Surrey Heath Borough Council
Surrey Heath House
Knoll Road
Camberley
Surrey GU15 3HD
Telephone: (01276) 707100
Facsimile: (01276) 707177
DX: 32722 Camberley
Web Site: www.surreyheath.gov.uk

Division: Legal & Democratic Services
Please ask for: Rachel Whillis
Direct Tel: 01276 707319
E-Mail: democratic.services@surreyheath.gov.uk

Monday, 7 February 2022

To: The Members of the **EXECUTIVE**
(Councillors: Alan McClafferty (Chairman), Colin Dougan, Shaun Garrett, Rebecca Jennings-Evans, David Mansfield, Adrian Page and Robin Perry)

Dear Councillor,

A meeting of the **EXECUTIVE** will be held at Surrey Heath House and www.youtube.com/user/SurreyHeathBC on Tuesday, 15 February 2022 at 6.00 pm. The agenda will be set out as below.

Please note that this meeting will be recorded.

Yours sincerely

Damian Roberts

Chief Executive

AGENDA

Part 1
(Public)

		Pages
1.	**Apologies for Absence**	**-**
2.	**Minutes**	**3 - 8**
	To confirm and sign the minutes of the meeting held on 25 January 2022 (copy attached).	
3.	**Declarations of Interest**	**-**
	Members are invited to declare any interests they may have with respect to matters which are to be considered at this meeting. Members who consider they may have an interest are invited to consult the Monitoring Officer or the Democratic Services Officer prior to the meeting.	
4.	**Questions by Members**	**-**
	The Leader and Portfolio Holders to receive and respond to questions	

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

Minutes of a Meeting of the Executive held at Surrey Heath House on 25 January 2022

+ Cllr Alan McClafferty (Chairman)

+	Cllr Colin Dougan	-	Cllr David Mansfield
+	Cllr Shaun Garrett	+	Cllr Adrian Page
+	Cllr Rebecca Jennings-Evans	-	Cllr Robin Perry

\+ Present
\- Apologies for absence presented

In Attendance: Cllr Graham Alleway, Cllr Rodney Bates, Cllr Paul Deach, Cllr Edward Hawkins, Cllr Sashi Mylvaganam, Cllr Graham Tapper, Cllr Pat Tedder, Cllr Victoria Wheeler, Cllr Helen Whitcroft and Cllr Valerie White

83/E Minutes

The open and exempt minutes of the meeting held on 7 December 2021 were confirmed and signed by the Chairman.

84/E Questions by Members

In response to a question from Councillor Adrian Page concerning the increases to labour and material costs, the Leader indicated that a review would be undertaken on projects included in the Capital Programme.

85/E Revenue Grants 2022- 2024

The Executive considered a report detailing recommendations for revenue grant payments to voluntary organisations for the period 1 April 2022 to 31 March 2023, and the three organisations identified for ring-fenced funding for the period from April 2023 to 31 March 2024. Members were reminded that that the 3 ring-fenced organisations were Citizens Advice Surrey Heath, Blackwater Valley Countryside Partnership and the Basingstoke Canal Authority.

It was reported that, since the preparation of the report, conversations had taken place with Voluntary Support North Surrey to resolve an outstanding question and it was now proposed to award the organisation a grant of £30,000.

The Executive was advised that the budget preparations for 2022/23 had indicated that the Council would be unable to sustain the same level of funding as in previous years and would not be able to support any new organisations. Furthermore, the Council would be unable confirm the continuation of funding for non-ringfenced organisations beyond 1 April 2023. It was proposed to use the Containment Outbreak Management Fund, which would enable the Council to continue to support the existing organisations for the 2022/23 financial year and those that were ring-fenced for the 2023-24 financial year.

Members recognised a need to further understand the impact of the Council removing the funding to the organisations. It was therefore agreed that a report would be considered by October 2022, examining the impact of not funding each of the organisations and the potential impact on the Council, plus whether services could be delivered in another way.

RESOLVED that

(i) the following Revenue Grants for 2022/23 be awarded to:

a. Surrey Heath Citizens Advice (CASH) – £80,000.
b. Surrey Heath Age Concern - £10,000.
c. Camberley Central Job Club - £6,000
d. Catalyst Support - £1,500.
e. The Hope Hub - £31,500.
f. VSNS-Time to Talk - £10,000.
g. Basingstoke Canal Authority - £10,000.
h. Blackwater Valley Countryside Partnership - £10,000.
i. Surrey Heath Sports Council - £3,000.
j. Voluntary Support North Surrey - £30,000;

(ii) the other in-kind benefits provided to organisations be noted;

(iii) all grants be subject to Service Level Agreements;

(iv) No Revenue Grants to be awarded to: Windlesham Field of Remembrance, The Women's Institute Bagshot, RASASC (Rape and Sexual Abuse Support Centre) Guildford, the Mustard Seed Trust, Farnborough, Home-Start Surrey Heath, Lightwater Connected and Surrey Heath Arts Council;

(v) the funds available within the Containment Outbreak Management Fund be utilised to meet the Revenue Grant Costs as detailed above 1) A to J for the period of 2022-23 at a maximum total cost of £192,500;

(vi) the available funds from the Containment Outbreak Management Fund be utilised to meet the Revenue Grant costs of the 3 ringfenced organisations which consist of: Citizen's Advice Surrey Heath, £80,000, Basingstoke Canal Authority, and Blackwater Valley Countryside Partnership, both at £10,000 giving an additional allocated amount of £100,000 to meet revenue costs for the year, 2023-2024, and throughout the remainder of this year for the work to continue to identify the funding necessary to retain support for all other organisations; and

(i) a further report be considered by October 2022 examining the impact of the lack of funding on each of the organisations and the potential impact on the Council, or whether services could be delivered in another way.

Note 1: In accordance with the Members' Code of Conduct, Councillor Rebecca Jennings-Evans declared a non-pecuniary interest as she was a Council representative on Surrey Heath Sports Council.

Note 2: It was noted for the record that

(i) Councillor Rodney Bates declared that his sister worked for Catalyst Support and he indicated that he would not comment on that decision;

(ii) Councillor Shaun Garrett declared that he volunteered for Surrey Heath Age Concern; and

(iii) Councillor Alan McClafferty declared that his wife was the Chairman of Surrey Heath Age Concern.

86/E Surrey Heath Community Grants Review

The Executive considered a report setting out the recommendations proposed by the Community Support Working Group following a review of the Council's community grants.

Members were advised that, in relation to the Ward Councillor Grant Scheme, from April 2022 any funds not spent at the end of the financial year would not be carried forward into the next year. It was agreed that an up-to-date statement of unspent funds would be circulated to all councillors.

RESOLVED that the Community Support Working Group's recommendations relating to the Council's Community Grant Schemes, as set-out in Annex A to the agenda report, be agreed.

87/E Review of Parking Fees and Charges

The Executive considered a report reviewing car parking fees and charges for the Council's off-street car parks. The report made a series of recommendations in relation to permits, season tickets, and transferring the costs of RingGo convenience charges to the service user, along with specific proposals for changes to tariffs.

It was reported that tariffs for the Camberley Town Centre car parks not been increased since 2014; furthermore, the out of town Pay & Display tariffs had not been amended since 2009. At present, only the Camberley Town Centre car parks provided a surplus and the income from Pay & Display car parking charges was insufficient each year to meet the operational costs of providing those car parks. This review aimed to get closer to a point where the out of town car parks could break even.

Members discussed the proposed increases to the tariffs for Camberley Town Centre car parks, which related to Main Square car park and Knoll Road car park, and indicated a degree of support for increasing the tariffs. The proposals included the removal of the temporary free parking at Knoll Road introduced during the High Street redevelopment works. The Executive noted suggestions that future reviews look at phasing out the separate Sunday rate and introducing options for differential charging in car parks. Having heard suggestions that the town centre car parks should include a period of free parking, Members were reminded that free parking was available at on-street parking bays within the town, for up to 30 minute periods.

The proposed changes to tariffs for the borough's out of town car parks were reviewed. In relation to Bagshot car park, Burrell Road car park (Frimley), Chobham car park, and Watchetts Road, it was proposed to retain a free first hour of parking and introduce a new tariff for 2 hours parking. Existing tariffs would be increased and weekend charges introduced.

It was advised that no changes were proposed to weekday Yorktown car park tariffs as its current charges were broadly in line with proposals for the other borough-wide pay and display car parks. Also, unlike the other out of town car parks, this one did not provide any free parking period. The proposed increases to Surrey Heath House charges were also noted.

Members raised concerns that removing the second hour of free parking at Chobham car park could affect the use of the adjacent SANG. It was suggested that reducing the free parking period at this car park, which provided the only parking for the SANG, could encourage dog walkers to use Chobham Common, where parking was free, instead, thereby countering the purpose of the SANG. References were also made to the impact that reducing the period of free parking would have on use of this car park by a nearby school. In response to specific concerns raised, the Portfolio Holder undertook to confirm whether any SANG money had been used for the maintenance of Chobham car park.

The report proposed to introduce charges at Wharf Road car park, Frimley Green, with free parking for stays for up to one hour. This was intended to encourage greater turnover of spaces and deter all day parking, as the car park was currently oversubscribed with lots of commuter parking, whilst providing additional income to ensure the car park contributed to its maintenance and capital investment. Concerns were expressed that the introduction of charges could affect the use of local amenities, increase parking on residential roads by employees, and impact the parking at the doctor's surgery and the library.

In relation to Deepcut Car Park, the Council had further explored the cost-benefit to residents of introducing a residents permits at Deepcut car park and, although no changes were proposed at the current time, it was agreed that the position would be reviewed should circumstances change.

RESOLVED that

(i) car parking tariff changes, as set out in Annex 1 to the agenda report, be agreed to come into effect as soon as the statutory Traffic Regulatory Order process is complete and after review and consideration of any feedback received;

(ii) pay and display parking tariffs be introduced at Wharf Road car park, Frimley Green once the statutory Traffic Regulatory Order

process is complete and after review and consideration of any feedback received;

(iii) the temporary NHS/Carers permit be extended until 1 May 2022;

(iv) the RingGo convenience fees be passed on to the customer;

(v) Parking Services investigate incentives to encourage greater use of zero emission vehicles;

(vi) charging for the first two hours of parking in Knoll Road car park be reinstated as the public realm works in the High Street have now been completed. This will follow a statutory 3 week notice process, coming into effect on Monday 27 February 2022;

(vii) the Parking Subsidy Season Ticket for low paid workers permit be retained as part of the revised tariffs; and

(viii) the position in respect of Deepcut Car Park be reviewed should circumstances change.

88/E Surrey Heath Physical Activity Strategy

The Executive considered a draft Physical Activity Strategy. The vision of the strategy was to create an environment where all Surrey Heath residents, regardless of age, background or circumstances, had the opportunity to participate in physical activity in a way that worked for them.

Members were advised that physical activity levels played a key role in the health and wellbeing of the community and could have positive impacts on wider agendas such as community safety and the climate emergency. In line with regional and national partners, officers were bringing forward a physical activity strategy that highlighted priority areas for the next five years where the Council would concentrate its efforts.

RESOLVED that the physical activity strategy for Surrey Heath, entitled “Moving Forward”, as set out at Annex A to the agenda report, be formally adopted for the 2022-2027 period.

89/E COVID-19 Additional Relief Fund

The Executive was informed that Government had introduced a number of new measures to support business as a result of the ongoing pandemic. This follows the significant support provided through business grants and rate reliefs in 2020 and 2021.

The COVID-19 Additional Relief Fund (CARF) had been announced in March 2021, but details had been delayed until December 2021 due to the legislative process. Government guidance had been received on 30 December 2021 for COVID-19 Additional Relief Fund (CARF) scheme rules. Approval was sought for the authority to be delegated to agree a discretionary local scheme that would been drawn up based on the emerging Government guidelines.

RESOLVED that authority be delegated to the Strategic Director Finance & Customer Services after consultation with the Finance Portfolio Holder to approve the Business Rates COVID-19 Additional Relief Fund policy, scheme rules and authorise the award of the relief.

Chairman

Surrey Heath Borough Council
Executive
15 February 2022

Annual Revenue Budget
Medium Term Financial Strategy 2022/23 to 2025/26

Portfolio Holder:	Cllr Robin Perry - Finance
Strategic Director	Bob Watson - Finance and Customer Service
Report Author:	As above
Key Decision:	Yes
Wards Affected:	All

Summary and purpose

This report covers the Medium Term Financial Strategy (MTFS) and the revenue budgets estimates for the next financial year (2022/23) and the indicative estimates for the period 2023/24 to 2025/26.

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

Recommendation

The Executive is advised to RECOMMEND to Full Council the approval of the Medium Term Financial Strategy and associated Revenue Budget Estimates covering the period 2022/23 to 2025/26 which includes:

(i) to approve the 2022/23 budget estimates giving a net cost of services revenue budget for the Council of £14.788 million as shown in Appendix 1 to the Medium Term Financial Strategy;

(ii) to approve the unavoidable and service pressures of £4.791 million shown in Appendix 1 and in more detail in Appendix 1-1 to the Medium Term Financial Strategy;

(iii) to approve the revenue efficiencies of £2.413 million shown in Appendix 1 and in more detail in Appendix 1-2 to the Medium Term Financial Strategy;

(iv) to approve the recommendation by the Strategic Director Finance and Customer Services (the Council's Section 151 Officer[1]) that a sum of up to £7.500 million of earmarked reserves at this stage be repurposed to the general revenue fund balance to support the revenue budget over the period of the Medium Term Financial Strategy and provide a sustainable budget for the Council and that delegation is given to the Strategic Director in consultation with the Chief Executive and the Portfolio Holder for Finance to identify which reserve(s) this sum is to be drawn from and the eventual amount to be re-purposed;

(v) that the increase in the Surrey Heath Borough Council element of the annual precept be increased by £5.00 per Band D property and in the appropriate statutory proportions for other properties; and

(vi) that a total of £0.270 million of earmarked reserves are allocated to support budgets in the services these earmarked reserves were set aside for.

The Executive is also advised to note:

(i) the Capital Strategy, Capital programme and Treasury Management Strategy form part of the Medium Term Financial Strategy, but are being considered elsewhere on this agenda;

(ii) the forecast level of reserve balances shown at Appendix 4 to the Medium Term Financial Strategy. It should further be noted that these will be subject to confirmation once the outturn position for the current financial year (2021/22) is known and this will be reported in the revenue outturn report early in the new financial year;

(iii) the Council Tax base for Surrey Heath Borough Council is 38,976.2 as set at Council on 15 December 2021;

(iv) the Medium Term Financial Strategy contains a savings target of £1.350 million over the period of the strategy which will be achieved through a combination of further services efficiencies, increases in income and potentially service reductions to be identified through a output-based budget review for all services of the Council and subject to a Star Chamber challenge review that will commence in March 2022.

(v) The statement of the Chief Financial Officer (Strategic Director Finance and Customer Services) on the robustness of estimates and sustainability of balances.

[1] The officer designated under Section 151 of the Local Government Act 1972 as responsible for the financial affairs of the Council.

(vi) the finance settlement from central Government is only provisional until ratified through the House of Commons. Any material changes from the final settlement will be communicated to the Executive and if necessary presented with the budget to Council.

1. Background and Supporting Information

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

1.2 The Medium Term Financial Strategy consists:

- Revenue budget estimates for 2022/23 and indicative estimates for 2023/24,2024/25 and 2025/26.
- Capital Strategy
- Capital programme for 2022/23 to 2025/26
- Treasury Management Strategy

2. Reasons for Recommendation

2.1 The Council is required to set a balanced budget each year at Budget Council (normally the February preceding the commencement of the financial year on 1 April).

2.2 The Executive should recommend its proposed budget to Council

2.3 It is considered sound financial management to set an annual budget and produce a strategy showing indicative budgets for the following three years.

3. Proposal and Alternative Options

3.1 Executive is requested to recommend the medium term financial strategy and the revenue and capital budget estimates to budget Council on 23 February 2022.

3.2 Executive could choose to not adopt the Medium Term Financial Strategy nor recommend the revenue and capital estimates. In which case an alternative budget would have to proposed and adopted by Council prior to the new financial year (1 April 2022)

4. Contribution to the Council's Five Year Strategy

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

5. Resource Implications

5.1 The revenue and capital resource implications for 2022/23 are contained within the Medium Term Financial Strategy and the Capital Strategy.

6. Section 151 Officer Comments:

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

> '…. the chief finance officer of the authority must report to [a council making budget / council tax decisions] on the following matters:
> (a) The robustness of the estimates made for the purposes of the calculations, and
> (b) The adequacy of the proposed financial reserves.'

6.2 The Strategic Director Finance and Customer Services is the Council's Chief Finance Officer (Section 151 Officer), and is confident that the estimates being presented have been based on sound knowledge of the costs and income, which will aim to deliver on the priorities within the Council's Five-Year Strategic Plan. The achievement of this balanced budget, will be through the use of tight controls and the success of delivering on the savings programmes, resulting from the root and branch review of budgets and outputs, 'star chamber' reviews and strong budget management, with robust monitoring and reporting through the financial year.

6.3 The risks associated with the deliverability of this budget are detailed in Section 10 of Medium Term Financial Strategy (Appendix 1), and close monitoring of the issues outlined are a necessary factor in ensuring balances are maintained, at the agreed limit set by Council.

6.4 Over the past few years the Council has applied some of its reserve balances to support regeneration and delivery of services to the local residents and businesses; however, this is not sustainable in perpetuity and as such the Medium Term Financial Strategy contains a savings and efficiencies target to balance the budget by keeping within the financing resources available.

6.5 These targets will be met from a combination of further service efficiencies, looking at ways of increasing income and potential non-statutory service reductions are spread over the four-years of the strategy as follows:

£'000	2022/23	2023/24	2024/25	2025/26
Zero-base budget review	(475)	(425)	(300)	(150)

6.6 In addition, over the period of the Medium Term Financial Strategy, all services are expected to remain within departmental expenditure limits and any growth is off-set by service efficiencies, unless funded by 'new burdens' financing.

6.7 All Strategic Directors and Heads of Service have a responsibility to ensure that the budgets under their areas of responsibility are delivered to plan. The

Strategic Director Finance and Customer Service is responsible for the overall delivery of budgets across the Council and proper management thereof.

6.8 In the opinion of the Section 151 Officer this report and budget complies with the Local Government Finance Act 1992 and the Local Government Act 2003. The Council is forecast to have sufficient reserves to facilitate the delivery of its financial plans for 2022/23.

6.9 The planned repurposing of up to £7.500 million of the Council's earmarked reserve balances as set out in the recommendation 'iv' above would leave the Council's reserves above the identified minimum level of £2 million for the next two financial years and will allow the Council time to realise the full impact of the budgetary review and star chamber process. Whilst the Council has adequate balances and earmarked reserves to manage cost pressures over the period of the Medium Term Financial Strategy, it will need to return to a position where it can manage annual budgets without further depletion of the reserve levels.

6.10 The Department for Levelling Up, Housing and Communities (DLUHC, formerly MHCLG) makes an assumption of all Local Authorities Core Spending Power. In doing this, it assumes that council's will always uplift their Council Tax requirements by the maximum allowable without triggering the requirement for a local referendum. Therefore the Medium Term Financial Strategy includes the assumption that the recommended increase in the Surrey Heath Borough Council element of the Council Tax precept demand will be £5.00 for a Band D property for 2022/23 and over the life of the Medium Term Financial Strategy. Even at £5.00 the Surrey Heath Borough Council increase (in both cash and percentage terms) will be significantly less than both the Surrey County Council and the Surrey Police increases.

6.11 Of all the income streams the Council has, Council Tax is least volatile and most reliable, therefore is the only one that can provide a stable funding base for services. For that reason the Section 151 officer's recommendation is that Council Tax uplifts are in line with the central Government assessment of Core Spending Power over the period of the Medium Term Financial Strategy.

6.12 In summary, with due regard to the budgets and strategic aims contained within the Medium Term Financial Strategy, the Council's Chief Finance Officer (section 151 Officer) is confident that the estimates of expenditure and income are robust and the adequacy of reserves is sufficient, provided the items in the Medium Term Financial Strategy are approved at Budget Council. If these are not agreed then this statement would need to be reviewed in the light of any alternative budget and cannot be relied upon until such a review has taken place.

6.13 Following approval by Budget Council, these budgets will be loaded on the Council's general ledger system and a more detailed set of individual budgets for services – the 'budget book' – will be published.

7. Legal and Governance Issues

7.1 There is a legal requirement that the Council can only approve a balanced budget. A balanced budget means that expenditure must equal income. If the budget is not balanced then the Council cannot approve it and therefore Council Tax cannot be set and revenue collected. The Council is also permitted to use balances to smooth the one-off impact of budgetary pressures on the local tax paying populace.

7.2 On 9th February 2022, the Government the confirmed the provisional Local Government Finance Settlement for 2022/23 that was previously announced on 17 December 2021. It also confirmed that authorities would need to hold a referendum if their planned increase in Council Tax is not below 2.00% or above £5.00 for a Band D property (whichever is the greater). This budget has been prepared on the assumption that the maximum Council Tax increase (£5.00) within these limits will be approved.

8. Monitoring Officer Comments:

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

9. Other Considerations and Impacts

Environment and Climate Change

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

Equalities and Human Rights

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

Risk Management

9.3 Section 10 of the Medium Term Financial Strategy highlights the risks around these budgets. Services will have their own service risk registers which contribution to the Council's corporate risk register.

Community Engagement

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

MEDIUM TERM FINANCIAL STRATEGY AND FORECAST

2022/23 – 2025/26

Page left intentionally blank

EXECUTIVE SUMMARY

1.1 The Medium Term Financial Strategy (MTFS) provides a clear approach to delivering a much more sustainable financial position for the Council over the next four years, one that supports the delivery of priority services and the outcomes set out in the Council's Five Year Strategy. It recognises that all Councils are having to operate within a very dynamic environment with changes in the economy, service demand, and legislation that is and will continue to impact significantly on the Council's income and expenditure. The strategy also sets the budget for financial year 2022/23 and shows indicative budgets for the following three years.

1.2 Surrey Heath Borough Council (SHBC), along with most local authorities, continues to face significant challenges in providing essential services to meet the needs of residents within the level of resources it has at its disposal. This is exacerbated by a combination of increasing and more complex local demand and uncertainty over future government funding arrangements. In addition, these issues took on a whole new dimension with the impact of Covid-19 locally, which significantly affected a number of major income streams for the Council, including cultural and leisure activities, car parking and property rental income.

1.3 The Medium Term Financial Strategy brings together both the national and local context and their effect on the Council's overall financial position, and provides a forecast covering the four financial years 2022/23 through to 2025/26. It highlights the scale of the financial challenge that the Council will face over the period. The forecast contains broad assumptions and estimates, to provide an indicative picture to help the Council shape its detailed budget setting activities, supporting it to deliver a sustainable financial position over the medium term. Decisions on the Council Tax level for example, are taken during the annual budget setting process and figures used for modelling purposes in the medium-term financial forecast are simply illustrative for this purpose and should not be taken as policy decisions.

1.4 Regular budget monitoring reports are presented to reported formerly on a quarterly basis to Performance and Finance (P&F) Scrutiny Committee throughout the year and to budget managers and Directors and Service Heads on a more frequent basis. The latest budget monitoring report is available as at the end of December (Period 9/Quarter 3).

1.5 Each year as part of the Medium Term Financial Strategy, the Council is required to set a realistic, achievable budget for the forthcoming year and indicative budgets for the following three years. With the removal of the Government's core revenue support grant funding, budget and service managers have been required to deliver within expenditure targets, , find efficiency savings, achieve additional income and minimise service growth in order to continue to provide effective and efficient value for money services to the public.

