundary Commission for England (LGBCE) carried out an electoral review of Surrey Heath Borough and provided revised electoral arrangements for the borough, to be effective from May 2019. These arrangements included alterations to boundaries between Bagshot and Windlesham wards, with 550 households moving from Windlesham ward to Bagshot ward.
- 1.2. In conducting its reviews, the LGBCE must be mindful of electoral equality, meaning the number of voters represented by each councillor must be approximately the same across the borough, ideally within a variance of 10%.
- 1.3. Electoral equality relates to the ratio of electors to councillor, rather than an equality of representatives allocated to settlement areas. The ratios only apply within the authority area, meaning any comparisons with elector to councillor ratios in adjoining boroughs or parishes are irrelevant.
- 1.4. Schedule 2 of the Local Democracy, Economic Development and Construction Act 2009 requires that a parish ward must lie wholly within a single borough electoral ward.
- 1.5. As a consequence of the borough review, the LGBCE provided revised arrangements for Windlesham parish. The revised boundaries for the parish reflect the revised borough boundaries, meaning that the electors in the north of Windlesham ward will transfer from Windlesham parish ward to Bagshot parish ward.
- 1.6. Taking into account the requirement for electoral equality between the parish wards, the LGBCE also made the following revisions to Windlesham Parish Council's electoral arrangements:

<b>Parish Ward</b>	<b>Number of Councillors</b>
Bagshot	8
Lightwater	7
Windlesham	3

- 1.7. The electorate moving from Windlesham ward to Bagshot ward will from May 2019 be represented by Bagshot parish councillors and are thus included in the calculations for that parish ward's electoral equality.
- 1.8. The Surrey Heath Borough Council (Electoral Changes) Order 2017 containing the LGBCE's recommendations was laid in Parliament on 25 October 2017 and made on 13 December 2017.

## **2. Current Position**

- 2.1. As a principal authority, Surrey Heath Borough Council has the power to undertake a Community Governance Review (CGR).
- 2.2. Windlesham Parish Council (WPC), at its meeting on 27 November 2018, passed a motion requesting this Council to conduct a CGR in order to re-instate an equal number of councillors representing each village in the parish area.
- 2.3. In its letter to this Council, the Parish Council reiterated its previous objections to this Council about the alterations and its view that the split of councillors is the responsibility of this Council. Whilst responsibility for the review of parish electoral arrangements has been transferred to this Council, the decision to alter the electoral arrangements for the Parish was made during the 2017 review of Surrey Heath by the LGBCE, using its authority to make consequential changes to parish electoral arrangements; this Council did not have the power to alter this decision. WPC was informed of this position at the relevant time and advised to address its objections to the LGBCE.
- 2.4. The Council can choose to conduct a CGR as requested by WPC. However, if the Council wishes to alter the electoral arrangements put in place by the LGBCE within a 5-year period of that order, Section 86 of the Local Government & Public Involvement in Health Act 2007 requires it to consult the LGBCE. In effect this places a 5 year moratorium on the LGBCE's decision, making the revised electoral arrangements for Windlesham Parish 'protected electoral arrangements'.
- 2.5. Furthermore, in conducting a CGR this Council would need to be mindful of the LGBCE's criteria, including electoral equality requirements. The outcome requested by WPC is unlikely to meet these requirements as the LGBCE's revised arrangements were made specifically to address the electoral inequality in the parish wards.
- 2.6. It is therefore considered that, even if the LGBCE is minded to allow the Council to conduct a CGR on its protected electoral arrangements, it is unlikely that the CGR will meet its requirements in respect of electoral equality.

## **3. Options**

- 3.1. The Council has the option to:

- (i) decide not to conduct a CGR at this time; or
- (ii) consult the LGBCE and, subject to its agreement, thereafter conduct a Community Governance as requested by WPC.

#### **4. Proposal**

- 4.1. In view of the unlikelihood that any revised arrangements which reflect the requested action will meet the electoral equality requirements, it is not proposed not to conduct a Community Governance Review at this time.

#### **5. Resource Implications**

- 5.1. The resource implications arising from conducting a CGR will relate to officer time and any costs in publicising the review.

#### **6. Recommendation**

- 6.1. The Council is advised to RESOLVE to not conduct a Community Governance Review to alter Windlesham Parish Council's electoral arrangements at the present time.

**Background Papers:**     [LGBCE Review of Surrey Heath Borough Council](#)  
[Surrey Heath Borough Council \(Electoral Changes\) Order 2017](#)  
[CGR guidance](#)

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