1.6 This document incorporates as appendices the following:

1.6.1 The revenue budget estimates for 2022/23 and indicative estimates for the period 2023/24 to 2025/26.

1.6.2 The Capital Strategy for the Medium Term Financial Strategy (MTFS) period and includes the capital programme of expenditure and the proposed funding of the programme.

1.6.3 The Treasury Management Strategy.

2. **Revenue Budget Strategy**

2.1 The Medium Term Financial Strategy (MTFS) looks forward, anticipating as far as possible, the spending pressures faced by the Council, the impact of decisions already made and those in the pipeline, to give an indication of the level of future savings/income required to maintain a balanced budget. This will mean that the Council can plan now for future challenges rather than waiting until they happen.

2.2 Surrey Heath Borough Council has traditionally set budgets that have been balanced and allowed for a small return of in-year surpluses to the general fund balance. However, since 2018/19 there has been a budgeted drawdown on reserves. The impact of Covid-19 on the Council has also meant that additional larger in-year drawdowns of the general fund balance have also been required.

2.3 There is expected to be an additional unplanned draw on balances by the end of Financial Year (FY) 2021/22, mainly from the pressures generated by the pandemic impacting on budgeted income levels. Due to the continued downward pressure on income levels in the aftermath of the pandemic and the inherent uncertainty about when these may recover, there will need to be a similar drawdown of balances through the 22/23 period. There is an estimated pre-budget pressure on the Council of £4.3 million at the start of the next financial year (2022/23) when inescapable growth (growth that is legislative, contractually committed or is required to mitigate larger future costs) is taken into account. This is not sustainable and as such there is a need for a clear and ambitious strategy to reduce the budget deficit through a combination of service efficiencies, increased income, and service reductions in lower priority areas. It is also imperative that new growth is kept to a minimum unless additional funding streams can be identified such as external grant, or from future efficiencies or income arising from that growth. Any growth funded by new income must be contained within the level of funding and the duration that the funding is awarded.

2.4 Services have reviewed the level of growth needed to maintain service levels to the residents and businesses of the borough and also identified opportunities for service efficiencies and increased income. The outcome of the service work is shown in summary below and in more detail in Appendix 1, and Annexes 1.1 and 1.2.

Summary of revenue budget estimates

Forecast budgets (£'000)	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Chief Executive	162	162	162	162
Environment and Community	7,346	7,290	7,118	6,756
Finance and Customer Service	3,679	3,559	3,544	3,524
HR, Performance and Communications	3,736	3,724	3,724	3,724
Investment and development	(1,395)	(1,948)	(2,415)	(2,615)
Legal and Democratic Services	1,191	1,301	1,221	1,221
Corporate Inflation	69	(47)	(63)	90
	14,788	**14,039**	**13,290**	**12,861**

3. Service outputs

3.1 The Medium Term Financial Strategy (MTFS) is closely aligned to and provides resources to support the Council's published five-year strategy. The 2022/23 budget will also support the Council's annual service plan, and the key outputs of each service area are detailed in the following paragraphs. This is not intended to replace the annual plans but to provide the reader with a high-level summary of the functions carried out by the Council and what they provide:

3.2 **Environment and Community**

Annual budget 2021/22	£7,014,844
Annual budget 2022/23	£7,345,786
Number of employees (fte)	120.6

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

- community transport
- telecare

- Emergency Planning and Health and Safety

3.3 **Finance and Customer Services**

Annual budget 2021/22	£3,518,014
Annual budget 2022/23	£3,678,789
Number of employees (fte)	89.1

<u>Corporate Finance</u>

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

<u>Revenue and Benefits</u>

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

Over the past two years and for the foreseeable future this department also administers and processes the various Covid-19 support grants to local residents and businesses

<u>Planning</u>

- development management for the Council
- planning policy development of the Local Plan statutory and discretionary building control services for the residents and businesses of the Borough

<u>Customer Services</u>

- front-line contact centre for the residents and businesses of the Borough.
- maintains a reception service
- acts as first point of triage support to the Council and the other public sector bodies working out of Surrey Heath House.

- provides the Council’s mail processing centre
- oversees the Council’s complaints process.

Procurement services

- support to services in contract tendering
- support and guidance on contract management
- maintain the contracts register
- manages the procurement pipeline

3.4 **Human Resources, Performance and Communications**

Annual budget 2021/22	£3,842,357
Annual budget 2022/23	£3,735,787
Number of employees (fte)	37.3

Human Resources

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

Performance – Organisational Development

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

Communications and Engagement

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

Community Safety and Community Development

- Statutory responsibilities for the Community Safety Service ranging from:
  - strategic through the Surrey Heath Partnership
  - people/place operational cases
  - multi-agency links and collaborations which are crucial to delivery
- Community Development
  - 8 operational grant schemes
  - community support to those who are in need,
  - Containment Outbreak Management Fund
  - Household Support Fund
  - Community Support WG
  - Member Equality Working Group
  - Surrey Heath Lottery
  - food parcels and signposting as a welfare legacy from the pandemic

Information Technology (IT)

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

3.5 **Investment and Development**

Annual budget 2021/22	(£3,272,419)
Annual budget 2022/23	(£1,394,617)
Number of employees (fte)	20.6

Investment

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

Development

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

Facilities Management

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

Economic Development

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

3.6 **Legal and Democratic Services**

Annual budget 2021/22	£1,145,179
Annual budget 2022/23	£1,190,540
Number of employees (fte)	15.9

Legal services

- Transactional work for the Council's commercial property
- Disposal and acquisitions of property
- Debt recovering work for rent arrears

- Planning agreements and advice
- Enforcement notices for enforcement activity.
- Enforcement proceedings being either prosecutions or injunctions.
- Drafting contracts for services that the Council procures
- Lead solicitors for Joint Waste Solutions; providing all legal support.

<u>Democratic services</u>

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

<u>Freedom of Information (FOI)</u>

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

<u>Audit</u>

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

3.7 **Corporate inflation**. To be added to the above 2022/23 budgets is an element of unavoidable pressures that are identified corporately and will be directly attributed to service budgets when these are finalised. These are:

- The impact of the 1.25% increase in employers' national insurance as announced in the Government's Autumn 2021 spending review.

- The annual in-year impact in 2022/23 of the Council five-year strategy that was agreed in 2021.

- The pay award (subject to agreement) for Council staff (this was 0% in 2021/22 for the majority of staff).

3.8 **Corporate savings target.** In order to address the ongoing budgetary pressures the Council will make use of a 'zero-based budgeting' approach as part of a new Star Chamber. This will commence in the new financial year with a process of a full 'root and branch' base budget review focusing of deliverable outputs and the costs therein; these findings will then be subjected to a challenge process in 'star chamber' format. This will include all Council services and is anticipated to deliver the following savings targets over the next four years:

£'000	2022/23	2023/24	2024/25	2025/26
Zero-base budget review	(475)	(425)	(300)	(150)

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

4. Revenue funding and financing

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

- Council tax
- Business Rates
- Other Government grants (non-service specific)
- Balances on the collection fund and special precepts.

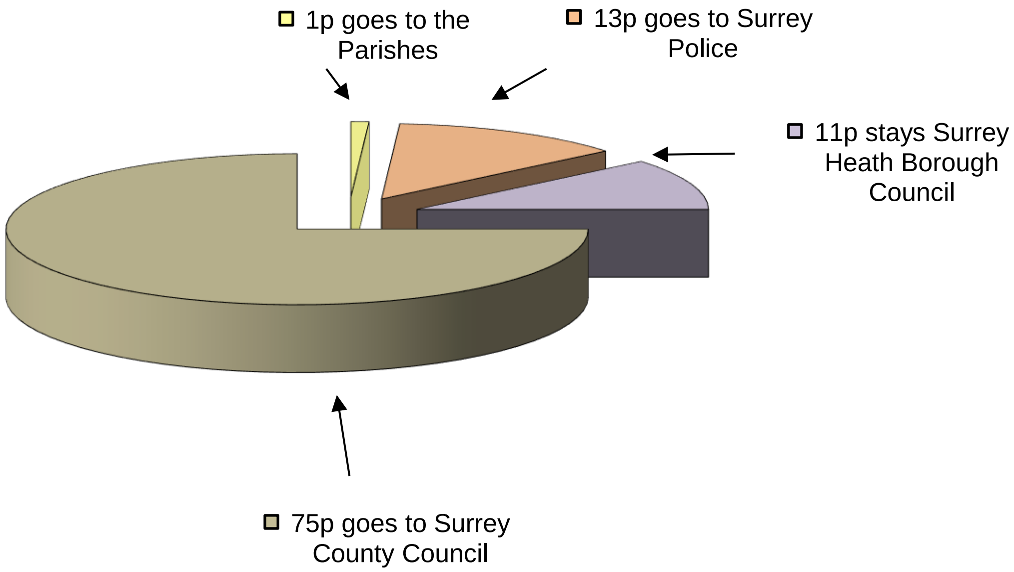
4.2 **Council tax**. The central Government makes an assessment of the core spending power (CSP) of all local authorities, and uses this to base its assumptions around relative need and funding support. In making this assessment, the Department for Levelling up, Housing and Communities (DLUHC) assumes that Councils will increase Council Tax demands by the maximum amount allowed without having to hold a local referendum. Accordingly, Surrey Heath Borough Council has assumed that it will continue to increase the Council Tax level over the medium term by £5 per band D property. It is also assuming an annual growth in the tax base of one per cent each year. The forecast receipt from Council Tax for the net for years is shown in the table below:

2021/22		2022/23	2023/24	2024/25	2025/26
38810.6	Council tax base	38976.2	39365.9	39759.6	40157.2
£228.66	Charge per Band D	£233.66	£238.66	£243.66	£248.66
£8,874,423	**Council tax income**	**£9,107,172**	**£9,395,073**	**£9,687,822**	**£9,985,486**

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

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

For every £1 collected ...



4.4 **Business Rates** (formerly Non Domestic Rates) are set centrally by government, but collected locally by collection authorities. These are then distributed to central government (50%), County council (10%) and the District Council (40%). District Councils are then subjected to a top-up amount or a tariff amount from central government based in the assessment of deprivation and relative need. Surrey Heath BC is deemed to be a tariff authority which means that it will pay an element of its share of the collected business rates to central government for re-distribution. The tariff for 2022/23 is £12.58 million leaving the Council with £1.947 million. Collection authorities are allowed to retain any growth since the Business Rate baseline was last reset (2013). It is anticipated that there will be a baseline rest in 2023/24 and therefore the forecast of retained business rate income over the four-year MTFS is shown below:

2021/22	Retained Business Rates (£ million)	2022/23	2023/24	2024/25	2025/26
1.858	Business rates	1.953	1.588	1.663	1.696

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

4.6 The Council collects revenues on behalf of itself and the other preceptors. This is known as the collection fund. This fund will normally make a surplus or a deficit over the financial year and this is shared amongst the major preceptors the following year. As it is difficult to estimate long term the amount shown in the Medium Term Financial Strategy (MTFS) is only for the next financial year (2022/23). The share for Surrey Heath Borough Council is budgeted at £220,813 in 2022/23.

5. **Property income**

5.1 The Council holds a significant portfolio of property, mostly within the borough. This is held to support the Council's economic and social outcomes including the attraction and retention of local businesses, provision of community services, development of housing and to support wider regeneration. These properties also generate income which is used to offset the costs of managing these assets and is used to support Council services.

5.2 The Council's property holdings are in the industrial, office and retail sectors. Industrial has held up well in the covid climate, with the properties virtually fully let and income producing. Office properties have been more heavily impacted as the move to home working has reduced demand. The Council owns two large office buildings within the borough, one of which has now been successfully let and the focus now is on achieving this for the other.

5.3 Covid has more heavily impacted the retail sector. The Council has done well in maintaining a high level of occupancy, but has been exposed to a reduction in the overall level of rents and in increased rent arrears. This trend has impacted on the 2021/22 accounts and will continue to have an adverse effect in the period of the Medium Term Financial Strategy (MTFS), until the structural change in town centres settles down. For this reason, the Council has considered it prudent to reset its income targets accordingly - these are shown in the growth section of the appendices (reducing income budgets is treated as budget growth). These will be reviewed annually and budget and service managers are working hard to ensure these properties continue to support the town centre and maximise the benefit to the local taxpayer. Whilst these properties are not held primarily for investment it is expected that they will make sufficient return to cover their costs of capital and also make a contribution to support the continuation of the Council's services to residents in the current financial climate of reducing central government support.

5.4 The Council also holds a number of properties, principally within Camberley town centre, which have been acquired for a programme of regeneration and economic development. In the main, these are not income producing and so the focus must be on bringing these to a stage of early redevelopment to reduce the Council's long term exposure to holding costs. For this, the Council's role will be to undertake site assembly, engage with the development market, pump prime the development schemes up to the stage where it has established what it would like to achieve from the developments and to open up options for delivery, either by the Council itself or by third party developers. Where the latter, the Council will be able to decide if it wishes to take out land value as capital proceeds or to secure a longer term income stream.

5.5 The Council will continue to review its portfolio and would seek to divest from or add to at the most financially opportune point in time, although there are currently no new capital property acquisitions forecast over the next four years.

6 Capital

6.1 The Capital Strategy at Appendix 2 to this Strategy sets the framework for the Council's investment in its capital assets and this is supported by the detailed capital programme each year.

6.2 Capital is treated differently from the annual revenue budget and as such projects and programmes could span two or more financial years. The Council therefore maintains a long-term capital outlook and this is covered in the four-year medium term financial strategy.

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

6.4 The Council has reviewed its capital programme going forward with a significant drop in capital expenditure. This is to primarily reduce the cost to the local taxpayer and reduce the level of debt the Council holds. All new expenditure over the period of this Medium Term Financial Strategy (MTFS) is sustainable, affordable and prudent and can be funded from retained capital receipts and balances. This will also allow the Council to complete many of the projects that are still ongoing from the previous capital programme set in 2021/22 and subsequently reprofiled to later years. This reprofiling amounts to £8.499 million.

7 Treasury Management

7.1 The Council's annual Treasury Management Strategy is attached at Appendix 3 to this strategy. The Council manages its cashflow and balances in accordance with this strategy.

7.2 The Council will invest its short-term surplus balances with a regard for the security of the investment and the planned cashflow need for funds (liquidity); these investments will make a limited return on investment (yield), but this is always considered after the need for security and liquidity.

7.3 In order to refund its ambitious regeneration programme (see Section 5), the Council has also taken out a significant amount of external borrowing, which currently stands at £147.2 million – of which £70.0 million is short-term borrowing.

7.4 The Council has entered into two longer term fixed interest forward deals of £25 million in 2022 and £25 million in 2023 in order to reduce the exposure to interest rate risk; it should be noted that if rates were to rise sharply, each one per cent rise would cost the Council an additional amount in excess of £1 million each year, placing greater strain on the already limited budgets. Over this strategy period, the Council will aim to keep its average interest for debt between 2.0% and 2.5%.

8 Level of Reserves and General Fund

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

8.2 The Council holds reserves for four overriding reasons:

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

8.3 The Council has had to drawdown on its reserves and balances over the past three years. Given the current level of the gap between planned expenditure and forecast financing streams, there is anticipated to be a further drawdown on reserves in financial year 2022/23. Longer term (and over the period of this strategy) the Council expects to reduce this deficit gap and will by financial year 26/27 be in a position where the budgets are balanced and the Council will start again to replenish its reserve balances.

8.4 There is no mandated amount for a general fund balance and is the responsibility of the Council's Chief Finance Officer (Section 151 Officer[1]) to ensure a suitable and prudent level of general fund balance is held to act as a contingency for unexpected events and having regard to the risks the authority faces in the foreseeable future. In practice, this is normally considered to be between 5% and 10% of the net annual revenue budget.

8.5 The Section 151 Officer is required to report at budget setting time on the adequacy of the reserves and whether they are sufficient for the operation of the Council. Currently the Council holds approximately £44.2 million in earmarked and non-earmarked reserves.

8.6 A summary of the Council's reserves and balances is attached at Appendix 4 to this strategy.

9. **Assumptions**

9.1 In compiling this strategy, it has been necessary to make some assumptions around future costs and funding streams. Some of these are within the Council's control through its decision making process and as such should be considered as indicative and not firm policy until approved at the annual budget Council for that financial year. The key assumptions are:

9.1.1 In line with the Government assessment of core spending power, the borough element of Council Tax will increase in line with inflation but will be capped at £5 per Band D equivalent.

9.1.2 The tax base for the Borough is anticipated to increase by one per cent each year; this is also in line with the Government's assessment on core spending power.

9.1.3 An annual pay award for Council staff and Councillors has been included in the corporate inflation figure based on a 2% annual increase. This is subject to annual review and agreement, but it is prudent to include an inflationary uplift in the budget estimates.

9.1.4 Government grants are based on known amounts and flatlined where it is anticipated that the grant will continue. Otherwise grant funding is assumed to be paid only in the year it is awarded.

9.1.5 Business rates are assumed to reset in 2023/24 and therefore all accrued growth by the Council will be forfeited and the amount the Council is allowed to retain will be

[1] The officer appointed under Section 151 of the Local Government Act 1972 to administer the financial affairs of the Council.

the baseline funding amount from 2023/24 onwards uplifted annually in line with assumed increases in the Business Rates multiplier.

10 **Risks**

10.1 Over the four year period of the Medium Term Financial Strategy there a number of potential risks that could cause budgetary pressures. Some of the key ones relate to the assumptions in paragraph 9 and these and other key risks are articulated below:

10.1.1 Government 'fairer funding' review. The Department for Levelling Up, Housing and Communities (DLUHC) has indicated that the fairer funding review originally planned for 2017 is still planned albeit in a revised format to take account of the Levelling Up agenda. This may see the inclusion of an additional tariff (aka negative Support Grant) on the amount of business rates the Council is allowed to retain to fund its services. There is no amount for this included in the Budget Estimates, but if this were to materialise, based on previous numbers, it could be a cost to the local taxpayer of £0.6 million each year.

10.1.2 Interest rate increases. Interest rates have been held at unprecedented low levels since 2012 and have only recently in December 2021 been increased. They are still at a very low level, but the financial sector is expecting them to rise over the next few years, albeit not to the levels they were before the 2008 recession. The Council limits its exposure to interest rate increases by acquiring longer-term debt at fixed rates, which gives certainty over the cost of debt financing.

10.1.3 Longer term impact of the Covid-19 pandemic. The Council is gradually returning to a 'business as usual' model that has adapted to the longer term legacy of the pandemic, which is not over yet. There is a risk that there will be an annual cycle of winter outbreaks and as such the Council will need to react to support its residents and businesses as it has done previously. It is anticipated that there will be government support for any future outbreaks, but the Council also holds a sufficient amount of balances to temporarily cover the costs of any additional out breaks.

11 **Summary**

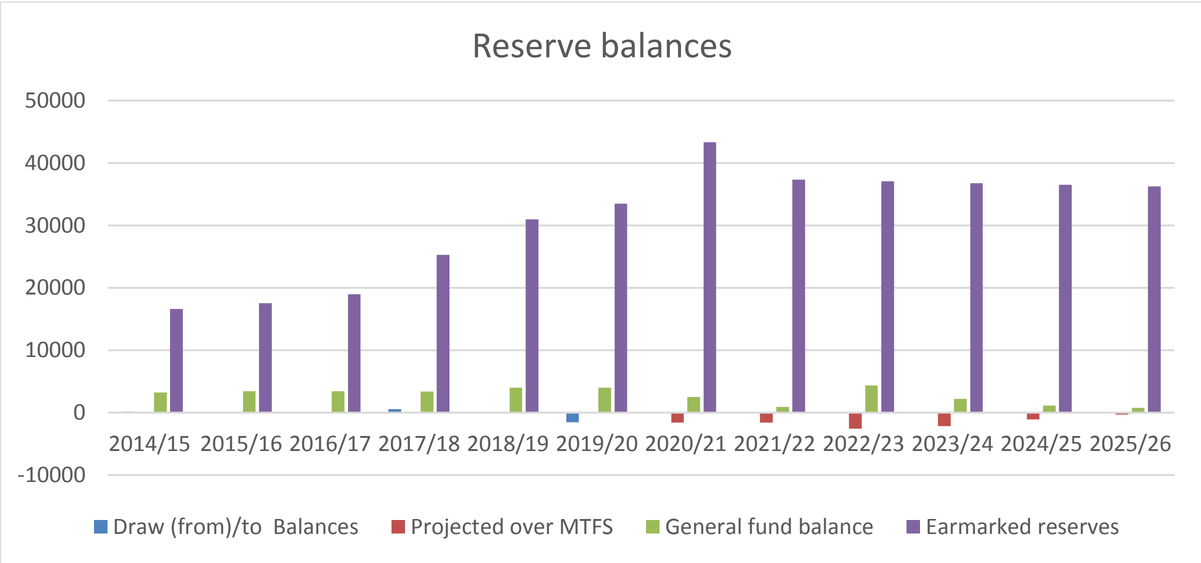
11.1 This strategy along with the supporting appendices form part of the annual budget presented to Budget Council in February each year. Although it contains a four-year medium term outlook, it is refreshed each year as the revenue estimates only cover a 12 month budget cycle and the latter three years are shown as indicative.

11.2 The capital strategy and programme are reviewed each year to ensure they are still aligned with the Council's published Five Year Strategy.

11.3 The Treasury Strategy is required to be set each year by Council.

11.4 The Medium Term Financial Strategy shows a use of the Council's reserve balances. This is permissible in order to smooth the impact of budget pressures on the local tax payer, and whilst it is prudent to hold a sustainable level of reserves, the Council holding large levels of balances are not always in the best interest of the local residents and businesses.

11.5 If the budget is approved then the longer-term outlook for the contributions to reserve balances is more sustainable with a clear indication that the direction of travel will see a return to the Council starting to replenish the general fund balance and deliver of more services to residents and businesses by 2026/27.



List of Appendices

Revenue Budget Estimates

(all values in £'000)

Net cost of services		2022/23	2023/24	2024/25	2025/26	Notes
Opening budgets		**12,410**	**14,788**	**14,039**	**13,290**	1
Chief Executive		162	162	162	162	
Environment and Community		7,015	7,346	7,290	7,118	
Finance and Customer Service		3,518	3,679	3,559	3,544	
HR, Performance and Communications		3,842	3,736	3,724	3,724	
Investment and development		(3,272)	(1,395)	(1,948)	(2,415)	
Legal and Democratic Services		1,145	1,191	1,301	1,221	
Corporate Inflation		0	69	(47)	(63)	2 & 3
Growth	**(see Appendix 1-1)**	**4,791**	**(305)**	**59**	**418**	4
Efficiencies	**(see Appendix 1-2)**	**(2,413)**	**(374)**	**(856)**	**(908)**	5
Restated budgets						
Chief Executive		162	162	162	162	
Environment and Community		7,346	7,290	7,118	6,756	
Finance and Customer Service		3,679	3,559	3,544	3,524	
HR, Performance and Communications		3,736	3,724	3,724	3,724	
Investment and development		(1,395)	(1,948)	(2,415)	(2,615)	
Legal and Democratic Services		1,191	1,301	1,221	1,221	
Corporate		69	(47)	(63)	90	
Total Net Cost of the Provision of Services		**14,788**	**14,039**	**13,290**	**12,861**	6
Funded by						
Council Tax		9,107	9,395	9,688	9,985	7
Business rates		1,947	1,588	1,622	1,655	8 & 9
Collection fund surplus/(deficit)		221	0	0	0	10
Non-specific government grants						
New Homes Bonus		329	251	251	251	11
Lower tier Services		70	70	70	70	12
Service Grant		108	108	108	108	13
Special expenses		187	189	191	193	14
		11,970	**11,601**	**11,930**	**12,262**	15
Summary						
Net cost of services		14,788	14,039	13,290	12,861	
Funding		(11,970)	(11,601)	(11,930)	(12,262)	
Use of earmarked reserves						
From Homelessness Reserve		(170)	(170)	(170)	(170)	16
From CIL Admin reserve		(100)	(100)	(100)	(100)	17
Contribution (from)/to reserves and balances		**(2,548)**	**(2,168)**	**(1,089)**	**(329)**	18
Reserves and balances						
Opening balances						
General fund		6,906	4,358	2,190	1,101	
Earmarked reserves		37,317	37,047	36,777	36,507	
Closing balances						
General fund		4,358	2,190	1,101	771	19
Earmarked reserves		37,047	36,777	36,507	36,237	20

Notes

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

1	These represent the base budget after adjusting for one-off growth and savings
2	Annual inflationary pressures across the Council
3	These will be allocated to services when budgets are loaded
4	Service budget growth required to maintain services to residents and businesses
5	Service efficiencies identified that result in no decrease in the level of services to residents
6	Includes all service expenditure and income netted off
7	Assumed ongoing £5 increase per annum and 1% growth in tax base
8	Central government business rate reset anticipated for 2023/24
9	No additional tariff built into the model, but remains a possibility
10	Fluctuates year on year based on collection rates. Only confirmed figure is for 2022/23
11	Based on Local Government settlement for 2022/23 and forecast based on current projections
12	Based on Local Government settlement for 2022/23 and forecast based on current projections
13	Based on Local Government settlement for 2022/23 and forecast based on current projections
14	Assumed growth of 2% per annum based on tax base and precept rises
15	Total financing to support the revenue budget
16	Budgeted drawdown of earmarked reserve to support service expenditure
17	Budgeted drawdown of earmarked reserve to support service expenditure
18	Represents the annual draw on or contribution to balances
19	Estimate of balance on general fund based on budget projections
20	Estimate of balance on earmarked reserves based on budget projections

Service Growth 2022/23 Medium Term Financial Strategy Appendix 1 -1

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

Service and Bid name	2022/23	2023/24	2024/25	2025/26	Further detail
	Amount in year				
Environment and Community					
Climate change Insulation report	2	0	0	0	
Recycling increased compliance checks	17	0	0	0	Increased cost of recycling compliance check - income offset
Joint Waste Service (JWS) - increases in costs					
Increases in costs and reduced income	57	0	0	0	Lost income on textiles and bulk waste. Increased cost of contaminated loads
Annual contractual increase at 4%	215	224	233	242	The Council is contractually committed to this increase each year
Cost of HGV drivers retention and recruitment	58	0	0	0	Increased costs to retain and recruit drivers due to national shortage
Reduced income on Garden Waste - due to rebates on non-delivery	300	(300)	0	0	Rebates due to customers following suspension of collections in 2021/22
Syrian Refugee increased costs	5	0	0	0	Government initiative
Syrian Home Office grant reduced	29	(29)	0	0	Government initiative
Afghan increased costs	25	(25)	0	0	Government initiative
Homelessness software	16	0	0	0	Formerly in IT budgets
Connaught Court rentals	11	(11)	0	0	One-off cost of rental
Car parking increased costs	20	0	0	0	Contractual uplifts and cost of mobile telecommunications
Car parking reduced income	426	(50)	(50)	(50)	Reduced car parks footfall - assumed gradual recover over MTFS period.
Parks water charges increased	5	1	1	1	Inflationary increase
Parks increase in maintenance contract	3	3	3	4	Contractual increase
Frimley Lodge Park increase in maintenance contract	41	42	44	45	Contractual increase
Frimley Lodge Park increase in costs/reduced income	14	0	0	0	Bike hub closing and reduced income through traded activities
Places Leisure fee year 2	34	(34)		0	This is the last year of the management charge SHBC will pay to Places Leisure
Gambling licensing reduced premises	1	0	0	0	Less premises requiring licences
Museum reduced income	4	0	0	0	Reduced footfall in the museum
Theatre running costs increase	12	0	0	0	Contractual increase and ticket protection fees
Theatre increased Artist Fees	37	0	0	0	
Arena classes no longer running at theatre	5	0	0	0	As part of the 'exclusivity' agreement with Places Leisure
Total Environment and Community Growth	**1,336**	**(176)**	**233**	**244**	
HR, Performance and Communications					
Apprenticeship Levy	7	0	0	0	Increase in levy payments
Total HR, Performance and Communications Growth	**7**	**0**	**0**	**0**	

(all figures in £'000 - exact budgets will be loaded)		Amount in year			
Service and Bid name	2022/23	2023/24	2024/25	2025/26	Further detail
Finance and Customer Services					
Building Control service restructure (Runnymede)	95	0	0	0	Creating capacity for management support to Runnymede Borough Council.
Planning Deepcut PPA Engagement of Contractors	100	(100)	0	0	Fully offset by income
Council tax increase in properties	5	0	5	0	Growth in the taxbase creates more cost for the collections team
Council tax increase in IT licences	93	0	0	0	Refresh of Revenues software
NNDR increase in IT licences	27	0	0	0	Refresh of Revenues software
Housing Benefit increase in IT licences	9	0	0	0	Refresh of Revenues software
Local Plan - Legal and Counsel fees	100	(100)	0	0	Legal fees for challenges around the local plan
Planning (DM) restructure	80	0	0	0	Review of planning service - growth funded through increased income
Total Finance and Customer Services Growth	**510**	**(200)**	**5**	**0**	
Legal and Democratic					
Committee Clerks - additional Grade 6 posts	45	0	0	0	Increase in Democratic team due to increased work requirements
Election equalisation funding	0	0	30	0	An annual equalisation budget to spread the cost of the election cycle
Cost of May 2023 local elections	0	110	(110)	0	One -off cost of the May 2023 local elections
Total Legal & Democratic Growth	**45**	**110**	**(80)**	**0**	
Investment and Development					
Reduction in town centre income	1,200	(200)	(200)	(200)	Rebalance of base budget and assumption of upturn (to be reviewed yearly)
Annual engineering inspection linked with insurance contracts	1				Contractual growth
Increase of CCTV preventative maintenance cost	1	1	1	1	Contractual growth of 2% each year
Increase in gas utilities costs for Surrey Heath House	12	0	0	0	Predicting a 50% increase
Theta increased service charges	86	(43)	(43)	0	Tenant served notice - cost of voids - assumed relet in 2023
Theta reduced rent	299	(75)	(225)	0	Tenant served notice - lost rental income - assumed relet in 2024
London Rd reduced rent	3	0	0	0	Rental adjustments
Albany increased service charge	10	(10)	0	0	Tenant served notice - cost of voids - assumed relet in 2023
Albany reduced rent	218	(218)	0	0	Tenant served notice - lost rental income - assumed relet in 2024
Corporate reduced rents - budget adjustment	311	0	0	0	Groundlease on the Square and the Atrium
Retail and Industrial asset manager post	72	0	0	0	Creation of permanent post reuired to manage the portfolio
Regeneration contributions	10	0	0	0	Various promotions to increase footfall in town centre
Total Investment and Development Growth	**2,222**	**(545)**	**(467)**	**(199)**	

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

Service and Bid name	2022/23	2023/24	2024/25	2025/26	Further detail
		Amount in year			
Corporate inflation					
Annual pay award - staff/members	234	239	243	248	Assumed 2% increases each year - subject to approval
Increased Employer's National Insurance Contributions	139	143	0	0	Increase of 1.25% employer's ERNIC to fund NHS and Social Care
Impact of annual plan and Five-year strategy	125	125	125	125	Cost of £0.5 million over the MTFS period
Establishment and Incremental drift					
Increases in Establishment	473				Establishment growth over the previous 12 months
Contra of 2021/22 budget	(300)				Budget agreed previously for establishment growth
	670	**506**	**368**	**373**	
	4,791	**(305)**	**59**	**418**	

This page is intentionally left blank

Service Efficiencies 2022/23 Medium Term Financial Strategy

Appendix 1 -2

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

Service and Bid name	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Further detail**
		Amount in year			
Environment and Community					
Churches reduced grant paid	(2)	0	0	0	Reduction in grant paid
Recycling reduced rent based on current year	(5)	0	0	0	Budget reduction based on previous performance
Joint Waste Service - income/efficiencies					
Increase recycling credits	(18)	0	0	0	Additional credit from improved recycling figures
Domestic waste	(15)	0	0	0	Increase in income from Domestic Waste
Variable items reduced contract	(241)	0	0	0	
Climate change reduced consultants	(2)	0	0	0	Service saving on consultancy costs
Vehicle transferred to parking	(3)	0	0	0	Costs absorbed in parking
Reduction in Supporting People costs	(36)	0	0	0	Reduction in cost following in-year efficiency review
Syrian salaries recharged	(62)	20	21	21	Government initiative phased out
British Armed Forces Home Office grant	(137)	137	0	0	Government initiative - one-off funding
British Armed Forces Home Salary recharge	(35)	0	0	0	Government initiative - one off funding
Connaught Court rent income	(23)	0	0	0	Increased rental income
Housing increased recharges	(51)	0	0	0	Income from Surrey County Council
Parking contract savings	(10)	0	0	0	Service efficiency following in-year review
Car parking income increase	(290)	0	(12)	0	From increasing parking fees as per Executive Decision
Parks contractual inflation	(5)	0	0	0	Reduction in costs - revised contract mechanism
Parks contractual inflation	(9)	0	0	0	Reduction in costs - revised contract mechanism
Places Leisure management fee mechanism	0	(37)	(414)	(626)	From year 3 of the contract the Council receives a fee from Places Leisure
Lightwater Country Park - income from miniature golf course	(8)	0	0	0	This is a new income generating initiative
Review of leisure contract costs	(4)	0	0	0	Cost reduction following in-year review
Theatre new income stream	(13)	0	0	0	Ticket surcharge to fund theatre restoration capital fund
Theatre increased income	(18)	0	0	0	Increased number of booking to generate more income
Charging for car parks in the parks	(10)	0	0	0	New income stream to fund capital investment
Reduced Runnymede BC community services partnership costs	(10)	0	0	0	Service efficiencies
Total Environment and Community service efficiencies	**(1,005)**	**120**	**(405)**	**(605)**	

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

Service and Bid name	2022/23	2023/24	2024/25	2025/26	Further detail
		Amount in year			
HR, Performance and Communications					
HR - budget reduction following base budget challenge	(1)	0	0	0	Service efficiency following in-year review of base budgets
IT training reduced	(4)	0	0	0	Training cost efficiencies with no reduction in service
Electronic Archiving reduced	(10)	0	0	0	Reduction in archiving requirements
Increase in external income	(28)	0	0	0	Increased recharge income from Woking and JWS
Service efficiencies in the Reprographic service	(5)	0	0	0	Service efficiency following in-year review of base budgets
Communications service efficiencies	(1)	0	0	0	Service efficiency following in-year review of base budgets
Reduction in training budget	(5)	0	0	0	Reduce the spend on corporate training
Remove one graduate post (from 3 to 2)	(6)	0	0	0	Reduced fee payable to Local Government Association
One-year hold on internship programme	(25)	25	0	0	Temporary hold on the intern programme for 2022/23
Web Licence removed	(6)	0	0	0	Service no longer required
Business Breakfast Catering	(4)	0	0	0	Service no longer required
Review the staff private medical scheme	0	(37)	0	0	Year 2 proposal as will require consultation
Removal of apprentice post in IT	(20)	0	0	0	Street naming/numbering role has been absorbed in Planning
Total HR, Performance and Communications service efficiencies	**(114)**	**(12)**	**0**	**0**	
Finance and Customer Services					
Planning income increase (PPA etc)	(100)	(20)	(20)	(20)	Development Management income based on previous performance
Planning Deepcut PPA	(100)	100	0	0	Income matching growth item
Increased income in Building Control Services	(110)	0	0	0	Increased services and funding from Runnymede BC - exceeds growth
Housing benefit increased income	(29)	0	0	0	Through improved overpayment recovery
Customer services - savings in postage costs	(10)	0	0	0	Channel shift to email communications and on-line self-serve
Total Finance and Customer Services service efficiencies	**(349)**	**80**	**(20)**	**(20)**	
Investment and Development					
Youth hub programme and flexible support grants for staffing	(10)	10	0	0	One off Government (DWP) grant
Vulcan Lease event	(34)	0	0	0	Increased rents and lettings
Income from licences moved to wayleaves	(10)	0	0	0	Income from licences moved to wayleaves
Trade City lease events	(3)	0	0	0	Increased rents and lettings
St Georges increased rent	(7)	0	0	0	Increased rents and lettings
Ashwood House increased rents	(161)	(19)	0	0	Increased rents and lettings
Maintenance transferred to Capital budget	(110)	0	0	0	Revenue saving from correction of accounting treatment
Reduced repairs and maintenance budget	(10)	0	0	0	Service efficiencies
Total Investment and Development service efficiencies	**(345)**	**(9)**	**0**	**0**	

(all figures in £'000 - exact budgets will be loaded)	Amount in year				
Service and Bid name	2022/23	2023/24	2024/25	2025/26	Further detail
Corporate Savings					
Increase in discretionary fee income in line with inflation	(126)	(129)	(131)	(134)	2% uplift on service budgets; fees and charges set individually
Star chamber and base budget review	(475)	(425)	(300)	(150)	Process to start in March to maximise 2022/23 savings
Total Corporate savings	**(601)**	**(554)**	**(431)**	**(284)**	
Total Service Efficiencies including corporate savings	**(2,413)**	**(374)**	**(856)**	**(908)**	

This page is intentionally left blank

Appendix 4

31 March 2021 £,000	Reserve	31 March 2022 £,000
	Earmarked Revenue Purposes	
10,173	Revenue reserve for capital funding	7,173
1,208	Affordable Housing	1,208
319	Atrium S106 agreement	319
82	Blackwater Valley developers contributions	82
12,079	Business Rates Equalisation fund	12,079
5	Chobham & Town Team Partnership	5
151	Community Fund 2002	151
562	CIL Admin and Monitoring	562
259	Commuted Sums	259
18	Covid19	18
39	Crime and Disorder Partnership	39
72	Custom Build	72
285	Deepcut Village Centre : Alma Dettingen	285
786	Contain Outbreak Management Fund	786
130	Frimley Lodge 3G Pitch	130
7	Heatherside: multi-use games area	7
194	Insurance Reserve fund	194
7,318	Interest Equalisation Fund	4,318
384	Land Drainage	384
182	New Burdens Fund	182
185	Nottcutts (Bagshot Project)	185
17	Old Dean toddlers playground	17
427	One Public Estate	427
146	Planning S106 agreements	146
1,817	Property Maintainance	1,817
45	Remediation fund	45
107	Rental Equalisation	107
56	SAMM	56
5,039	SANGS	5,039
79	Surrey Family Support Programme	79
679	Homelessness	679
240	Swift Lane	240
141	Syrian Refugees	141
40	EH - covid	40
46	Home Improvement Agency	46
43,317	**Total Earmarked Revenue Reserves**	**37,317**
906	**General Fund Balance**	**6,906**
44,223	**Total available reserves**	**44,223**
		[Estimated]

This page is intentionally left blank

Surrey Heath Borough Council
Executive
15 February 2022

Treasury Management Strategy Report 2022/23

Portfolio Holder: Cllr Robin Perry – Portfolio Holder for Finance
Strategic Director: Bob Watson – Strategic Director Finance
Report Author: Bob Watson – Strategic Director Finance
Key Decision: Yes
Wards Affected: All

Summary and purpose

This paper sets out the Council's Annual Treasury Management Strategy for 2022/23 for Executive to consider and recommend to Council.

Recommendation
The Executive is advised to approve and RECOMMEND to Full Council the adoption of the following:

(i) The Treasury Management Strategy for 2022/23 shown at Annexes A and B to this report;

(ii) The Treasury Management Indicators for 2022/23 at Annex C to this report;

(iii) The Minimum Revenue Provision policy statement and estimated minimum revenue provision payment table at Annex F to this report; and

(iv) The Treasury Management Policy Statement at Annex G to this report.

The Executive is advised to note the following:

(i) Investments as at 30th November 2021 shown at Annex D to this report; and

(ii) Existing Investment and Debt Portfolio shown at Annex E to this report

1. Background and Supporting Information

1.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk is therefore central to the Council's prudent financial management.

1.2 The Council's portfolio of investments comprise funds available for longer term investment and short term investments sufficient to meet cash flow requirements.

2. Reasons for Recommendation

2.1 Treasury management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the 'CIPFA Code') which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the 'CIPFA Code'.

2.2 In accordance with the DLUHC Guidance, the Council will be asked to approve any revision to the Treasury Management Strategy Statement should any of the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Council's capital programme or in the level of its investment balance.

3. Proposal and Alternative Options

3.1 The Executive is asked the approve and recommend to Council that it adopts:

- 3.1.1 The Treasury Management Strategy for 2022/23 at Annex A
- 3.1.2 The Treasury Management Indicators for 2022/23 at Annex B
- 3.1.3 The Minimum Revenue Provision (MRP) Policy Statement at Annex E
- 3.1.4 The Treasury Management Policy Statement at Annex F

3.2 The Executive can receive or amend the report, or ask for further information.

3.3 The Executive can approve or amend the proposed recommendations to Council.

4. Contribution to the Council's Five Year Strategy

4.1 The Council's Medium Term Financial Strategy of which the Treasury Management Strategy is part supports the Council's adopted Five Year Strategy.

5. Resource Implications

5.1 The budgeted target for investment income in 2022/23 is £75,000 based on an average investment portfolio of £13 million at a weighted average interest rate of 0.58%. The budget for interest paid on debt in 2022/23 is £2.920 million, based on an average debt portfolio of £147 million and an average interest rate of 2%. If the actual level of investments and borrowing vary, or actual interest rates change from those forecast, then performance against budget will be different. The forecast position on both treasury investment earnings and debt financing will be reported in the Treasury mid-year report.

5.2 Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g. from cheap short-term borrowing, then the revenue benefits will be transferred to the Interest Equalisation earmarked reserve to cover the risk of debt financing rates increasing in future years.

5.3 Financing for the corporate capital programme for 2022/23 – 2025/26 is anticipated to be funded by capital receipts and contributions, capital reserves and government grants. There is no planned increase in capital borrowing over this period.

5.4 Any changes required to the approved treasury management indicators and strategy, due to changes in economic conditions or from an increased capital programme, will be reflected in future reports for Executive and Council to consider.

6. Section 151 Officer Comments:

6.1 The Council is obliged to review and approve its Treasury Management Strategy on an annual basis and this must be set by Council as part of the annual budgetary process.

6.2 The Capital Financing Requirement (CFR), operational boundaries for debt and authorised borrowing limits are contained in the Capital Strategy that is also presented on this agenda.

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

7. Legal and Governance Issues

7.1 The Council complies with the requirements of the CIPFA Code of Practice and Treasury Management. The current relevant criteria and constraints incorporated into the Treasury Management Policy Statement are:

7.1.1 New borrowing is to be contained within the limits approved by the Council, in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities, and the Council's prudential indicators.

7.1.2 Investments to be made in accordance with the CLG guidance on Local Council Investments, on the basis of the ratings agencies of Fitch, Moody's and Standard & Poors credit ratings for rated institutions and as detailed in the Treasury Management Policy statement and approved schedules and practices.

7.1.3 Sufficient funds to be available to meet the Council's estimated outgoings for any day.

7.1.4 Investment objectives are to maximise the return to the Council, subject to the overriding need to protect the capital sum.

7.1.5 The Council's response to interest rate changes is to minimise the net interest rate burden on borrowing and maximise returns from investments, subject to (7.1.1-7.1.4) above.

8. Other Considerations and Impacts

Risk Management

8.1 Poor returns on investments could lead to a reduction in income also to support the revenue budget. However, low returns on investments should mean low rates for borrowing which could offset any potential loss. There is a risk that variable interest rates on short term borrowing could rise faster than expected leading to an increase in cost and therefore leading to savings being needed elsewhere in the Council's budget.

8.2 The limits proposed in this report in respect to counterparties and investments are the overall limits for agreement by Council. However from time to time these may be tightened temporarily by the Strategic Director of Finance & Customer Services in consultation with the portfolio holder for Resources to reflect increased uncertainty and increase in perceived risk in financial institutions and the economy. This will usually be at the cost of lower returns.

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

Annexes

Annex A – 2022/23 Treasury Management Strategy
Annex B – 2022/23 Treasury Management Strategy - Other Items
Annex C – 2022/23 Treasury Management Indicators
Annex D – Treasury Investments as at 30th November 2021
Annex E – Existing Investment and Debt Portfolio
Annex F – Minimum Revenue Policy (MRP) Statement
Annex G – Treasury Management Policy Statement

Background Papers

CIPFA Code of Practice: Treasury Management in the Public Services – 2017 Edition

Annex A

Treasury Management Strategy 2022/23

Part 1 Treasury Investment Strategy

1.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. This is expected to remain at £13 million in 2022/23.

Objectives:

1.2 The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest return of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Strategy:

1.3 Given the increasing risk and very low returns from short-term unsecured bank investments, the majority of the Council's surplus cash is currently invested in money market funds and the UK Government. On the advice of our advisors Arlingclose. No changes are proposed to the 2022/23 investment strategy from that adopted in 2021/22.

Business Models:

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

Approved Counterparties:

1.5 The Council's Treasury advisors have advised that the Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown.

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

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

<u>* Minimum Credit Rating</u>:

1.6 Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

1.7 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £2m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

<u>Banks and Building Societies (unsecured)</u>:

1.8 Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

<u>Secured Investments</u>:

1.9 Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Government:

1.10 Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Registered Providers (unsecured):

1.11 Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money Market Funds:

1.12 Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic Pooled Funds:

1.13 Bond, equity and property funds that offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real Estate Investment Trusts (REITs):

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

Other Investments:

1.15 This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

Operational/Transactional Bank Accounts:

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

Risk Assessment and Credit Ratings:

1.17 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

1.18 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments:

1.19 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

1.20 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment Limits:

1.21 The maximum that will be lent to any one organisation (other than the UK Government) will be £3 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

1.22 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £3 million in operational bank accounts count against the relevant investment limits.

1.23 Limits are also be placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries. Please refer to the table below:

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

Part 2 Borrowing Strategy

2.1 The Council currently holds £147 million of loans, which it is using to fund its property acquisitions. The Council may borrow in advance to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £235 million however the Council will incur a cost of carry until the funds are utilised.

Objectives

2.2 The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy

2.3 Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to continue to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

2.4 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2022/23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

2.5 The Council has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

2.6 Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

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

2.8 In order to manage risk on its short term borrowings, the Council has arranged fixed rate forward starting loans for £50m. These will replace the short term borrowing of the same amount and the first loan £25m was in 2021, with the second due in Feb 2022. This has enabled certainty of cost to be achieved in the future whilst taking advantage of low interest rates in the short term.

Sources of borrowing:

2.9 The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Surrey County Council Pension Fund)
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
- Local Enterprise Partnerships
- Any other UK public sector body

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

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

Annual Minimum Revenue Provision (MRP) statement:

2.11 When a Council borrows, it is required to indicate how it intends to fulfil its duty to make prudent provision for the repayment of the capital borrowed from revenue. This provision is called the Minimum Revenue Provision or MRP. Best practice guidance recommends that Authorities prepare a statement of policy on making MRP in respect of the forthcoming financial year. The Council's MRP statement will be recommended to Council by the Executive on 15th February 2022 as part of the Capital budget for 2022/23.

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

£ million	**2019/20 actual**	**2020/21 actual**	**2021/22 Forecast**	**2022/23 budget**	**2023/24 budget**
MRP Payment	2.159	2.213	2.268	2.323	2.382

Part 3 National and International Factors which influence the Treasury Strategy

3.1 The Council's treasury management advisors, Arlingclose Limited have provided us their assessment of the wider external factors that the Council's investment strategy needs to take in to account in terms of the economy, interest rates and credit outlook.

Economic background:

3.2 The ongoing impact on the UK from coronavirus, together with higher inflation, the likelihood of higher interest rates, and the country's trade position post-Brexit, will be major influences on the Authority's treasury management strategy for 2022/23.

3.3 The Bank of England (BoE) held Bank Rate at 0.10% in November 2021 and maintained its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted 7-2 to keep rates on hold and 6-3 to maintain the asset purchase programme. Within the announcement the MPC suggested interest rates would be increased soon, but not to the 1% level expected by financial markets. Within the November 2021 Monetary Policy Report, the Bank expected consumer price index (CPI) inflation to peak at around 5% in April 2022 before falling back as the impact from higher energy prices fade and demand slows.

3.4 UK Consumer Price Inflation (CPI) for September 2021 registered 3.1% year on year, slightly down from 3.2% in the previous month. Core inflation, which excludes the more volatile components, fell to 2.9% y/y from 3.1%. The most recent labour market data for the three months to August 2021 showed the unemployment rate fell to 4.5% while the employment rate rose to 75.3%. Both measures were helped by the extension of the government's furlough scheme, but this ended in September 2021 and while this may put some pressure on the jobs market, it is not expected to be material, with the BoE forecasting unemployment will only increase modestly in Q4 2021 according to its November 2021 Monetary Policy Report but remain low overall.

3.5 In August 2021, the headline 3-month average annual growth rate for wages were 7.2% for total pay and 6.0% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 4.7% while regular pay was up 3.4%. These figures should be interpreted with caution, however, as pay growth is now being impacted by base effects compared to 12 months ago when earnings were first affected by the coronavirus pandemic. Moreover, there has also been a fall in the number and proportion of lower paid jobs, helping to push up the average earnings figure.

3.6 Gross domestic product (GDP) grew by 5.5% in the second calendar quarter of 2021, compared to a fall of -1.6% q/q in the previous three months, with the annual rate jumping to 23.6% from -6.1%. Here too, base effects from 2020 have resulted in the high Q2 2021 data. Monthly GDP estimates have shown the economy is recovering, with the economy now just 0.8% below its pre-pandemic level. Looking ahead, the BoE's November 2021 Monetary Policy Report forecasts economic growth will rise by 1.5% in Q3 2021, 1.0% in Q4 2021 with the economy expected to get back to its pre-pandemic level in Q1 2022. GDP growth is now expected to be around 5% in 2022 (revised down from 6%), before slowing to 1.5% in 2023 and 1% in 2024.

3.7 GDP growth in the euro zone increased by 2.2% in calendar Q3 2021 following a gain of 2.1% in the second quarter and a decline of -0.3% in the first. Headline inflation has been strong, with CPI registering 4.1% year-on-year in October, the fourth successive month of inflation. Core CPI inflation was 2.1% y/y in October, the third month of successive increases from July's 0.7% y/y. At these levels, inflation is above the European Central Bank's target of 'below, but close to 2%', putting some pressure on its long-term stance of holding its main interest rate of 0%.

3.8 The US economy expanded at an annualised rate of 2.0% in Q3 2021, slowing sharply from gains of 6.7% and 6.3% in the previous two quarters. In its November 2021 interest rate announcement, the Federal Reserve continue to maintain the Fed Funds rate at between 0% and 0.25% but outlined its plan to reduce its asset purchase programme. Having bought $120 billion of bonds each month during the pandemic to keep interest rates low, the Fed confirmed that purchases will be scaled back, starting with a $15 billion reduction in November 2021. In terms of the timing of any interest rate hikes, Fed Chair Jerome Powell said the central bank can be patient about doing so.

Credit Outlook:

3.9 Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low and have steadily edged down throughout the year to almost pre-pandemic levels. The improved economic outlook during 2021 helped bank profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.

3.10 The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable.

3.11 Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the Authority's counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign. Duration limits for counterparties on the Authority's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast:

3.12 The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will rise in calendar Q2 2022 to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates.

3.13 Investors continue to price in multiple rises in Bank Rate over the next forecast horizon, and Arlingclose believes that although interest rates will rise, the increases will not be to the extent predicted by financial markets. In the near-term, the risks around Arlingclose's central case are to the upside while over the medium-term the risks shift towards the downside. Gilt yields had increased sharply on the back of higher inflation and anticipated central bank action, however in its November MPC meeting, the committee noted that market expectations for rates were excessive, and yields have since fallen back. Yields are expected to remain broadly at current levels over the medium-term, with the 5, 10 and 20 year gilt yields expected to average around 0.60%, 1.0%, and 1.35% respectively. The risks around the gilt yield forecast are judged to be broadly balanced in the near-term and to the downside over the remainder of the forecast horizon. As ever, there will almost certainly be short-term volatility due to economic and political uncertainty and events.

3.14 For the purpose of setting the budget, it has been assumed that no new treasury management investments will be made and that existing loans will be financed at an average rate of 2%.

Part 4 Local Context

4.1 On 30th November 2020, the Council held £147 million of borrowing and £12.5 million of treasury investments.

4.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing below their underlying levels, sometimes known as internal borrowing subject to holding a minimum of £5 million.

Treasury Management Strategy – other items
2022/23

Other Items

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

1. **Financial Derivatives**

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

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

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

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

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

2. **Investment Advisers**

The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. This is monitored by holding regular meetings with the advisers to ensure that they continue to meet the Council's treasury management objectives. In addition, the Council's tender process for treasury management advice ensures value for money.

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

The total amount borrowed will not exceed the authorised borrowing limit of £235 million. The maximum period between borrowing and expenditure is not expected to exceed two years, although the Council is not required to link particular loans with particular items of expenditure. At the moment there are no plans to borrow in advance.

4. **Other Options Considered**

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

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

Markets in Financial Instruments Directive

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

Annex C

Treasury Management Indicators 2022/23

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

1. Security – Average Credit Rating

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

Credit Risk Indicator	Target
Portfolio average credit rating	A

This is calculated by applying a score to each investment (AAA = 1, AA+=2, etc.) and taking the arithmetic average weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

2. Liquidity: cash available within three months

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

Liquidity Risk Indicator	Target
Total cash available within 3 months	£5m

3. Interest Rate Exposures:

This indicator is set to control the Council's exposure to interest rate risk. The Council holds investments of £10 million and variable rate borrowing of £147 million which equates to net borrowing of £137 million. The limit on one-year revenue impact of a 1% rise in interest rates has been set at £1 million. The Council has sufficient reserves in an Interest Equalisation Reserve to mitigate the impact of an interest rate rise for 2022/23.

4. Maturity Structure of Borrowing**:**

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

Refinancing rate risk indicator	Upper	Lower
Not over 1 year	100%	0%
Over 1 but not over 2 years	100%	0%
Over 2 but not over 5 years	100%	0%
Over 5 but not over 10 years	100%	0%
Over 10 but not over 15 years	100%	0%
Over 15 but not over 20 years	100%	0%
Over 20 but not over 30 years	100%	0%
Over 25 but not over 30 years	100%	0%
Over 30 but not over 40 years	100%	0%

Over 40 years	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. This table means there is total flexibility on borrowing periods to achieve the most cost effective option.

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

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

Price Risk Indicator	**2022/23**	**2023/24**	**2024/25**
Limit on principal invested beyond year end	£2.5m	£2.5m	£2.5m

Annex D

INVESTMENTS as at 30th November 2021

	£
Debt Management Office	6,325,000
Other Local Authorities Short Term	0
Total Government	**6,325,000**
Aberdeen Standard	500,000
Blackrock	0
CCLA Public Sector Deposit Fund	700,000
Federated	0

Legal and General	0
Total Money Market Funds	**1,200,000**
CCLA Property Fund	2,266,458
Total Longer Term Investments	**2,268,458**
Total Invested (excluding the NatWest Business Reserve)	**9,793,458**
NatWest Business Reserve	2,645,487
Total Invested (including NatWest Business Reserve)	**£12,438,945**

Annex E

Existing Investment & Debt Portfolio

	30-Nov-21 Actual Portfolio £m	30-Nov-21 Average Rate %
External Borrowing:		
Public Works Loan Board - Long Term	77.20	2.59%
Local authorities - Short Term	70.00	0.15%
Total Gross External Debt	**147.20**	**1.37%**
Investments:		
Banks & Building societies	2.645	0.01%
Government – DMO	6.325	0.01%
Government - Other Local Authorities	0	0.00%
Money Market Funds	1.2	0.02%
Other Pooled Funds	2.27	4.20%
Total Treasury Investments	**12.44**	**1.06%**
Net Debt	**134.76**	**0.31%**

Minimum Revenue Policy (MRP) Statement

1. The Secretary of State under section 21(1A) of the Local Government Act 2003 issued guidance on the calculation of MRP in February 2012 with 2012 being the first year of operation. The Council has assessed its method of MRP and is satisfied that the guidelines for its annual amount of MRP set out within this policy statement will result in its making the prudent provision that is required by the guidance.

2. For capital expenditure incurred and funded through borrowing the Council will calculate MRP using the asset life method as summarised in the table below. MRP will be based on the estimated life of the assets purchased by unsupported borrowing.

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

3. The Council will aim to minimise the impact of MRP on the General Fund by only acquiring assets with a longer rather than shorter economic life through borrowing.

4. In accordance with provisions in the guidance MRP will be charged starting in the year following the date an asset becomes operational.

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

£ million	**2019/2020 actual**	**2020/21 actual**	**2021/22 forecast**	**2022/23 budget**	**2023/24 budget**
MRP Payment	2.159	2.213	2.268	2.323	2.382

Note: DLUHC has recently consulted on amendments to the policy on MRP and as such the Council may need to amend its policy dependent on forthcoming guidance from DLUHC. In this instance a report will be presented to Council as an addendum to the Treasury Outturn report.

Treasury Management Policy Statement

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

Definition

1. The Council defines its treasury management activities as: The management of the Council's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Risk management

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

Value for money

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

Borrowing policy

4. The Council greatly values revenue budget stability. Short-term and variable rate loans will only be borrowed to the extent that they either offset short-term and variable rate investments or can be shown to produce revenue savings.

5. The Council will set an affordable borrowing limit each year in compliance with the Local Government Act 2003, and will have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when setting that limit. It will also set limits on its exposure to changes in interest rates and limits on the maturity structure of its borrowing in the treasury management strategy report each year.

Investment policy

6. The Council's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local Council services is an important, but secondary, objective.

7. The Council will have regard to the Communities and Local Government Guidance on Local Government Investments and will approve an investment strategy each year as part of the treasury management strategy. The strategy will set criteria to

determine suitable organisations with which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.

Surrey Heath Borough Council
Executive
15 February 2022

Capital Strategy Report 2022/23

Portfolio Holder: Cllr Robin Perry – Portfolio Holder for Finance
Strategic Director: Bob Watson – Strategic Director Finance
Report Author: Bob Watson – Strategic Director Finance
Key Decision: Yes
Wards Affected: All

Summary and purpose

This Capital Strategy Report, which was introduced for the first time for the 2019/20 budget, gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how any associated risk is managed and the implications for future financial sustainability. It is provided to inform members and enhance their understanding of these technical areas.

Recommendation

The Executive is advised to RECOMMEND to Full Council the approval of the Capital Strategy and associated Capital Programme covering the period 2022/23 to 2025/26 which includes:

(i) the new capital bids for £1.139 million in Appendix 1 to Annex A for 2022/23 be approved, and that they be incorporated into the Capital Programme;

(ii) The Prudential Indicators summarised below and explained in Annex A for 2022/23 to 2025/26 in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities 2011 be approved.

Prudential Indicator	2022/23 Proposed £m	2023/24 Estimated £m	2024/25 Estimated £m	2025/26 Estimated £m
Capital Expenditure	1.139	1.428	1.428	0.928
Capital Financing Requirement	174	171	167	164
Ratio of net financing costs to net revenue stream	28.22%	27.54%	26.89%	26.30%

Financing Costs	3	3	3	3
Operational Boundary	230	230	230	230
Authorised Limit	235	235	235	235

The Executive is also advised to note that:

i. the Capital Financing Requirement (CFR) for this Council as at 31 March 2023 is estimated to be £174 million and as such a Minimum Revenue Provision of £2.32m is required

ii. the provisional financing for Capital Programme for 2022/23 to 2025/26 (Table 2 in Appendix 1 to Annex A)

iii. Potential reprofiling from 2021/22 of £8.499 million (Table 3 in Appendix 1 to Annex A)

iv. The available capital receipts forecast shown in Appendix 2 to Annex A.

1. Background and Supporting Information

1.1 The Capital Strategy was introduced as a new report in 2019/20 to give a high-level overview of how the Council's capital expenditure, capital financing and treasury management activities all contribute to the provision of local services and also provide an overview of how the associated risk is managed along with the implications for future financial sustainability of the Council. It has been written with a view to enhance members' understanding and also fully complies with the Prudential Code 2017.

2. Reasons for Recommendation

2.1 The 2017 Prudential Code stipulates that a Capital Strategy should be prepared which summarises the Council's Capital, Investment and Borrowing plans. This document fulfils those requirements. Members are also referred to the Council's Medium Term Financial Strategy (MTFS), the Revenue Budget Estimates and the Treasury Management Strategy and which are also presented on this agenda. These strategies and documents are required to be approved by Budget Council later this month.

3. Proposal and Alternative Options

3.1 It is proposed that the Executive:

3.1.1 NOTE the contents of the Capital Strategy at Annex A;
3.1.2 RECOMMEND approval of the Capital Strategy and associated Capital Programme by Budget Council

3.2 Members can accept, reject or amend the recommendations within this paper prior to recommendation to Council.

4. Contribution to the Council's Five Year Strategy

4.1 The Council's capital programme for investment in its assets is driven by the Council's Five Year Strategy and services have requested funding to deliver on the work streams with the Five Year Strategy.

5. Resource Implications

5.1 This report summarises the capital programme, treasury strategy and investment strategy. These documents set out how the Council intends to manage its £13.0m of investments, £146m of borrowing and £108m of investment property together with approval for the 2022/23 capital programme of £1.101m.

5.2 The Council has primarily acquired property for four reasons:

5.2.1 Regeneration of the town centre in Camberley. Due to the unique position that Council has no investors or shareholders to satisfy, it can take a longer term view of its property portfolio. Along with the access to low borrowing costs, the Council is better able to provide regeneration projects that the private sector developers would not normally carry out.
5.2.2 Economic development.
5.2.3 Sustainability of employment sites in the borough.
5.2.4 Preservation of the commercial and retail hub, to maintain the viability of the town centre.

5.3 Whilst the Council does not acquire property primarily and purely for investment returns there is a need for the business case for any acquisition to demonstrate viability and to show that the local tax payer is not funding these assets. Viability is assessed on the return on investment covering the cost of debt servicing and repayment provision.

5.4 In order to fund this, the Council has taken on £146 million of capital borrowing with annual budgeted interest costs of £2.9 million in the revenue budgets. The strategy for the management of this borrowing has significant revenue implications for the Council and this is explored in more detail in the strategy.

6. Section 151 Officer Comments:

6.1 The Section 151 officer comments are contained within this report and the strategy.

7. Legal and Governance Issues

7.1 The Council has to have regard to statutory guidance in respect of Local Government Investments and the Prudential Code.

7.2 Council is required to approve the Capital Strategy and Programme.

8. Other Considerations and Impacts

Risk Management

8.1 The Council does not invest in property assets primarily for revenue return.

8.2 Investing in property and Treasury Management activities are not without an element of financial risk. Rents and investment returns can fall and the capital asset value of investments can also fluctuate. The Council actively minimises these risks by the use of professional advisors and appropriate due diligence, however this cannot always guarantee the security of an investment.

8.3 The Council maintains reserves to enable it to deal with a level of risk and in terms of property purchases the intention is to hold assets for the longer term. The Council is not immune to the wider economic pressures and thus services could be put at risk if the anticipated income and returns are not delivered. This risk however should considered against the very real risk of services being cut completely due to the reduction in Government funding had the Council opted not to acquire property at all.

Annexes

A. Capital Strategy 2022/23

Appendices

1. Capital Programme 2022/23 - 2025/26
2. Capital reserve balances 2022/23 -2025/26

Background Papers
Insert text

Annex A

Capital Strategy 2022/23 – 2025/26

Introduction

1. This Capital Strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written with the intention of enhancing members' understanding of these sometimes technical areas.

2. Decisions made in the year on capital and treasury management can have financial consequences for the Council for many years in to the future. They are therefore subject to both a national regulatory framework and to a local policy framework summarised in this report.

Capital Expenditure and Financing

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

4. In 2022/23, the Council is planning capital expenditure of £1.139 million as summarised below:

Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2020/21 Actual	**2021/22 forecast**	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**	**2025/26 budget**
Capital Projects	23.552	13.433	1.139	1.428	1.428	0.928
Capital investments	0.5	0.5	0.0	0.0	0.0	0.0
TOTAL	**24.052**	**13.933**	**1.139**	**1.428**	**1.428**	**0.928**

5. The main General Fund capital projects include:

- Disabled facilities grants – grants for improvements to enable residents to stay in their own home;
- Replacement of Electrical Distribution boards at Surrey Heath House.
- Refurbishment of Unit 5 Albany Park, Frimley
- Rebuild of SHBC, Theatre and Building Control Websites and CRM System.
- Restoration fund for Camberley Theatre (formerly revenue funded)

- Creation of a capital property maintenance programme (formerly revenue funded)
- Provision of budget for Gypsy, Traveller and Travelling Show people sites as mandated in the new Local Plan

6. The figures do not include the implications of any schemes which may be carried forward from one year to the next. Currently (as at 31 December 2021, there is a proposed reprofiling of capital schemes to 2022/23 totalling £8.499 million (£9.732 million was reprofiled into 2021/22); this will be considered by members on the basis of the Capital Outturn report to be presented later in the year. Some of these projects may no longer proceed subject to a viability and affordability review following the recent hyper-inflation in costs of labour and materials, and again this will be reported to Executive for agreement. Indicative reprofiling numbers are shown within the Capital Programme (Appendix 1, Table 3) for completeness.

Governance

7. Service Heads will bid annually in October to include projects in the Council's capital programme. Bids, which include business cases, are collated by finance who calculate the financing cost (which can be nil if the project is fully externally financed). The Corporate Management Team (CMT) appraises all bids based on their contribution to the Five Year Plan as well as a comparison of service priorities against available financing resources. CMT will make recommendations to Executive through the budget papers in February; Executive will in turn make a recommendation to Council as part of the annual budget setting process.

8. Further details of the Council's capital programme can be found in the Capital Programme which is at Appendix 1 to this report.

9. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (prudential borrowing, leasing and/or Private Finance Initiatives). The planned financing of the above expenditure is as follows:

Capital financing in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget	2024/25 budget
External sources	4.180	1.535	0.780	0.780	0.780	0.78
Own resources	2.992	0	0.359	0.648	0.648	0.148
Debt finance	16.880	12.398	0	0	0	0
TOTAL	**24.052**	**13.933**	**1.139**	**1.428**	**1.428**	**0.928**

10. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually

from revenue which is known as “minimum revenue provision (MRP)” . Councils are required by statute to make revenue provision transfers over the life of a loan to ensure that they have sufficient resources to repay debt. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance, but councils are not allowed to offset provisions against future or anticipated receipts. Planned MRP transfers and use of capital receipts to repay debt are as follows:

Replacement of debt finance in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
MRP Payment	**2.2**	**2.3**	**2.3**	**2.4**	**2.4**	**2.4**
Use of Capital Receipts	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

11. The Council’s full MRP statement is included within the Treasury Strategy report for 2022/23 which can be found on the February 2022 Executive agenda

12. The Council’s cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR) – its underlying need to borrow. This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to fall by £3m during 2022/23. Based on the above figures for expenditure and financing, the Council’s estimated CFR is as follows:

Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
General Fund services	7	7	7	8	8
Capital investments	170	167	164	159	156
TOTAL CFR	**177**	**174**	**171**	**167**	**164**

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

Capital receipts in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
Asset sales	0	0	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**	**0**	**0**

Treasury Management

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

15. **Borrowing strategy**: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.15%) and long-term fixed rate loans where the future cost is known but higher (currently 1.87%).

16. Following advice from the Council's Treasury advisors the Council has retained the bulk of its borrowing in short term loan so as to take advantage of low interest rates.

17. Projected levels of the Council's total outstanding debt (which comprises borrowing, leases are shown below, compared with the capital financing requirement (see above).

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

	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget	31.3.2025 budget
Gross External Debt	**146**	**143**	**140**	**137**	**134**
Capital Financing Requirement	**177**	**174**	**171**	**167**	**164**

18. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table above, the Council expects to comply with this in the medium term. If the Council decides to acquire more regeneration properties, then these will be funded by debt and the CFR will be rise accordingly.

19. **Affordable borrowing limit:** The Council is statutorily obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

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

	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit	2025/26 limit
Authorised limit – total external debt	235	235	235	235	235
Operational boundary – total external debt	230	230	230	230	230

20. The authorised and operational boundaries have not been increased in 2022/23 to reflect the changes due to the change in the accounting treatment for leases as the amount is not material.

21. Further details on borrowing are included in the treasury management strategy which can be found within the February Executive agenda

22. Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

23. The Council's policy on treasury investments is to prioritise security and liquidity over yield which focuses on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Treasury management investments in £millions

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Near-term investments	**20.3**	**10.0**	**11.0**	**11.0**	**11.0**
Longer-term investments	**2.1**	**2.2**	**2.2**	**2.2**	**2.2**
TOTAL	**22.4**	**12.2**	**13.2**	**13.2**	**13.2**

24. Further details on treasury investments are included within the treasury management strategy which is included within the February executive agenda

25. **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Strategic Director Finance and Customer Services who ensures that staff act in line with the treasury management strategy approved by Executive and Council. Half yearly reports on treasury management activity are presented to Executive and the Performance and Finance Scrutiny Committee which is responsible for scrutinising treasury management decisions.

Commercial Activities

26. With Government financial support for local public services declining, the Council will use its capital balances to save on ongoing revenue costs ('invest to save' or 'invest to spend less'). The Council will not however borrow to invest in commercial property for purely investment reasons.

27. The Council has limited commercial activities such as the Theatre, community services etc. which are primarily operated for community benefit, however they will expose the Council to some commercial risk. This risk could be significant for 2022/23 depending on the ongoing impact of the Covid-19 pandemic.

Liabilities

28. In addition to debt of £146m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £6.3m) It also set aside last year £0.5m to cover risks of business rates appeals and revaluations and £1.8m for bad debts. These provisions will be reviewed as part of the accounts closure process for 2021/22**.**

29. **Governance**: The risk of liabilities crystallising and requiring payment is monitored by finance and reported within the annual financial statements.

Revenue Budget Implications

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

Prudential Indicator: Proportion of financing costs to net revenue stream

	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget	2024/25 budget
Financing costs (£m)	**3**	**3**	**3**	**3**	**3**
Proportion of net revenue stream	**30.6%**	**28.2%**	**27.5%**	**26.9%**	**26.9%**

31. **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Strategic Director Finance and Customer Service is satisfied that the proposed capital programme is prudent, affordable and sustainable because it is either funded by external grant or there is sufficient capital reserves to cover the costs of the current programme.

Knowledge and Skills

32. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Strategic Director Finance and Customer Service is an experienced and qualified accountant, the property department has a qualified surveyor with investment experience and the legal department has lawyers experienced in property matters.

33. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, Montagu Evans as property consultants and Addleshaw Goddard as external lawyers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to appropriate knowledge and skills commensurate with its risk appetite.

This page is intentionally left blank

Capital Programme Schemes

TABLE 1 – NEW CAPITAL SCHEMES FROM 2022/23 to 2025/26

3 YEAR CAPITAL PROGRAMME	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Four year funding requirement £m	Details of the capital scheme
Disabled Facilities Grants	0.780	0.780	0.780	0.780	3.12	Central Government Grant to the Better Care Fund includes an element for Disabled Facilities Grant (DFG) allocated to Surrey Heath Borough Council. Whilst Government's expectation is that this money is passported to the local housing authority it is not ring-fenced. In 2017/18 the full amount was passed to the Council but it is expected that each year will involve negotiation and the Council will have to demonstrate how delivery of the service meets health and social care priorities. The level of expenditure will flex to match the level of funding provided.
People Analytics Platform for iTrent HR system	0.011	0.00	0.00	0.00	0.011	Upgrade to latest version of the iTrent software for enhanced HR management
Replacement of Electrical Distribution Boards at Surrey Heath House	0.074	0.00	0.00	0.00	0.074	The current electrical distribution boards are over thirty five years old and are a potential safety risk in their present condition. To not replace these could increaser the potential cost to the Council for Health and Safety breaches and increased insurance premiums.
Civica Cash Management Module	0.030	0.00	0.00	0.00	0.030	Replacement of the Civica cash management module that is now out of support and is an operational requirement to upgrade.

3 YEAR CAPITAL PROGRAMME	2022/23	2023/24	2024/25	2025/26	Four year funding requirement	Details of the capital scheme
	£m	£m	£m	£m	£m	
Capital Maintenance Budget	0.110	0.110	0.110	0.110	0.440	Creation of a rolling maintenance of capital works (previously funded from revenue)
Refurbishment of Unit 5, Albany Park, Frimley	0.055	0.00	0.00	0.00	0.055	The current tenant is in liquidation with no possibility of recovering any dilapidation liability and therefore there is a requirement to refurbish the unit to allow it to be marketed going forward with enhanced prospects of it being relet.
Rebuild of SHBC, Theatre and Building Control Websites and CRM System	0.041	0.00	0.00	0.00	0.041	Moving to the Local Gov Drupal Project will deliver a high performing, user- first website that supports our local community with their needs and allowing them to self-service which reduces reliance on our contact centre and emails. It will provide an easy-to-use website with the latest technologies and structured around an ‘accessibility first’ approach and an adherence to Government Digital Service design principles.
Theatre restoration fund	0.038	0.038	0.038	0.038	0.152	Creation of a restoration sinking fund that is supported by a revenue receipt from a surcharge on ticket sales.
Local Plan provision for gypsy, traveller and travelling show people sites		0.500	0.500		1.000	The new Local Plan requires the Council to identify and acquire sufficient sites for the gypsy, traveller and travelling show people communities. This is bid provides an indication of potential costs to the capital programme.
GRAND TOTAL OF ALL SCHEMES	**1.139**	**1.428**	**1.428**	**0.928**	**4.923**	

TABLE 2 – FUNDING OF THE 2022/23 – 2025/26 CAPITAL PROGRAMME

FUNDING FOR 2022/23 CAPITAL PROGAMME	Scheme Total	Grant and contributions	Use of capital balances	Prudential borrowing
	£m	£m	£m	
Disabled Facilities Grants	3.120	3.120	0.00	0.00
People Analytics Platform for iTrent HR system	0.011	0.00	0.011	0.00
Replacement of Electrical Distribution Boards at Surrey Heath House	0.074	0.00	0.074	0.00
Refurbishment of Unit 5, Albany Park, Frimley	0.055	0.00	0.055	0.00
Rebuild of SHBC, Theatre and Building Control Websites and CRM System	0.041	0.00	0.041	0.00
Civica Cash Management Module	0.030	0.00	0.030	0.00
Provision of G&T and TS site	1.000	0.00	1.000	0.00
Theatre restoration sinking fund	0.152	0.00	0.152	0.00
Capital Maintenance Budget	0.440	0.00	0.440	0.00
GRAND TOTAL OF ALL SCHEMES	**4.923**	**3.120**	**1.803**	**0.00**

TABLE 3 - CAPITAL REPHASING INTO 2022/23
Source: Capital monitoring Periods 01-09 as at 31 December 2021

		B/Fwd From 2020/21	Approved Bids 2021/22	Total 2021/22 Programme	Current Spend & Commitments	Funds Available	Forecast	Proposed Re-Phasing into 2022/23
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Investment and Development							
1	Public Realm Works	0	754	754	422	332	422	332
2	Cambridge Square Refurbishment	0	1,460	1,460	48	1,412	48	1,412
3	Camberley High Street Trees	0	90	90	34	56	50	0
	Sub Total	0	2,304	2,304	504	1,800	520	1,744
	Legal							
4	Property Acquisition Strategy	2,343	0	2,343	0	2,343	0	2,343
5	London Rd Block	3,128	630	3,758	160	3,597	160	3,597
6	Theta	81	0	81	0	81	85	0
7	Ashwood House (Market Hall)	300	-300	0	0	0	0	0
8	Theta (2nd Floor)	49	0	49	0	49	51	0
9	Boiler @ Hudson House, Albany Park	25	0	25	0	25	0	25
	Sub Total	5,926	330	6,256	160	6,096	296	5,966
	Transformation							
10	SHORE	10	-10	0	0	0	0	0
11	Elections - Equipment	0	25	25	0	25	25	0
12	XCAM360 Imagery Service	0	13	13	13	0	13	0
13	Upgrading of Facilities in Council Chamber	0	100	100	100	0	100	0
14	Door Access System Upgrade	0	91	91	0	91	0	91

		B/Fwd From 2020/21	Approved Bids 2021/22	Total 2021/22 Programme	Current Spend & Commitments	Funds Available	Forecast	Proposed Re-Phasing into 2022/23
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Sub Total	10	219	229	113	116	138	91
	Business							
15	Main Square Car Park Refurbishments	42	0	42	0	42	0	0
16	Frimley Lodge Car Park - Capacity Increase	0	105	105	0	105	0	0
17	Theatre Frontage & Lighting Upgrade	120	75	195	220	-25	220	0
18	Lightwater CP Visitors Centre	6	0	6	0	6	0	0
19	Deanside DR Woods Play Area	19	0	19	0	19	10	0
20	Mytchett Skate Park	54	0	54	0	54	54	0
21	Board Sites	7	0	7	0	6	7	0
22	Chobham Rd Play Area	20	50	70	70	0	70	0
23	Frimley Lodge Play Area	0	28	28	28	0	28	0
24	London Rd Rec Play Area	77	0	77	77	0	77	0
25	Whitmoor Rd	25	0	25	0	25	0	25
26	Watchetts Recreation Ground Tennis & Netball	134	0	134	0	134	0	134
27	CCTV Equipment	0	7	7	5	2	4.811	0
28	Camberley Bowls Club	0	45	45	0	45	0	45
29	Arena	2,219	0	2,219	1,932	287	1932	0
30	Green Spaces - Increased Security Measures	166	0	166	4	162	74	0
31	Orchard Way Playground	0	70	70	70	0	70	0
	Sub Total	2,889	380	3,269	2,406	863	2,546	204
	Community							
32	Community Bus	40	0	40	41	-1	41	0

		B/Fwd From 2020/21	Approved Bids 2021/22	Total 2021/22 Programme	Current Spend & Commitments	Funds Available	Forecast	Proposed Re-Phasing into 2022/23
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
33	Travellers' Sites - Contribution	0	127	127	0	127	0	127
	Sub Total	40	127	167	41	126	41	127
	Regulatory							
34	Renovation Grants	755	780	1,535	969	566	1220	315
35	Openspace Works	2	0	2	0	2	0	0
36	Drainage Works	60	0	60	7	53	7	53
37	128 London Rd (Connaught Court)	50	0	50	93	-44	93	0
38	151 Gordon Avenue (Night Stop)	0	152	152	174	-22	174	0
	Sub Total	867	932	1,799	1,244	555	1,495	368
	GRAND TOTAL OF ALL SCHEMES	**9,732**	**4,292**	**14,024**	**4,467**	**9,556**	**5,036**	**8,499**

Movement in Available Capital Receipts

	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Forecast Capital Receipts 1st April	3.571	3.212	2.564	1.916
Capital Receipts during year	0.000	0.000	0.00	0.00
Capital Grants (Disabled Facilities Grant)	0.780	0.780	0.78	0.78
TOTAL AVAILABLE FUNDS	**4.351**	**3.992**	**3.344**	**2.696**
Proposed Capital Programme	(1.139)	(1.428)	(1.428)	(0.928)
Grant funding	0.780	0.780	0.780	0.780
Capital reserve funding	**0.359**	**0.648**	**0.648**	**0.148**
Balance of capital reserves	**3.212**	**2.564**	**1.916**	**1.768**

This page is intentionally left blank

Surrey Heath Borough Council
Executive
15 February 2022

Review of the Local Council Tax Support Scheme

Portfolio Holder:	Cllr Robin Perry – Finance Portfolio Holder
Strategic Director/Head of Service	Bob Watson – Strategic Director of Finance & Customer Services
Report Author:	Robert Fox – Revenues & Benefits Manager
Key Decision:	Yes
Wards Affected:	All

Summary and purpose

The Executive is asked to consider changes to the Local Council Tax Support Scheme introduced from 1 April 2013 in respect of working-age residents.

None of the options listed below will affect anyone of pensionable age, who are awarded Council Tax Support based on national eligibility criteria, in general this is more generous than the Surrey Heath working age scheme.

The proposed scheme was subject to a consultation between 01 December 2021 and 31 December 2021.

Recommendation

The Executive is advised to RECOMMEND to Full Council that

(i) The revised Local Council Tax Support Scheme, as set out at Annex A to the report, replace the existing Local Council Tax Support Scheme from 1 April 2022;

(ii) Transitional protection for those impacted by more than a £5 per week reduction in support in payments of council tax due to the introduction of the revised scheme from 1 April 2022; and

(iii) Transitional protection from the new capital limit for those current vulnerable group claimants with over £6000 but less than £16,001 capital for the period 1 April 2022 to 30 September 2022.

1. Background and Key Issues

1.1 In 2013 the government abolished Council Tax Benefit and asked local councils to introduce their own scheme for working age residents who need help paying their Council Tax. This became known as Local Council Tax Support.

1.2 Since April 2013 Surrey Heath have had a Local Council Tax Support Scheme (LCTSS) for working age residents and the cost of the scheme is borne by the other council tax payers in the borough.

1.3 Each year the council tax base is set. The setting of the tax base determines the equivalent number of Band D properties in the borough. This number is then used to calculate the average Band D council tax charge needed to raise the income identified as needed to provide our services.

1.4 In 2021/22 number of identified band D equivalent properties was reduced by 989 in respect of working age residents in receipt of Local Council Tax Support.

1.5 The 989 is based on £1,806,462 being awarded in Local Council Tax Support as of 5 October 2020.

1.6 The current cost of the working age scheme in 2021/22 is £1,823,767 and the pension age scheme £1,458,781 total £3,282,548.

1.7 On 9 September 2021 two alternative models were presented to the Community Support Member Working Group and officers were given the following recommendations to apply to the proposed revised model 1

- a 12 month transition period to protect those who would be financially worse off as a result of a revised scheme
- all households paying a proportion of their Council Tax cost
- maximum relief scaled back to a Band D level for the purposes of the scheme
- the provision of additional support to those from protected groups
- maximum relief in Band 1 to be increased from 90% to 95%
- Ensuring those who work are not disadvantaged in the proposed scheme

1.8 An updated revised model to reflect the suggested amendments was presented to the Community Support working Group on 18 October 2021.

1.9 The Community Support Working Group carefully considered the amendments and agreed the following principals for the revised scheme to be recommended for adoption from 1 April 2022

- Limit the maximum increase in Council Tax payable after LCTSS awarded in 2022/23 to £5.00

- Reduction in entitlement due to the proposed change in capital limit to be included in the £5.00 maximum increase transitional scheme for 2022/23
- Band D to be the maximum band for assessment of LCTSS
- 95% to be the maximum award of LCTSS from 1 April 2022
- To review the adopted LCTSS in October 2022

1.10 At its meeting on 16 November 2021, the Executive reviewed the Scheme recommended by the Working Group and agreed to conduct a consultation on the proposed new scheme. This consultation was undertaken between 01 December 2021 and 31 December 2021.

1.11 There were 14 public responses. The response from the two major preceptors is to follow. All the comments made by the public responders are included at Annex A.

1.12 A summary of the responses and comments made is attached at Annex C. No material changes to the Scheme are proposed following the public consultation.

1.13 Overall the public responses were supportive of the suggested changes. The only area where the responses indicated no preference was on the amendment to the capital limit to £6000 where the responses agreeing and disagreeing were equal in number. As can be seen in Annex C one disagreeing response was concerned for pensioners with modest savings. The amended LCTSS proposed capital limit only applies to claimants of working age.

2. Supporting Information

2.1 The proposed revised scheme has been modelled to try to predict the impact on the borough's current working age claimants and any changes to the cost of scheme.

2.2 The current working age caseload has 1,415 claims in receipt of some help towards their council tax of which, 80% or 1,137 claims would fall into Band 1 in the proposed scheme.

2.3 The 1,137 claims fall into one of two categories in the current LCTSS with 712 in our vulnerable group category and as such eligible for up to 100% of their council tax to be met from the LCTSS. Non-vulnerable claims have the maximum help towards their council tax liability capped at 70%.

2.4 Our vulnerable category is based on the claimant or partner being in receipt of specified disability benefits rather than a focus on financial vulnerability.

2.5 The increase of the maximum eligible percentage from 70% to 95% for the non-vulnerable group will make a positive financial effect on the disposable income these claimants who fall in to Band 1.

2.6 Model 3 scheme would continue to apply the current income disregard for specified disability benefits and child benefit.

2.7 Of those currently receiving 70% maximum award 501 households would gain more than £5 per week.

2.8 The reduction form 100% maximum help to 95% maximum help is an average weekly amount of £1.45 for the 751 claims in this category. Highest weekly sum £3.31 lowest £0.27.

2.9 It is estimated that 121 households would lose more than £5 per week. The cost to protect these claimants fully would be in the region of £32,000.

2.10 There are 22 claims with capital over £6000 in the vulnerable group that would lose their entitlement as currently they have a £16,000 capital limit. The maximum capital claim has £15,639, with 11 other claims holding over £10,000.

2.11 Transitional protection to cushion the financial impact of the LCTSS change in 2022/23 to a maximum of £5 per week could be offered to both groups for 2022/23.

2.12 The cost of cushioning the financial impact to those current claimants with over £6000 to a £5 per week increase would be £29,213 for 2022/23.

2.13 During 2020/21 we made 15819 changes to Local Council Tax Support entitlement and each of those changes could trigger a revised bill being issued. To date in 2021/22 we have made 5009 changes to entitlement.

2.14 From October 2020 to date we have issued 26,282 revised council tax bills.

2.15 The recommended LCTSS will reduce the need to issue revised council tax bills as the income bands will result in some minor changes in income not resulting is a change to entitlement.

2.16 Of the £80,920,316 net debit of council tax to be collected in 2021/22, £1,464,828 is from residents in receipt of some form of council tax support, working age or pension age and the fewer changes to their entitlement will assist in the smoother collection of the debt due.

2.17 Any scheme design has a wide-ranging set of competing and sometimes, conflicting objectives that need to be considered. These can be listed as (in no particular order):

- National welfare benefits
- Council budget capacity
- Council tax collection rates
- Economy
- Demographics
- Caseload
- Council objectives

- Other Council comparisons

2.18 The report prepared by Policy in Practice addresses issues regarding impact on our caseload and the cost of the schemes.

2.19 Covid 19 has had an impact on the amount of Local Council Tax Support awarded. The award for 2020/21 to working age claimants increased by £200,960 compared to expenditure 2019/20. Allowing for the 3.77% increase in the council tax that represents a £136,686 increase. We also had an increase in the caseload for the first time in 3 years.

2.20 The Coronovirus Retention Scheme (furlough) is ended 30 September 2021 and the impact on caseload numbers or level of awards is not able to be predicted.

2.21 The increase in the maximum award percentage suggested in both schemes for those on the lowest income would help to meet the annual plan goal to support those in our community living in poverty

3. Reasons for Recommendation

3.1 The proposed banded income LCTSS will ensure that the changes to the Welfare Benefit system following the introduction of Universal Credit are better catered for helping to ensure the limited funds available to Surrey Heath Borough Council are maximised to offer support.

3.2 The proposed banded income LCTSS simplifies the calculation of support making the scheme more efficient to administrate and simpler to understand which will encourage take up.

4. Proposal and Alternative Options

4.1 It is proposed that a banded LCTSS scheme be introduced from 1 April 2022, together with the one year of transitional protection for any current claimant that has an increase of more than £5 per week in council tax payable from 2021/22 to 2022/23.

4.2 Transitional protection for those impacted by more than a £5 per week reduction in support in payments of council tax due to the introduction of the revised scheme from 1 April 2022.

4.3 Transitional protection from the new capital limit for those current vulnerable group claimants with over £6000 but less than £16,001 capital for the period 1 April 2022 to 30 September 2022.

4.4 Annex 1 sets out a broad outline of the treatment of income and capital in the revised LCTSS together with the income bands and suggested income thresholds.

4.5 The disregard of all Universal Credit income assists in the aim of the new scheme to “make employment pay”.

4.6 The calculation of weekly income of self-employed claimants can present challenges and members may want to give consideration to introducing Minimum Income Floor to apply to self-employed income after one year of trading.

4.7 Minimum Income Floor will be applied where after one year of trading the income from self-employment is less than the appropriate National Minimum Wage for the number of hours the claimant or partner is deemed to be working as self-employed.

4.8 Backdating to be limited to one month and assessed on whether the claimant can show good cause for backdating to be applied.

4.9 Alternatively, the Council can choose to retain the existing Local Council Tax Support Scheme for 2022/23.

5. Contribution to the Council’s Five Year Strategy

5.1 This supports the corporate objective of **‘Health & Quality of** Life’ in the recently agreed Five Year Strategy 2022 – 27 and the Annual Plan 2021/22 target - SHBC2 - POVERTY – ‘work with partners to support those living in poverty in the Community’. This review addresses target FIN5 in the 2021/22 Annual Plan - “To review and update the Council Tax Support Scheme arrangements.”

6. Resource Implications

6.1 There is a need to purchase 3 additional software licences from our supplier at a cost of £900, £2,500 and £4,000 respectively for the perpetual licences.. This cost has been met from the current budget.

6.2 No additional staffing requirement will result from the LCTSS change as the proposed scheme will be more efficient to administrate.

6.3 The proposed scheme will reduce the number of notification letters and revised council tax bills needing to be issued and will generate a small, but as yet, unquantifiable saving in postage charges

7. Section 151 Officer Comments:

7.1 This scheme is a charge against the collection fund and not against the revenue budget of the Council, apart from the costs identified above, which can be met from current budgets. The Council is obliged to offer a scheme and failure to implement this scheme will result in the current scheme remaining extant.

8. Legal and Governance Issues

8.1 Any proposed new Local Council Tax Support Scheme must go through certain steps to comply with the provisions stated in the Local Government Finance Act 2012 before it can be adopted by this Council as a Billing Authority.

8.2 Before making a scheme, the authority must (in the following order): -

(a) consult any major precepting authority which has power to issue a precept to it;
(b) publish a draft scheme in such a manger as it thinks fit; and
(c) consult such other persons as it considers are likely to have an interest in the operation of the scheme

8.3 The Council’s major precepting authorities are Surrey County Council and Surrey Policy and Crime Commissioner.

8.4 The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, laid before Parliament on 22nd November 2012, set out the regulations for a default scheme and this was adopted by the Council subject to local policy needs in January 2013. The Secretary of State has issued amendment regulations setting out some changes that must be adopted by the Council for pensioners and the Council had also decided in 2013 to keep the schemes allowances and premiums in line with those for Housing Benefit for working age claimants. Each year any small amendments and the uprating of allowances and premiums are incorporated in our scheme regulations.

9. Monitoring Officer Comments:

9.1 No specific matters arising.

10. Other Considerations and Impacts

Environment and Climate Change

10.1 Not applicable.

Equalities and Human Rights

10.2 An Equalities Impact Assessment was undertaken and did not identify any adverse effects to those with protected characteristics.

Risk Management

10.3 The Council, along with the other preceptors, bears the risk of the cost of the Council Tax Support scheme should caseload increase result in an increase in costs of more than predicted.

10.4 Any revisions to the scheme must be approved by 1 March 2022.

10.5 The scheme cannot be changed mid-year and therefore it is vital the correct scheme is in place.

Community Engagement

10.6 A consultation was undertaken for the period 1 December 2021 to 31 December 2021.

10.7 Citizens Advice Surrey Heath have been approached for a formal response to the proposed scheme

Annexes
Annex A - Broad model scheme outline
Annex B - Examples current to proposed scheme
Annex C – Summary of public consultation
Annex D- Policy in Practice – Localised Council Tax Support – Modelling options – October 2021

Background Papers
None

Recommended LCTSS scheme broad outline

Band	No children	1 Child	2 Child	Max award	Predicted Households
1	Passported Households			95%	1,137
2	£0 -59.99	£0 - 129.99	£0 -199.99	80%	145
3	£60 – 129.99	£130 -199.99	£200 – 269.99	60%	73
4	£130 – 199.99	£200 – 269.99	£270 – 339.99	40%	24
5	Income or savings above maximum			0%	36

Passported Households
To qualify as a passported household the claimant and / or partner they must be in receipt of:

- Income Support
- Job Seekers Allowance (Income Based)
- Employment Support Allowance (Income Related)
- Universal Credit and not working

Income to be taken into account for the bands

- Net average earnings from employment
- Rental income
- Private / occupational pensions
- Partner maintenance
- Maternity allowance
- Statutory Sick pay
- Job Seekers Allowance (contribution based)
- Employment and Support Allowance (contribution based)
- Industrial Injuries
- Widowed Parent's Allowance

Income to be disregarded

- Bereavement Support Payment
- Child Benefit
- Child maintenance
- Disability Living Allowance
- Housing Benefit
- Personal Independence Payments
- Carer's Allowance
- Employment Support Allowance (Support component)
- Universal Credit (earnings only taken in to account)
- War Pension
- Flat rate £20 per week from net earnings

Capital Limit

- Upper capital limit £6000 or above
- Capital under £6000 fully disregarded

Other adults in the household
Flat rate deduction in respect of any other adults in the household in addition to the claimant and / or partner of:

- £5 per week not working
- £10 per week in work

Worked examples

Passported

Single claimant

Current scheme	**70% max**	
Universal Credit	£79.38	
LCTSS award	£13.94	Band A
	£16.26	Band B
	£18.59	Band C
	£20.91	Band D
	£20.91	Band E to H

Model 3	**95% max**	
Universal Credit	£79.38	
LCTSS award	£18.92	Band A
	£22.07	Band B
	£25.22	Band C
	£28.38	Band D
	£28.38	Band E to H

Married Couple

Current Scheme	**70% max**	
Universal Credit	£137.67	
LCTSS award	£18.59	Band A
	£22.07	Band B
	£25.22	Band C
	£28.38	Band D
	£28.38	Band E to H

Model 3	**95% max**	
Universal Credit	£137.67	
LCTSS award	£25.22	Band A
	£29.43	Band B
	£33.63	Band C
	£37.83	Band D
	£37.83	Band E to H

Vulnerable Group

Married couple 2 non dependants

Current:	**100% max**	
Income	£869.40	
Disregarded income	£475.27	War Pension, PIP
HB disregarded	£75.96	
Taken in to account	£318.17	
Weekly LCTSS award	£17.62	

Model 3	**95% max**	
Income	£869.40	
Disregarded income	£542.87	War Pension, PIP, Carer’s Allowance
HB disregarded	£75.96	
Taken in to account	£250.57	
Weekly LCTSS award	£0.00	

Single claimant

Current	**100% max**	
Income	£217.14	
Disregarded income	£132.55	PIP
Taken in to account	£94.59	
Weekly LCTSS award	£23.17 (100%)	

Model 3	**95% max**
Income	£217.14 including a Passported income
Weekly LCTSS award	£22.01

Annex B
Employed

Employed single claimant

Current:	**70% max**	
Income	£113.61	
Disregarded income	£5.00	
HB Disregard	£150.56	
Taken in to account	£108.61	
Weekly LCTSS award	£14.46	

Model 3	**95% max**	
Income	£113.61	
Disregarded income	£20.00	
HB Disregard	£150.56	
Taken in to account	£93.61	
Weekly LCTSS award	£16.99	80%

Employed lone Parent one child

Current	**70% max**	
Income	£293.59	
Disregarded income	£134.74	
HB disregarded	£107.25	
Taken in to account	£158.85	
Weekly LCTSS award	£15.42	

Model 3	**95% max**	
Income	£293.59	
Disregarded income	£117.64	
HB disregarded	£107.25	
Taken in to account	£175.95	
Weekly LCTSS award	£11.12	60%

Employed lone parent two children

Current	**70% max**	
Income	£384.96	
Disregarded income	£77.25	
HB disregarded	£80.71	
Taken in to account	£307.71	
Weekly LCTSS award	£5.22	

Model 3	**95% max**	
Income	£384.96	
Disregarded income	£55.15	
HB disregarded	£80.71	
Taken in to account	£329.81	
Weekly LCTSS award	£8.24	40%

Annex C

Summary of public consultation

Q1. Change to the maximum council tax liability available for support

Two existing percentage rates of 70% maximum and 100% maximum to be replaced with a single rate of 95%.

The maximum percentage of 70% means that even if a claimant qualifies for maximum help towards their council tax charge, they have to pay 30%
e.g. a council tax charge of £1000 per year leaves £300 per year still to pay. The new single rate maximum of 95% would mean that 5% of the total council tax costs would need to be paid once the maximum support has been applied.

64% agree with the proposed change

Comments

Comment 1

I really do not think you understand the benefits system.

A person in receipt of the higher allowance of pip for daily living and mobility receives approx. £600 every weeks and also they could receive ESA depending on age could be £400 fortnightly, along with housing benefit. If you total this their disposable income is like somebody's salary.

Contrast the above with a single adult on UC. Do you actually know how much UC is when you are not employed? It is £324.00 per calendar month. Not every four weeks as above. Your expected people to pay approx.. a third of the £324.00 in council tax.

It saddens me to see that the council hit those hard who had the lowest income.

Comment 2

Why should the person in receipt of the 100 % benefit of council tax only have to pay 5% as proposed when you are still going to hit those hardest on the lowest income.

2 people in the household who are unemployed and on PIP the other on UC and ESA pays council tax yet of they lived alone they would pay nothing.

Comment 3

I thought councils had no money. Who will pay for this? Don't tell me my bill is now going to exceed £3,000 a year so that others can get it for nothing! Guess I'll have to start working 62 hrs a week instead of 60 if that is the case. What a joke.

If someone on the low rate benefits it would be impossible to find 5% of council tax this extra pressure on their finances could mean they go without any food and/or heating making vulnerable people much worse off

Q2. Change to capital limit:
Two existing upper capital limits of £6,000 and £16,000, to be replaced with a single rate of £6,000.

The upper capital limit means if a claimant has savings of more than £6,000, regardless of their weekly income they would not qualify for help towards their council tax costs.

50% agree and 50% disagree

Comments

Comment 1

Why should people who have a small amount of savings be penalised because they have found themselves unemployed?

Comment 2

This prevents people trying to save for deposits etc. to allow progression.

Comment 3

Certain pensioners have a very low monthly income, where savings are required to support them and prop up their monthly income.

Comment 4

I understand that it would be annoying if someone of working age has saved then find themselves dipping into savings to pay bills however I think it is justified as their savings does not put them into a vulnerable category.

Q3. Change to other adult resident deductions (non-dependant deductions)

Four existing weekly deduction rates replaced with two rates - one for employed and one for other non-working adults in the household.

When a claimant has other adults in the household, like grown up children or parents, the amount of help they can receive is reduced in respect of each person. The current maximum weekly deduction is £12.45 and this would be replaced with a £10 weekly deduction**.**

64% agree with the proposed change

Comments

Comment 1

Two people in the household one on PIP and ESA the other ESA and UC.

I'd either lived alone they wouldn't be liable for council tax. Penalised for living in the same household.

Has it ever occurred that some people need support and have to live with somebody?

Comment 2

Preventing progression/ saving.

Comment 3

I feel this is fair as grown up children or parents are not always contributing to the household budget

Q4. Changes to earnings disregards

The four existing weekly disregards to be replaced with a flat rate of £20.

When a claimant has earned income we currently make a deduction from their net pay before we take the earnings in to account. The amount deducted ranges from £5 per week for single people to £25 for families. This will be changed to £20 per week for all claimants.

71% agree with the proposed change

Comments

Comment 1

I would like to know what you mean by families? Why should people subsidize people with kids?

Comment 2

Why are you not considering a more moderate amount if flat rate.

Policy in Practice

Surrey Heath Borough Council

Localised Council Tax Support – Modelling options

October 2021

Contents

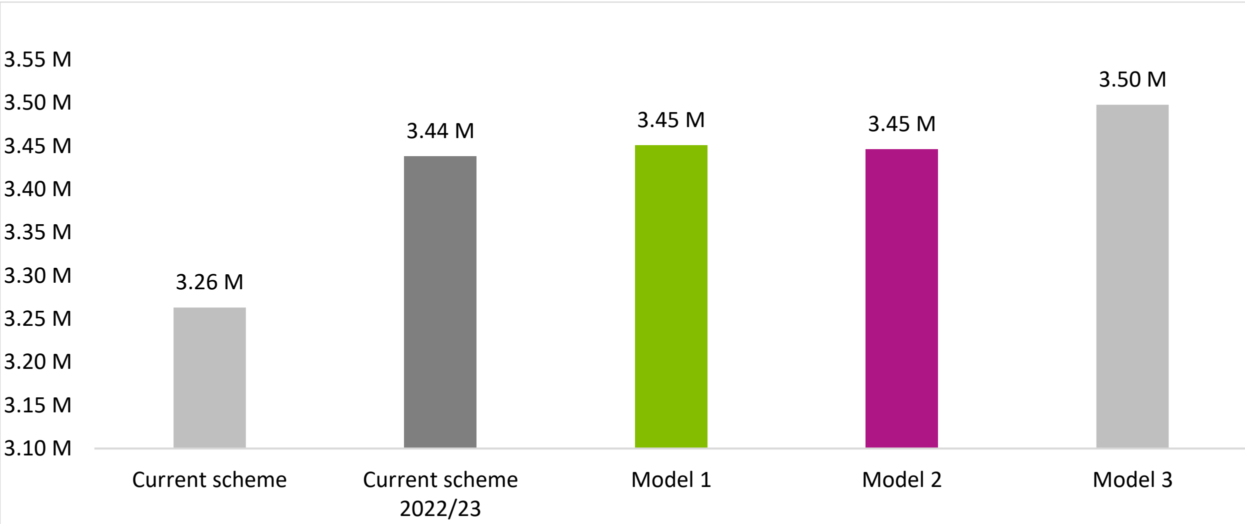
Executive Summary

Surrey Heath Borough Council has commissioned Policy in Practice to provide an assessment of the current Council Tax Support (CTS) scheme and to examine three possible future working-age scheme options. Headline figures have previously been provided for the current scheme in 2022/23, as well as for models 1 and 2.

This final report presents the findings that result from modelling these two council tax support schemes for 2022/23, plus an additional model 3 based on model 1, with small changes as suggested by the Council. The figures below show the annual cost of the current scheme, the cost of retention of the current scheme into 2022/23, and the three models agreed with Surrey Heath Borough Council.

All three models are income banded schemes based on earnings, with model 2 providing additional support for protected groups and models 1 and 3 not.

Cost of schemes and models



Cost of current scheme, current scheme retained into 2022/23, models 1, 2 and 3, £M/annum

Key Findings

The findings of the impact assessments and modelling are given in the table below:

Model	Model 1	Model 2	Model 3
Cost	Model 1 costs £3.45M. This is £13,000 (0.4%) more than costs if the current scheme were retained into 2022/23.	Model 2 costs £3.45M. This is £8,000 (0.2%) more than costs if the current scheme were retained into 2022/23.	Model 3 costs £3.5M. This is £60,000 (1.7%) more than costs if the current scheme were retained into 2022/23.
Administration	Administrative savings are expected under model 1 as households are placed in bands covering a range of incomes. As a result, households are less likely to fluctuate in assessment.	Some administrative savings are expected under model 2 as households are placed in bands covering a range of incomes. As a result, households are less likely to fluctuate in assessment. Accounting for vulnerability as well as earnings may limit savings slightly compared to Model 1. However, both the council and the relevant households will benefit from maintaining insight over, and additional support for, those with health vulnerabilities.	Administrative savings are expected under model 3 as households are placed in bands covering a range of incomes. As a result, households are less likely to fluctuate in assessment.
Claim numbers	Only 36 households (2.6%) would lose eligibility for support under this model. This is due to high savings or earnings.	Only 36 households (2.6%) would lose eligibility for support under this model. This is due to high savings or earnings.	Only 36 households (2.6%) would lose eligibility for support under this model. This is due to high savings or earnings.
Social impacts	99 households (7%) lose more than £5/week compared to the current scheme in 2021/22. 486 households (34%) gain more than £5/week compared to the current scheme in 2021/22.	110 households (8%) lose more than £5/week compared to the current scheme in 2021/22. 150 households (11%) gain more than £5/week compared to the current scheme in 2021/22.	121 households (9%) lose more than £5/week compared to the current scheme in 2021/22. 501 households (36%) gain more than £5/week compared to the current scheme in 2021/22.

Comparison of models

Comparison of council tax support (£/week)

	Current scheme in 2021/22	Current scheme in 2022/23	Model 1	Model 2	Model 3
All working age	£24.81	£25.92	£26.09	£26.03	£26.73
Legacy benefits	£27.76	£28.89	£26.10	£27.65	£26.96
Universal Credit	£21.42	£23.51	£26.09	£24.72	£26.54
CT Band					
A	£17.51	£18.38	£19.73	£19.36	£20.75
B	£22.12	£23.18	£22.70	£23.15	£23.85
C	£24.28	£25.45	£25.76	£25.81	£27.00
D	£27.46	£28.56	£29.33	£28.91	£30.60
EFGH	£31.59	£32.69	£31.98	£30.89	£25.38
Tenure type					
Private tenant	£25.90	£26.74	£24.41	£24.74	£24.95
No HB	£28.30	£29.67	£24.70	£25.42	£24.43
Supported housing	£29.71	£31.19	£28.15	£31.28	£29.71
HA tenant	£28.16	£29.42	£26.72	£28.71	£27.76
Temporary accommodation	£20.46	£21.50	£21.03	£20.78	£22.11
Tenure Unknown	£21.44	£22.46	£26.10	£24.13	£26.49
Household type					
Single	£24.45	£25.62	£24.63	£25.50	£25.66
Lone Parent	£22.58	£23.57	£26.30	£24.84	£26.70
Couple no children	£30.36	£31.91	£27.16	£28.38	£27.28
Couple with children	£30.05	£30.89	£30.91	£30.39	£30.84
Economic status					
Employed	£19.79	£20.21	£21.31	£17.06	£20.79
Out-of-work benefits	£25.81	£27.09	£27.09	£27.93	£27.99
Self-employed	£25.08	£24.65	£24.71	£21.86	£24.07
Barriers to work					
DLA or Similar	£29.98	£31.38	£26.86	£29.68	£27.90
ESA or similar	£28.98	£30.33	£26.39	£29.06	£27.48
LP child under 5	£21.11	£22.14	£26.00	£23.89	£26.49
Carer	£29.70	£31.04	£29.91	£31.53	£30.41

Weekly support levels within each scheme, by all breakdowns

Introduction

Background and Objectives

This report presents an impact assessment of the current scheme, retaining the current scheme into 2022/23, and modelling of three banded schemes in 2022/23.

In commissioning this report, the council has the following objectives:

- To target support to households least able to pay council tax, and by doing so reduce collection costs
- To balance the above aim with existing protection for vulnerable residents
- To be cost-neutral
- To reduce unnecessary administrative costs caused by excessive rebilling, particularly for households who receive Universal Credit
- To make CTS and billing more straightforward for households to understand
- To simplify nondependent deductions

The models under consideration are described below.

Income-banded schemes
Income-banded schemes award different levels of discount based on set bands of income and help to contain administration costs against increased council tax support assessments under Universal Credit. This is because reassessment of cases will only be required if income crosses one of the income-band thresholds.

The exact impact on reassessments will depend on the interaction between changes in household income and the size of the income bands; determining whether income fluctuations will trigger a reassessment. For example, in 2019 Policy in Practice analysed data from a Welsh Council to consider how introducing a £5/week de-minimis threshold would reduce reassessments. The analysis showed that 21% of households in receipt of Universal Credit and 5% of households in receipt of legacy benefits experienced a change in income over a 12-month period, and that introducing a £5/week de-minimis threshold would prevent reassessment for 8% and 15% among these households respectively.

Income-banded schemes are simpler to understand than the current scheme. An income-banded scheme therefore allows the council to convey a relatively simple eligibility message to residents.

The first two income-banded schemes modelled both have the following characteristics:

- £6,000 capital limit
- Band E band cap
- Flat rate non-dependant deductions of:
    - £5 per week out of work
    - £10 per week in work
- 5 bands determined by earnings (other income such as DLA or Child Benefit is not considered), with thresholds increasing in increments of £70 from band 2 to 5

- Thresholds for households with one child allow an additional £70/week, while those with two or more children may receive an additional £140/week within their band

Where the two models differ are in the extra support they do or do not provide for households considered vulnerable as a result of disability. Model 2 provides additional support for anyone receiving DLA, PIP, ESA or child DLA (ie those considered vulnerable under the current scheme).

The tables below show the thresholds and levels of support each scheme provides.

Model 1 thresholds and maximum awards

	No children	1 child	2 child	Award: all households
Band 1	Passported households			90%
Band 2	£0 - 59.99	£0 - 129.99	£0 - 199.99	80%
Band 3	£60 - 129.99	£130 - 199.99	£200 - 269.99	60%
Band 4	£130 - 199.99	£200 - 269.99	£270 - 339.99	40%
Band 5	Income above maximum			No award

Model 2 thresholds and maximum awards

	No children	1 child	2 child	Award: protected groups	Award: non-protected groups
Band 1	Passported households			100%	80%
Band 2	£0 - 59.99	£0 - 129.99	£0 - 199.99	80%	60%
Band 3	£60 - 129.99	£130 - 199.99	£200 - 269.99	60%	40%
Band 4	£130 - 199.99	£200 - 269.99	£270 - 339.99	40%	20%
Band 5	Income above maximum			No award	

Model 3 thresholds and maximum awards

The third and final model is based on model 1, with two adaptations:

- Passported households receive a 95% maximum award rather than 90%
- Awards are capped at Band D properties rather than Band E

	No children	1 child	2 child	Award: all households
Band 1	Passported households			95%
Band 2	£0 - 59.99	£0 - 129.99	£0 - 199.99	80%
Band 3	£60 - 129.99	£130 - 199.99	£200 - 269.99	60%
Band 4	£130 - 199.99	£200 - 269.99	£270 - 339.99	40%
Band 5	Income above maximum			No award

Methodology & Approach

Modelling is at a household level. Household data on current claimants has been supplied to Policy in Practice in the form of the CTS and SHBE extracts with personal data excluded. Policy in Practice converts this data to a format that can be used by their software, the Benefits and Budgeting Calculator (BBC). The calculation engine enables global changes in benefit formulations, and modelled changes to be applied to each household within the dataset. These are then summed up to arrive at the aggregate cost and Impacts of each scheme.

To enable comparison of modelled schemes against the current scheme in 2022/23, an agreed annual increase in council tax has been included. The rate of council tax increase used is 4.99%.

An agreed level of migration to Universal Credit is also included. Modelling will include an expected migration of 20% of claimants to Universal Credit by 2022/23.

For each model, the following Impacts are shown:

- Social impact compares support to current levels in order to inform monetary loss and gain of support.
- Distributional impact provides a comparison to retention of the current scheme in the year that is being modelled. This informs an understanding of those groups that would gain or lose support if the model were to be adopted. This takes account of changes in the National Living Wage, personal tax allowances, Council Tax increases, Universal Credit migration, the planned removal of the £20 uplift to Universal Credit and the recent reintroduction of the minimum income floor for self-employed Universal Credit claimants.

Initial data analysis of the current scheme and the current scheme in 2022/23 have been undertaken for comparative purposes.

Current scheme and current scheme in 2022/23

Currently, Surrey Heath Borough Council provide council tax assistance the scheme summarised below:

	Surrey Heath Borough Council
Maximum CTS	70%
Alternative maximum for certain groups	100% for vulnerable groups – anyone receiving DLA, PIP, ESA or child DLA
Non-dependant deductions	£3.65/week for those out of work £10.95/week for those in work with income lower than £186/week £18.20 for those in work with income between £186-322/week £20.10 for those in work with income between £322-401/week Usual exemptions apply
Family premium	Included in new calculations
Earning disregards	Standard amounts (£5, £10, £20 and £25) applied to all households
Band restrictions	Band D cap

Based on the June 2021 snapshot provided, in 2021/22 2,439 households received Council Tax Support in Surrey Heath. Changes in Council Tax Support will only affect the 1,411 working-age households. The 1,028 pension-age households will continue to be provided with maximum protection offered by the default council tax support scheme. Maintaining the current scheme into 2022/23 would increase costs from £3,263,198 to £3,437,868, an increase of £174,669 or 5.35%.

Annual CTS in current scheme retained into 2022/23, compared to current scheme			
Group	£/annum	Change (£/annum)	Change (%)
All working age	£1,906,904	£86,592	4.76%
Pension age	£1,530,964	£88,078	6.10%
Total	***£3,437,868***	***£174,669***	***5.35%***

Maintaining current system into 2022/23: annual cost

Costs would increase by 6.1% for pension-age households, which is slightly above the CT liability increase of 4.99%. Meanwhile, costs increase less for working-age households - 3.99% for working-age households in receipt of Universal Credit and 4.99% for households in receipt of legacy benefits. Working-age households tend to see increases at levels less than the increase in liability. This reflects the fact that employed working-age households benefit from the planned increases in the national minimum wage and personal tax allowance by

2022/23, therefore reducing their CTS awards. Households in receipt of Universal Credit retain a higher proportion of their earnings and so see a further reduction to their CTS.

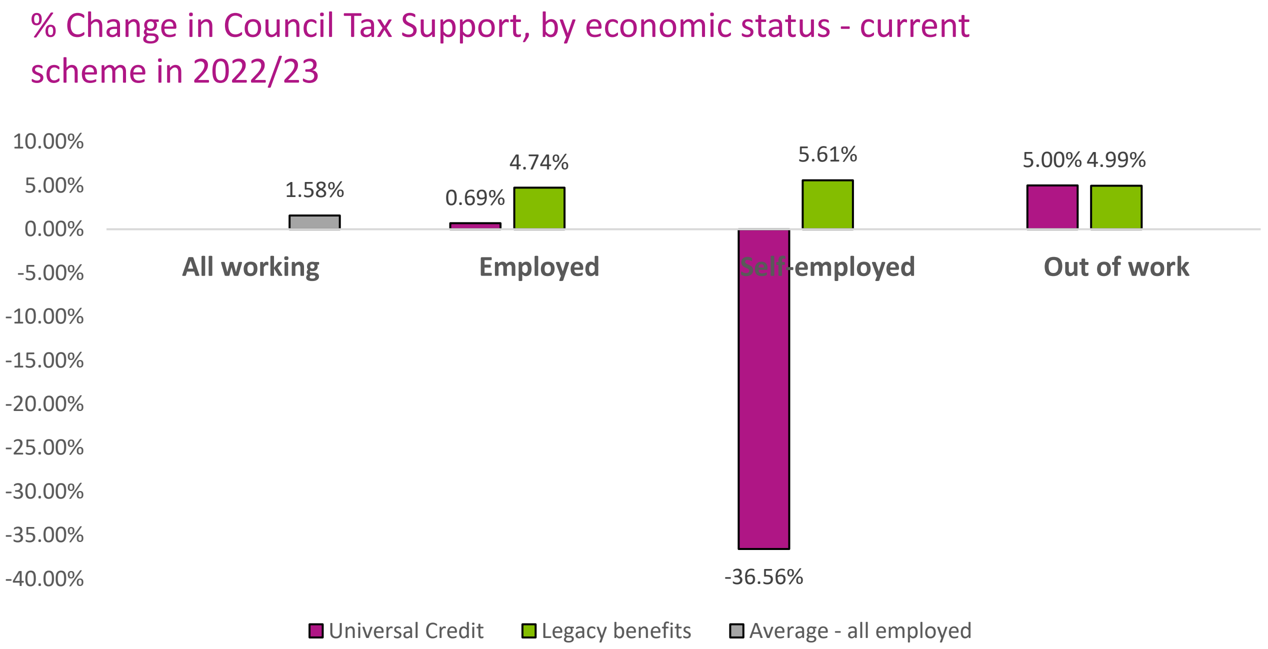
Average CTS awarded in current scheme retained into 2022/23, compared to current scheme			
Group	**Uprated current scheme (£/week)**	**Change (£/week)**	**Change (%)**
All working age	£25.92	£1.11	4.46%
UC	*£23.51*	*£0.90*	*3.99%*
Legacy benefits	*£28.89*	*£1.37*	*4.99%*
Pension age	£28.64	£1.65	6.10%
Total	***£27.11***	***£1.38***	***5.35%***

Maintaining current system into 2022/23: weekly support levels

Breaking down the Impacts of maintaining the current scheme into 2022/23, there are notable differences between groups.

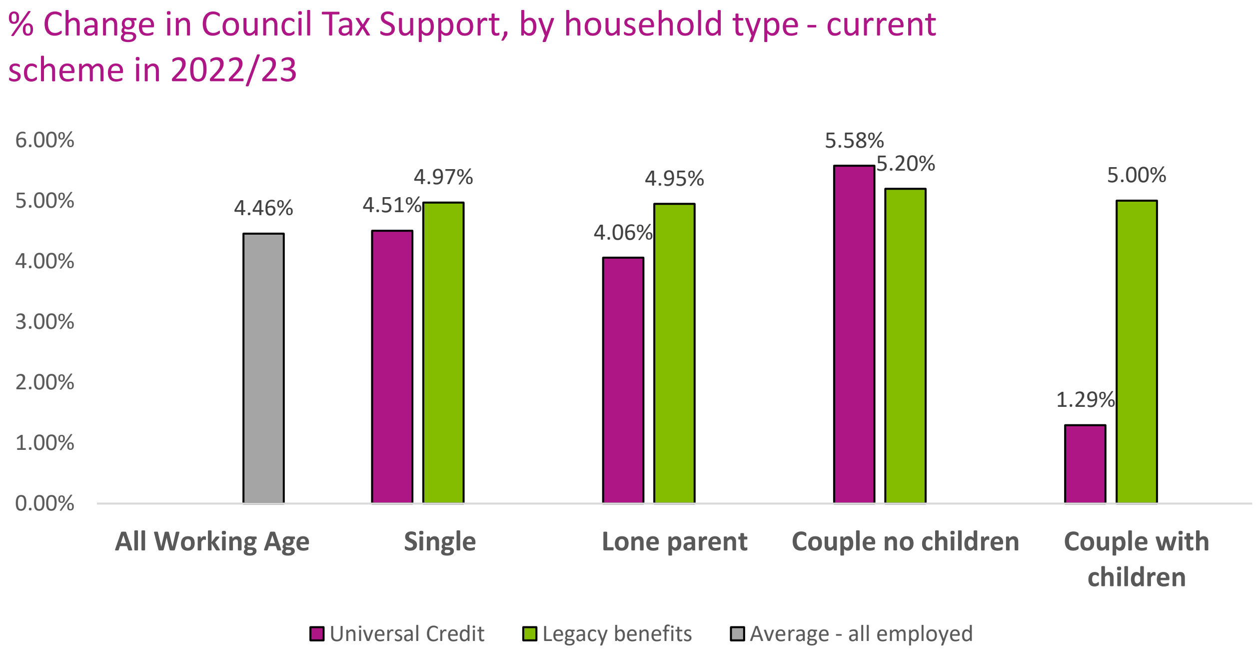
Out-of-work households see increases in support in line with the 4.99% increase in CT liability. By comparison, working households would see smaller increases – in effect real terms cuts as a result of the liability increase. While this cut is only very small for households receiving legacy benefits, those receiving Universal Credit and in work will keep more of their increased earnings and so see larger real terms cut in their CTS awards.

There are very few self-employed households within Surrey Heath's CTS dataset, with just 5 modelled as receiving Universal Credit. The sharp decline they see in support is largely as a result of the reintroduction of the minimum income floor in August 2021, which means for several self-employed households their earnings are far higher and support is considerably reduced. Self-employed households in receipt of legacy benefits see an increase in support of 5.61% - slightly above the liability increase. 81% of self-employed households have at least one child (compared to 40% of working-age households out of work and 73% of employed households), and so these households will benefit from higher levels of support under the legacy scheme where their applicable amount will include child elements.



Current scheme in 2022/23, by economic status

Couples with children in receipt of Universal Credit see the smallest increase in support of just 1.29%, largely because they are most likely to be in employment. For many of these households, their relatively low CTS award could be offset by higher earnings.



Current scheme in 2022/23, by household type

Model 1

Banded scheme, 90% Band E maximum support, flat rate non-dep deductions

Model details

Household Type	**Maximum Award**
Non-earners	
Passported or in receipt of UC and not working	90%
Household with no children and earned income	
Non benefit income of less than £60 pw	80%
Non benefit income of between £60 and £129.99 pw	60%
Non benefit income of between £130 and £199.99 pw	40%
Household with one child and earned income	
Non benefit income of less than £130 pw	80%
Non benefit income of between £130 and £199.99 pw	60%
Non benefit income of between £200 and £269.99 pw	40%
Household with two or more children and earned income	
Non benefit income of less than £200 pw	80%
Non benefit income of between £200 and £269.99 pw	60%
Non benefit income of between £270.00 and £339.99 pw	40%

Non benefit income includes: net average earnings from employment, rental Income, private/occupational pensions and partner maintenance. No other forms of income would be taken into account by this scheme, so DLA or Child Benefit, for instance, would not impact which band a household is in.

The model also has the following characteristics:

- No protected households
- £6,000 capital limit
- Band cap increased to band E property
- Self-employed households in receipt of UC are subject to the MIF.
- Flat rate non-dependant deductions of:
  - £5 per week out of work
  - £10 per week in work

The majority of Surrey Heath claimants would be in band 1 if this scheme were adopted.

Band	No children	1 child	2 child	Max award	Households
1	Passported households			90%	1,137 (80.4%)
2	£0 - 59.99	£0 - 129.99	£0 - 199.99	80%	145 (10.3%)
3	£60 - 129.99	£130 - 199.99	£200 - 269.99	60%	73 (5.2%)
4	£130 - 199.99	£200 - 269.99	£270 - 339.99	40%	24 (1.7%)
5	Income or savings above max			No award	36 (2.5%)

Model 1 – comparison

Cost and average CTS

Model 1 compared to current scheme and current scheme in 2022/23

	Model 1 cost	Comparison to cost of current scheme		Comparison to current scheme retained into 2022/23	
Group	**£/annum**	**Change (£/annum)**	**Change (%)**	**Change (£/annum)**	**Change (%)**
All working age	£1,919,710	£99,397	5.46%	£12,806	0.67%
UC	£1,060,728	£328,933	44.95%	£104,876	10.97%
Legacy benefits	£858,982	-£229,536	-21.09%	-£92,070	-9.68%
Pension age	£1,530,964	£88,078	6.10%	£0.00	0.00%
Total	***£3,450,674***	***£187,475***	***5.75%***	***£12,806***	***0.37%***

Model 1, Total cost of model (£/annum)

The bands of Model 1 have been set to retain costs at the same level as if the current scheme were maintained into 2022/23. Average weekly Council Tax Support for working age households under Model 1 would change by just £0.17 (0.67%) per week. However, this equilibrium masks a significant £2.58 (11%) increase for the average UC households, and a £2.80 (10%) decrease for the average working-age household in receipt of legacy benefits. These changes are driven by the loss of protected status for households considered vulnerable, with many legacy households formerly receiving 100% CTS now receiving 90% or less, while UC households who formerly received only 70% CTS may now receive 90% or 80%. It results in almost exactly equal average awards for both UC and legacy claimants.

	Average household support	Comparison to cost of current scheme		Comparison to current scheme retained into 2022/23	
Group	**£/week**	**Change (£/week)**	**Change (%)**	**Change (£/week)**	**Change (%)**
All working age	£26.09	£1.28	5.16%	£0.17	0.67%
UC	*£26.09*	£3.48	15.40%	£2.58	10.97%
Legacy benefits	*£26.10*	-£1.42	-5.17%	-£2.80	-9.68%

Model 1, average weekly council tax support (£/week)

Model 1 - Social impact analysis

This section examines the groups that would be better or worse off **compared to retaining the current scheme in 2021/22.**

Under this model, 36 households will no longer be eligible for any support. This represents 2.6% of the current working-age caseload.

- 23 vulnerable households lose support due to the capital limit being applied to them. This capital limit is currently in place, but may not be applied under the current scheme as a result of the protection for vulnerable households.
- 13 households (9 of which were considered vulnerable) lose support due to the earnings cut-offs introduced under this model.

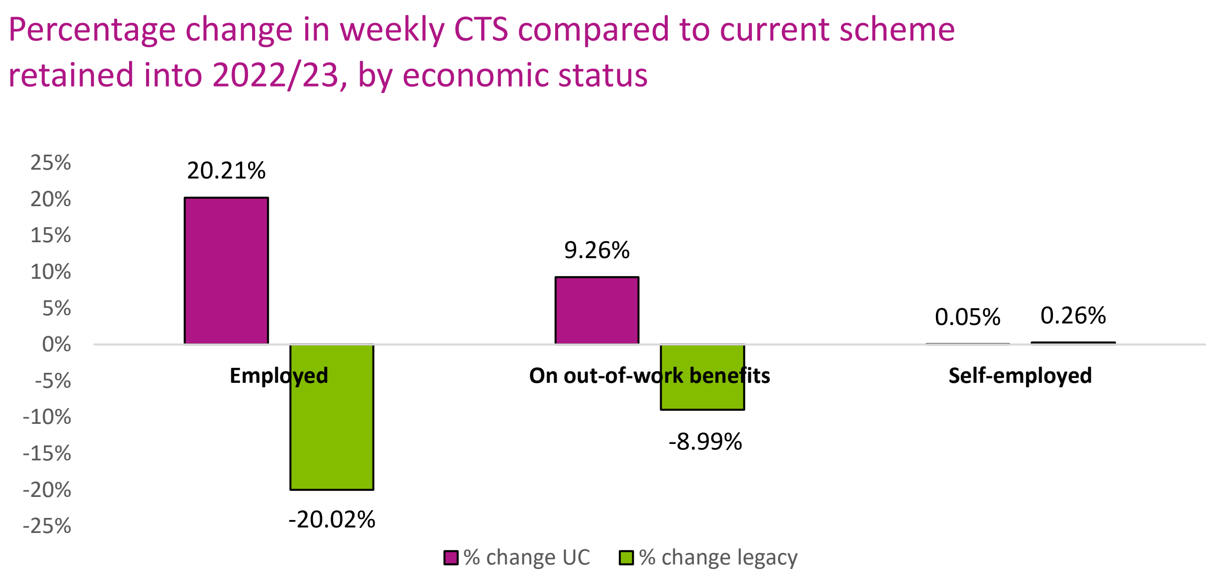
99 households (7%) lose more than £5/week compared to the current scheme in 2021/22. 92 of these households previously received additional protection because they were deemed vulnerable, so the removal of the protected group is largely responsible for the decline in support they would receive under model 1. 59 of these households are employed, so their earnings mean they receive less support than previously.

486 households (34%) gain more than £5/week compared to the current scheme in 2021/22. The majority (376) of these are out of work and in receipt of Universal Credit, so go from the current maximum award of 70% to a maximum of 90%.

Model 1 - Distributional impact analysis

This section examines the groups that would be better or worse off **compared to retaining the current scheme into 2022/23.**

Economic status

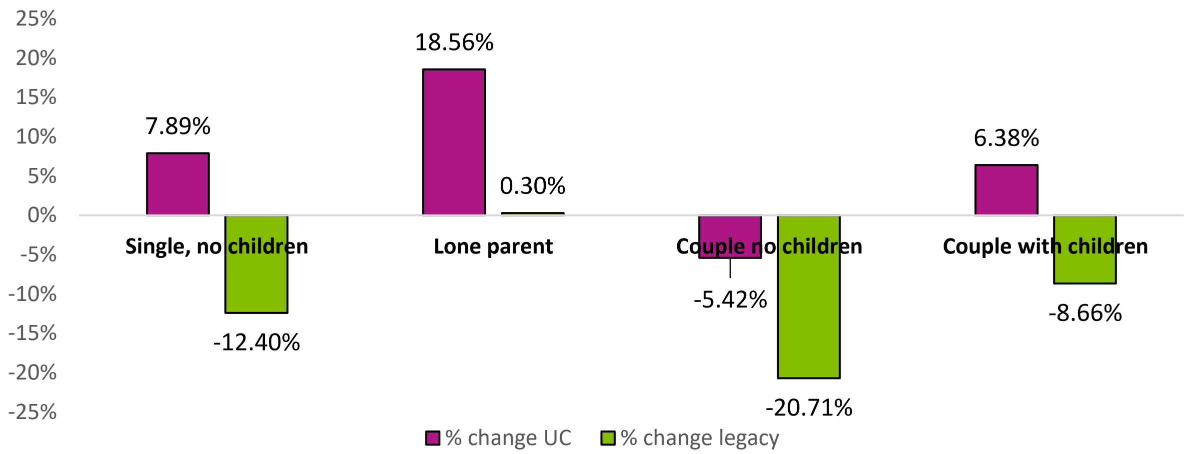


Model 1: change in average CTS award, by economic status

Changes by economic status largely mirror the trends seen between legacy and UC claims, with those receiving legacy benefits seeing a reduction in award while those receiving UC see a rise. The trends are more noticeable for those with earnings who are less likely to be in band 1. Because those receiving UC were much less likely to be considered vulnerable by the previous scheme, band 2's 80% award still represents a significant increase on the old scheme's 70% and its taper rate. Conversely, legacy households were much more likely to be considered vulnerable, and therefore even band 2 is a significantly smaller maximum award. Self-employed households remain a very small sample and do not see significant change.

Household type

Percentage change in weekly CTS compared to current scheme retained into 2022/23, by household type

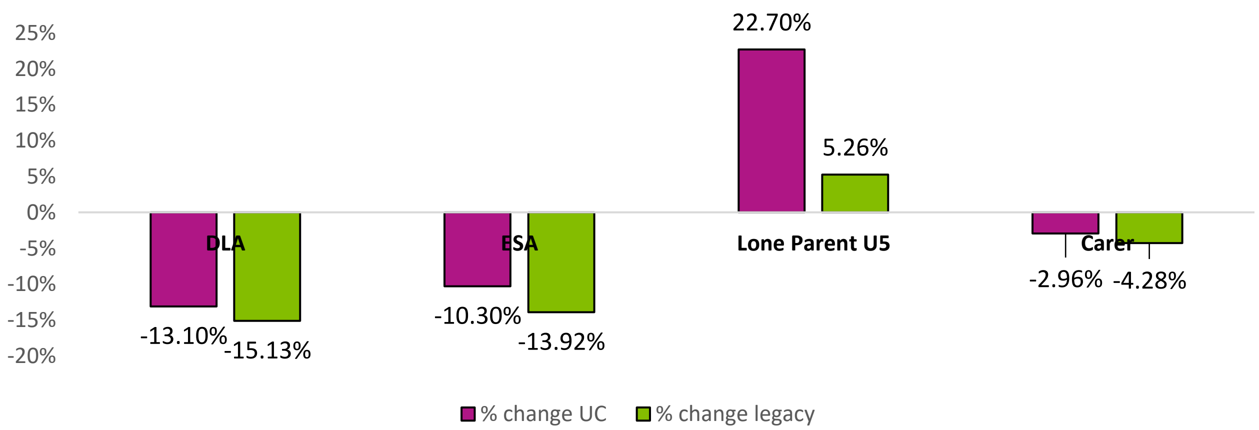


Model 1: change in average CTS award, by household type

Looking at household type, single households do noticeably better than couples. This is again a reflection of vulnerability – lone parents in both benefits systems and single households on UC were all least likely to be considered vulnerable by the previous scheme, so the new scheme largely represents an increased maximum award for them. This is even more the case because single households are least likely to be in work, and therefore will mostly receive band 1's maximum award.

Barriers to work

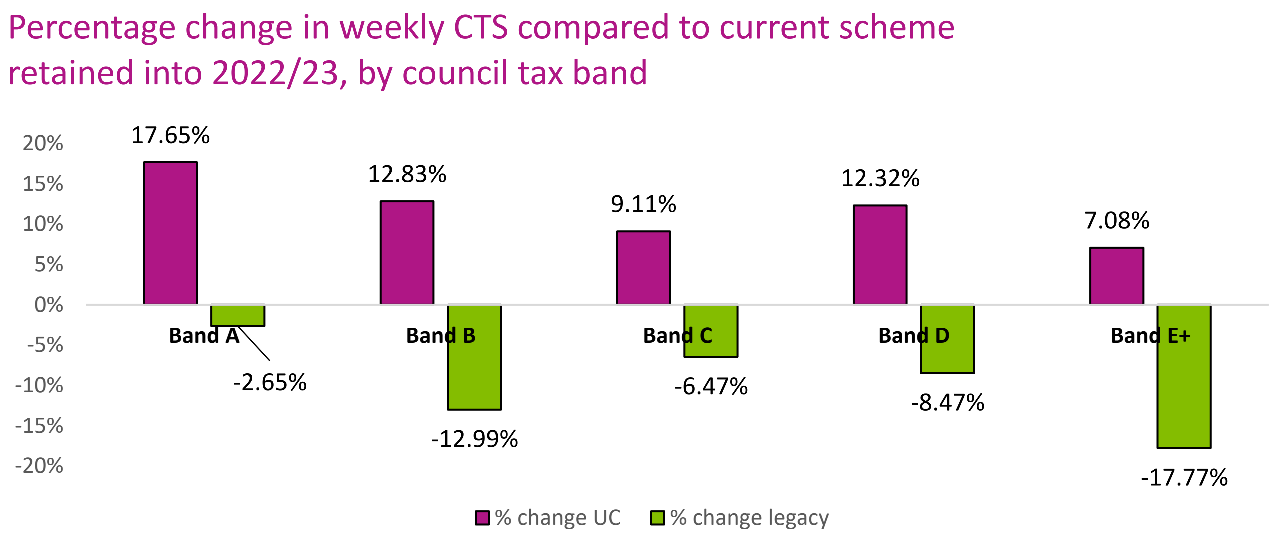
Percentage change in weekly CTS compared to current scheme retained into 2022/23, by barriers to work



Model 1: change in average CTS award, by barriers to work

For barriers to work, those most likely to have lost their status as vulnerable see bigger declines in average award, while lone parents of children under 5 follow a similar pattern to all lone parents detailed above.

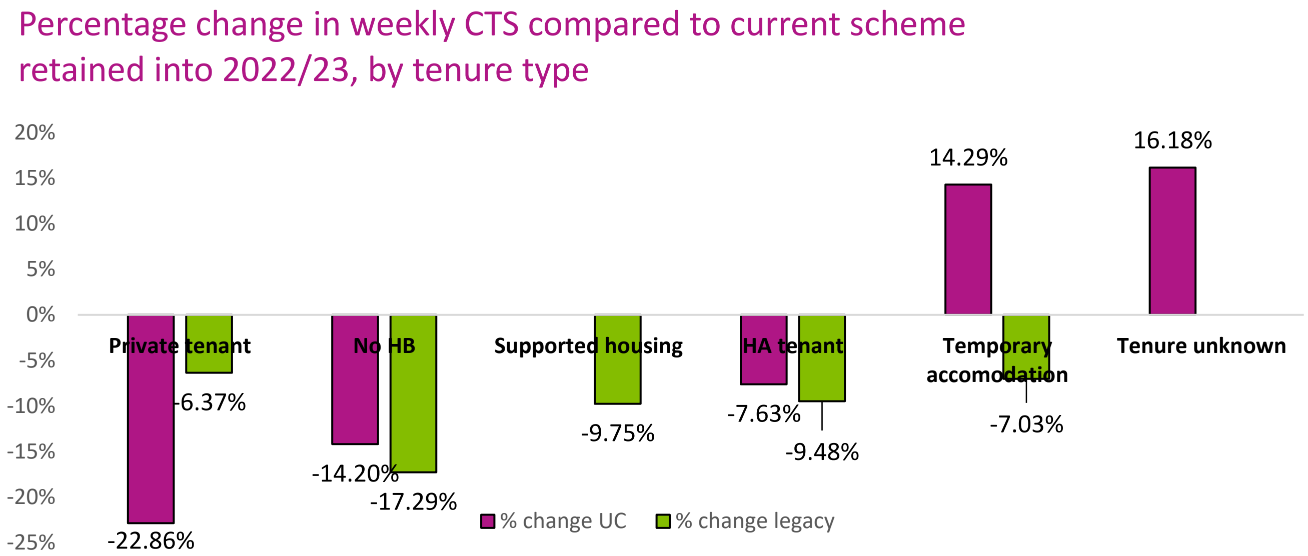
Council tax band



Model 1: change in average CTS award, by council tax band

Trends by CT band tend to reflect the likelihood of a band being in work, or vulnerable. The higher the band, the more likely a household is to be in work, and therefore those on UC gain less from the move to this scheme if they are in higher bands and have higher earnings. For legacy households, the removal of their protection for vulnerability has a big impact on those in band B, where 92% of households were previously considered vulnerable. The final element impacting this is the new band E cap. The current scheme's band cap exempts vulnerable households, so the largely vulnerable households receiving legacy households in bands F-H see a large reduction in award, while the households receiving UC (who are largely not vulnerable) see a similar increase to other UC households. It is important to note only 33 (2.3%) households are impacted by the band E cap.

Tenure type



Model 1: change in average CTS award, by tenure type

Sample sizes are important to note when looking by tenure. Tenure data for households receiving UC is very sparse, so it is only HA tenants who have a significant sample size. For these UC HA households, 88% were considered vulnerable, and this accounts for their loss of award, while the rest of the UC caseload largely gains (in the tenure unknown category).

For households receiving legacy benefits, both temporary accommodation and supported housing have negligible sample sizes (14 households). Legacy households largely follow the patterns seen above, with private tenants seeing the biggest decline because they are most likely to have earnings.

Model 2

Banded scheme, 100% Band E maximum support, flat rate non-dep deductions

Model details

Household Type	Maximum Award – protected groups	Maximum Award – non-protected groups
Non-earners		
Passported or in receipt of UC and not working	100%	80%
Household with no children and earned income		
Non benefit income of less than £60 pw	80%	60%
Non benefit income of between £60 and £129.99 pw	60%	40%
Non benefit income of between £130 and £199.99 pw	40%	20%
Household with one child and earned income		
Non benefit income of less than £130 pw	80%	60%
Non benefit income of between £130 and £199.99 pw	60%	40%
Non benefit income of between £200 and £269.99 pw	40%	20%
Household with two or more children and earned income		
Non benefit income of less than £200 pw	80%	60%
Non benefit income of between £200 and £269.99 pw	60%	40%
Non benefit income of between £270.00 and £339.99 pw	40%	20%

Non benefit income includes: net average earnings from employment, rental Income, private/occupational pensions and partner maintenance. No other forms of income would be taken into account by this scheme, so DLA or Child Benefit, for instance, would not impact which band a household is in.

The model also has the following characteristics:

- Protected groups: DLA, PIP, ESA, Child DLA (all those considered vulnerable under current scheme)
- £6,000 capital limit
- Self-employed households in receipt of UC are subject to the MIF
- Band cap increased to band E property
- Flat rate non-dependant deductions of:
  - £5 per week out of work
  - £10 per week in work

The majority of Surrey Heath claimants would be in band 1 if this scheme were adopted.

Band	No children	1 child	2 child	Max award: protected	Protected households	Max award: non-protected	Non-protected households
1	Passported households			100%	712 (86.8%)	80%	425 (71.4%)
2	Thresholds as in model 1			80%	40 (4.9%)	60%	105 (17.7%)
3				60%	23 (2.8%)	40%	50 (8.4%)
4				40%	13 (1.6%)	20%	11 (1.9%)
5	Income above max			No award	32 (3.9%)	No award	4 (0.7%)

Model 2 – comparison

Cost and average CTS

Model 2 compared to current scheme and current scheme in 2022/23

	Model 2 cost	Comparison to cost of current scheme		Comparison to current scheme retained into 2022/23	
Group	**£/annum**	**Change (£/annum)**	**Change (%)**	**Change (£/annum)**	**Change (%)**
All working age	£1,915,030	£94,717	5.20%	£8,125	0.43%
UC	£1,005,047	£273,253	37.34%	£49,195	5.15%
Legacy benefits	£909,982	-£178,536	-16.40%	-£41,070	-4.32%
Pension age	£1,530,964	£88,078	6.10%	£0	0.00%
Total	***£3,445,993***	***£182,795***	***5.60%***	***£8,125***	***0.24%***

Model 2, Total cost of model (£/annum)

Like Model 1, the bands of Model 2 have been set to retain costs at the same level as if the current scheme were maintained into 2022/23. Average Council Tax Support for working age households under Model 2 would change by just £0.11 (0.43%) per week. However, this equilibrium masks some change: a £1.21 (5%) increase for the average UC households, and a £1.25 (4%) decrease for the average working-age household in receipt of legacy benefits. The retention of protected status for vulnerable groups means the changes to awards are not as large as under model 2. As a result, legacy claimants still receive significantly higher awards than those in receipt of UC.

	Average household support	Comparison to cost of current scheme		Comparison to current scheme retained into 2022/23	
Group	**£/week**	**Change (£/week)**	**Change (%)**	**Change (£/week)**	**Change (%)**
All working age	£26.03	£1.22	4.91%	£0.11	0.43%
UC	*£24.72*	£2.11	9.34%	£1.21	5.15%
Legacy benefits	*£27.65*	£0.13	0.46%	-£1.25	-4.32%

Model 2, average weekly council tax support (£/week)

Model 2 - Social impact analysis

This section examines the groups that would be better or worse off **compared to retaining the current scheme in 2021/22.**

As under model 1, under this model, 36 households will no longer be eligible for any support. This represents 2.6% of the current working-age caseload.

- 23 vulnerable households lose support due to the capital limit being applied to them. This capital limit is currently in place, but may not be applied under the current scheme as a result of the protection for vulnerable households.
- 13 households (9 of which were considered vulnerable) lose support due to the earnings cut-offs introduced under this model.

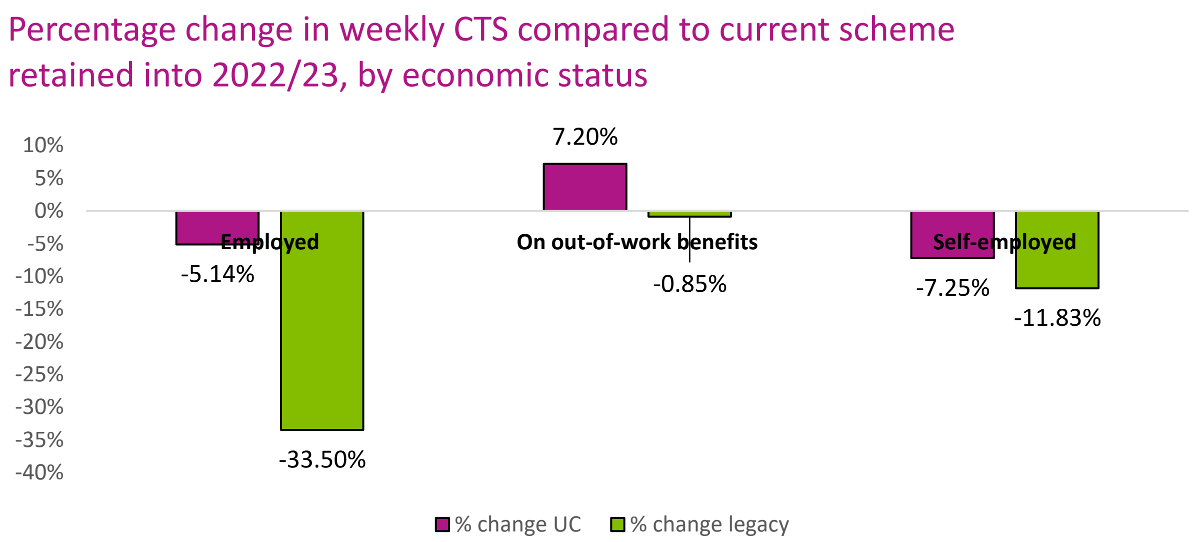
110 households (8%) lose more than £5/week compared to the current scheme in 2021/22. 81 of these households previously received additional protection because they were deemed vulnerable. While they receive a higher level of support now, 52 have earnings and therefore still receive less support. There are also other vulnerable households who are impacted by the savings limit (i.e. the 23 detailed above) and/or the band cap, as well as nondependent deductions, meaning they also lose out compared to the current scheme where they seem to be exempt from these rules.

150 households (11%) gain more than £5/week compared to the current scheme in 2021/22. The majority (80) of these are out of work and in receipt of Universal Credit, so go from the current maximum award of 70% to a maximum of 90%, as do 13 out of work legacy claimants not previously considered vulnerable.

Model 2 - Distributional impact analysis

This section examines the groups that would be better or worse off **compared to retaining the current scheme into 2022/23.**

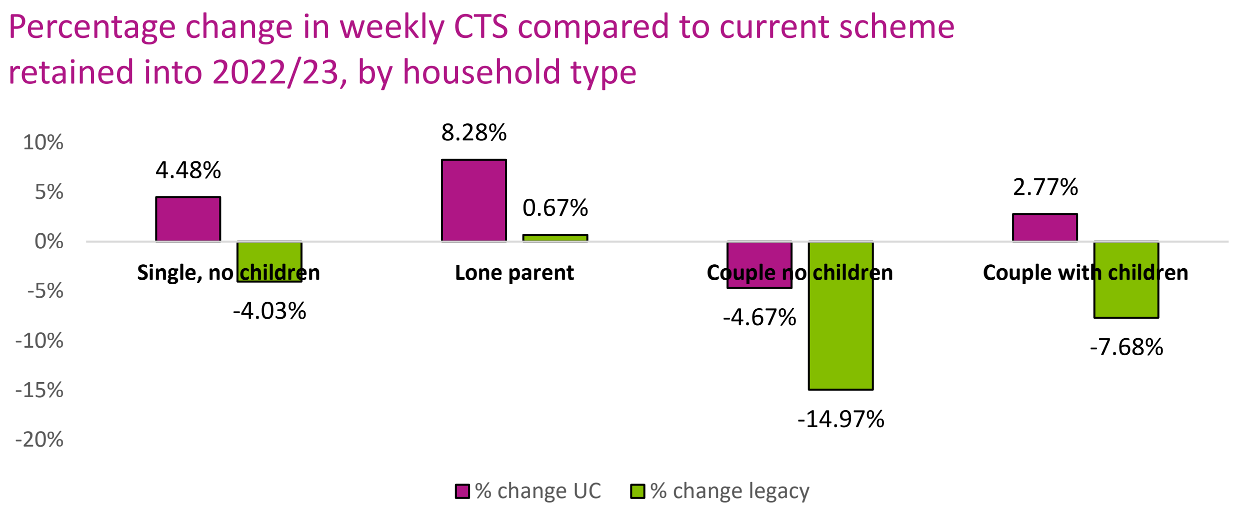
<u>Economic status</u>



Model 2: change in average CTS award, by economic status

Like under model 1, changes by economic status largely mirror the trends seen between legacy and UC claims, with those receiving legacy benefits seeing a reduction in award while those receiving UC see a smaller reduction or rise. However unlike in model 1, those in receipt of UC and employed do not see a higher award because the non-protected band 2 60% maximum award will now represent a small decline on the previous 70% award and taper rate, with higher bands seeing even bigger declines. Those with self-employed earnings and subject to the MIF (UC households only) also result in reduced awards now the bands are less generous for non-protected groups.

Household type

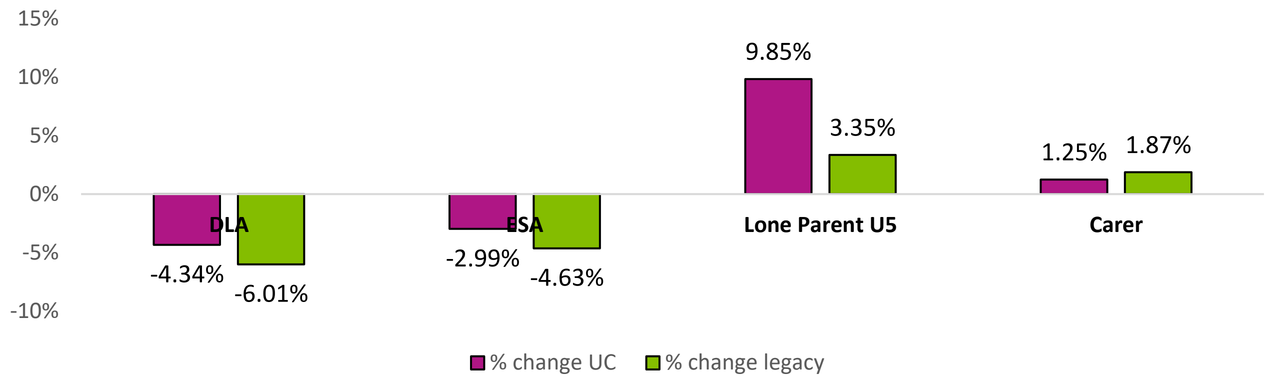


Model 2: change in average CTS award, by household type

Looking at household type, single households again do noticeably better than couples. This is again a reflection of vulnerability – lone parents in both benefits systems and single households on UC were all least likely to be considered vulnerable by the previous scheme, so the new scheme largely represents an increased or similar maximum award for them. However, the disparity is less pronounced than in the first model, as those households who are more likely to be classed as vulnerable do not see such a reduction in support. For example, couples with no children in receipt of legacy benefits see a 14.97% reduction under model 2 in comparison to 20.71% under model 1.

Barriers to work

Percentage change in weekly CTS compared to current scheme retained into 2022/23, by barriers to work

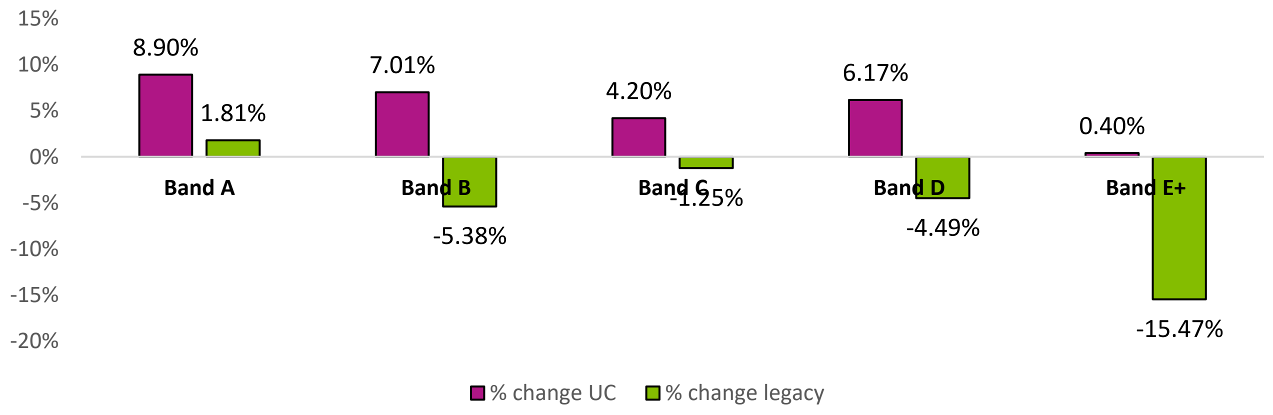


Model 2: change in average CTS award, by barriers to work

Model 2's greater protection for vulnerable households means those receiving DLA or ESA, as well as carers, would see less of a drop in their average award, while lone parents also do not benefit as much as they did under model 1.

Council tax band

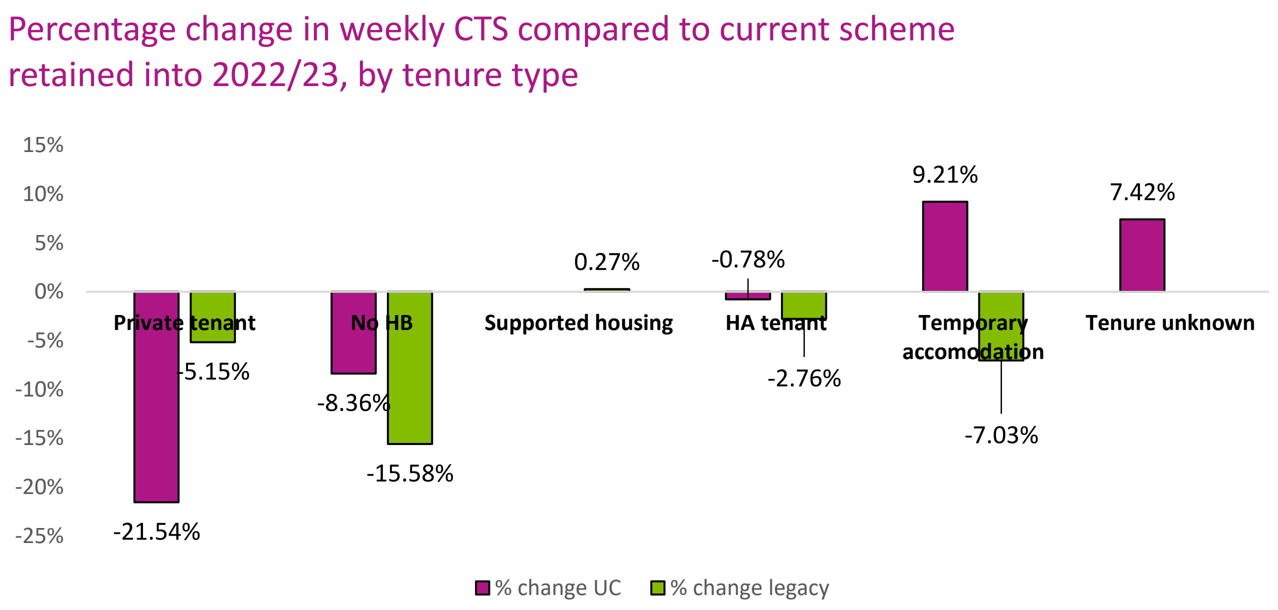
Percentage change in weekly CTS compared to current scheme retained into 2022/23, by council tax band



Model 2: change in average CTS award, by council tax band

Breaking the trends down by CT band shows similar, but more limited changes to those seen under model 1. The groups most likely to be vulnerable (B and E+) lose most because they no longer receive 100% awards if they earn, and nor are they protected from the band cap. There remain very only 33 households in bands above E.

Tenure type



Model 2: change in average CTS award, by tenure type

Sample sizes are again important to note when looking by tenure. Tenure data for households receiving UC is very sparse, so it is only HA tenants who have a significant sample size. For these UC HA households, 88% were considered vulnerable, so those earning account for their small average loss of award, while the rest of the UC caseload largely gains (in the tenure unknown category).

For households receiving legacy benefits, both temporary accommodation and supported housing have negligible sample sizes (14 households). Legacy households largely follow the patterns seen above, with private tenants seeing the biggest decline because they are most likely to have earnings.

Model 3

Banded scheme, 95% Band D maximum support, flat rate non-dep deductions

Model details

Household Type	Maximum Award
Non-earners	
Passported or in receipt of UC and not working	95%
Household with no children and earned income	
Non benefit income of less than £60 pw	80%
Non benefit income of between £60 and £129.99 pw	60%
Non benefit income of between £130 and £199.99 pw	40%
Household with one child and earned income	
Non benefit income of less than £130 pw	80%
Non benefit income of between £130 and £199.99 pw	60%
Non benefit income of between £200 and £269.99 pw	40%
Household with two or more children and earned income	
Non benefit income of less than £200 pw	80%
Non benefit income of between £200 and £269.99 pw	60%
Non benefit income of between £270.00 and £339.99 pw	40%

Non benefit income includes: net average earnings from employment, rental Income, private/occupational pensions and partner maintenance. No other forms of income would be taken into account by this scheme, so DLA or Child Benefit, for instance, would not impact which band a household is in.

The model also has the following characteristics:

- No protected households
- £6,000 capital limit
- Band cap retained at band D property
- Self-employed households in receipt of UC are subject to the MIF.
- Flat rate non-dependant deductions of:
    - £5 per week out of work
    - £10 per week in work

The majority of Surrey Heath claimants would be in band 1 if this scheme were adopted.

Band	No children	1 child	2 child	Max award	Households
1	Passported households			95%	1,137 (80.4%)
2	£0 - 59.99	£0 - 129.99	£0 - 199.99	80%	145 (10.3%)
3	£60 - 129.99	£130 - 199.99	£200 - 269.99	60%	73 (5.2%)
4	£130 - 199.99	£200 - 269.99	£270 - 339.99	40%	24 (1.7%)
5	Income or savings above max			No award	36 (2.5%)

Model 3 – comparison

Cost and average CTS

Model 3 compared to current scheme and current scheme in 2022/23

	Model 3 cost	Comparison to cost of current scheme		Comparison to current scheme retained into 2022/23	
Group	**£/annum**	**Change (£/annum)**	**Change (%)**	**Change (£/annum)**	**Change (%)**
All working age	£1,966,716	£146,403	8.04%	£59,811	3.14%
UC	£1,079,409	£347,615	47.50%	£123,557	12.93%
Legacy benefits	£887,306	-£201,212	-18.48%	-£63,746	-6.70%
Pension age	£1,530,964	£88,078	6.10%	£0	0.00%
Total	***£3,497,679***	***£234,481***	***7.19%***	***£59,811***	***1.74%***

Model 3, Total cost of model (£/annum)

Model 3 would be slightly more expensive than models 1 and 2, with working age costs increasing by 3.1% (£59,811/annum) compared to the current scheme maintained into 2022/23. Average Council Tax Support for working age households under Model 3 would change by £0.81 (0.43%) per week. However, between the two benefits systems there is more change: a £3.04 (13%) increase for the average UC household, and a £1.94 (7%) decrease for the average working-age household in receipt of legacy benefits.

	Average household support	Comparison to cost of current scheme		Comparison to current scheme retained into 2022/23	
Group	**£/week**	**Change (£/week)**	**Change (%)**	**Change (£/week)**	**Change (%)**
All working age	£26.73	£1.92	7.74%	£0.81	3.14%
UC	*£26.54*	£3.94	17.43%	£3.04	12.93%
Legacy benefits	*£26.96*	-£0.56	-2.05%	-£1.94	-6.70%

Model 3, average weekly council tax support (£/week)

Because the majority of households are in band 1, the increase from 90% to 95% max award means this scheme is more generous than model 1, though the lowering of the band cap to band D somewhat counteracts this. The impact of the two changes – the higher 95% passported maximum award and lower band D cap - is isolated in the following two tables, which show how model 3 would look if only one of the two changes were made.

Model 3a: if maximum passported award changed to 95% but band E cap retained

	Model 3a cost	Comparison to cost of current scheme		Comparison to current scheme retained into 2022/23	
Group	£/annum	Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working age	£2,010,188	£189,875	10.43%	£103,284	5.42%
UC	£1,109,156	£377,361	51.57%	£153,303	16.04%
Legacy benefits	£901,033	-£187,486	-17.22%	-£50,020	-5.26%
Pension age	£1,530,964	£88,078	6.10%	£0	0.00%
Total	***£3,541,152***	***£277,953***	***8.52%***	***£103,284***	***3.00%***

Model 3b: if band cap changed to D but maximum passported award retained at 90%

	Model 3b cost	Comparison to cost of current scheme		Comparison to current scheme retained into 2022/23	
Group	£/annum	Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working age	£1,878,154	£57,841	3.18%	-£28,751	-1.51%
UC	£1,032,277	£300,483	41.06%	£76,425	8.00%
Legacy benefits	£845,877	-£242,642	-22.29%	-£105,176	-11.06%
Pension age	£1,530,964	£88,078	6.10%	£0	0.00%
Total	***£3,409,117***	***£145,919***	***4.47%***	***-£28,751***	***-0.84%***

Model 3 - Social impact analysis

This section examines the groups that would be better or worse off **compared to retaining the current scheme in 2021/22.**

As under models 1 and 2, under this model, 36 households will no longer be eligible for any support. This represents 2.6% of the current working-age caseload.

- 23 vulnerable households lose support due to the capital limit being applied to them. This capital limit is currently in place, but may not be applied under the current scheme as a result of the protection for vulnerable households.
- 13 households (9 of which were considered vulnerable) lose support due to the earnings cut-offs introduced under this model.

121 households (9%) lose more than £5/week compared to the current scheme in 2021/22. This is 22 more households who lost out, compared to model 1. This is primarily because the band cap has been set at band D, meaning an extra 24 band E households now lose more than £5/week. For 2 of these households, the more generous 95% maximum award for passported households means they avoid losing over £5, despite the band cap.

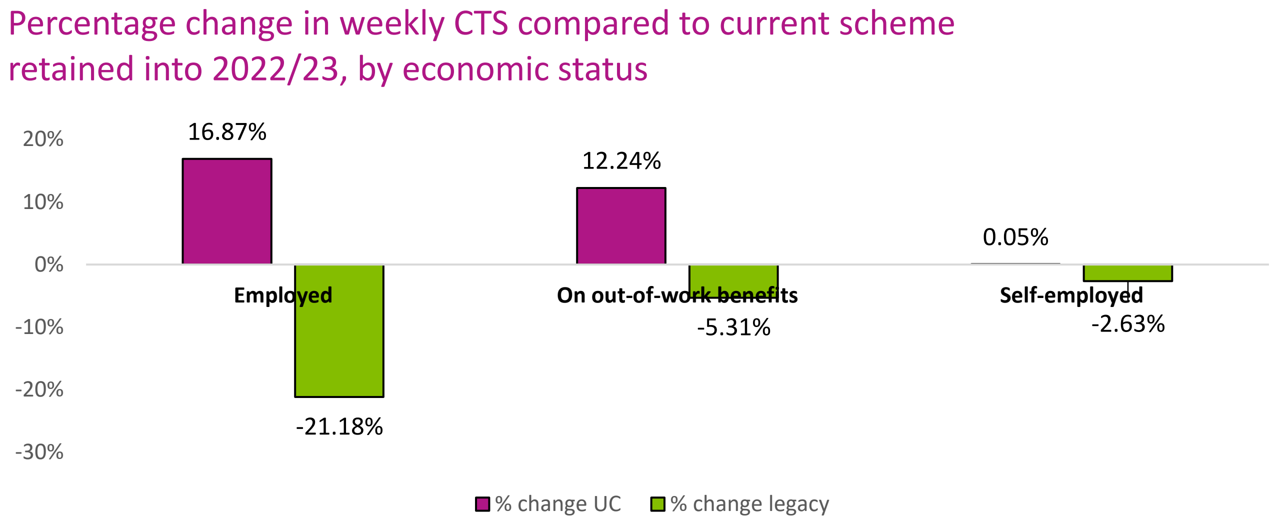
Surrey Heath has identified £70,000 of funding which could be used to offer one year of transitional protection to those who lose out by more than £5/week, if this model is adopted. In total, the 121 households identified above would have lost out by £101,573 over the course of this year, if this model 3 scheme had already been in place. The £70,000 mooted funding may therefore need to be increased to deal with this. If Surrey Heath require a more exact record on which to base transitional payments, this can be discussed with Policy in Practice in advance of the new scheme being implemented.

501 households (36%) gain more than £5/week compared to the current scheme in 2021/22. Again this is a slightly higher number than under model 1, where 486 households gained over £5/week. The increase is due to the slightly higher 95% maximum award given to those in band 1, with a few of those previously receiving the 70% maximum award gaining just enough of an increase compared to model 1 to bring them over the £5/week threshold.

Model 3 - Distributional impact analysis

This section examines the groups that would be better or worse off **compared to retaining the current scheme into 2022/23.**

Economic status

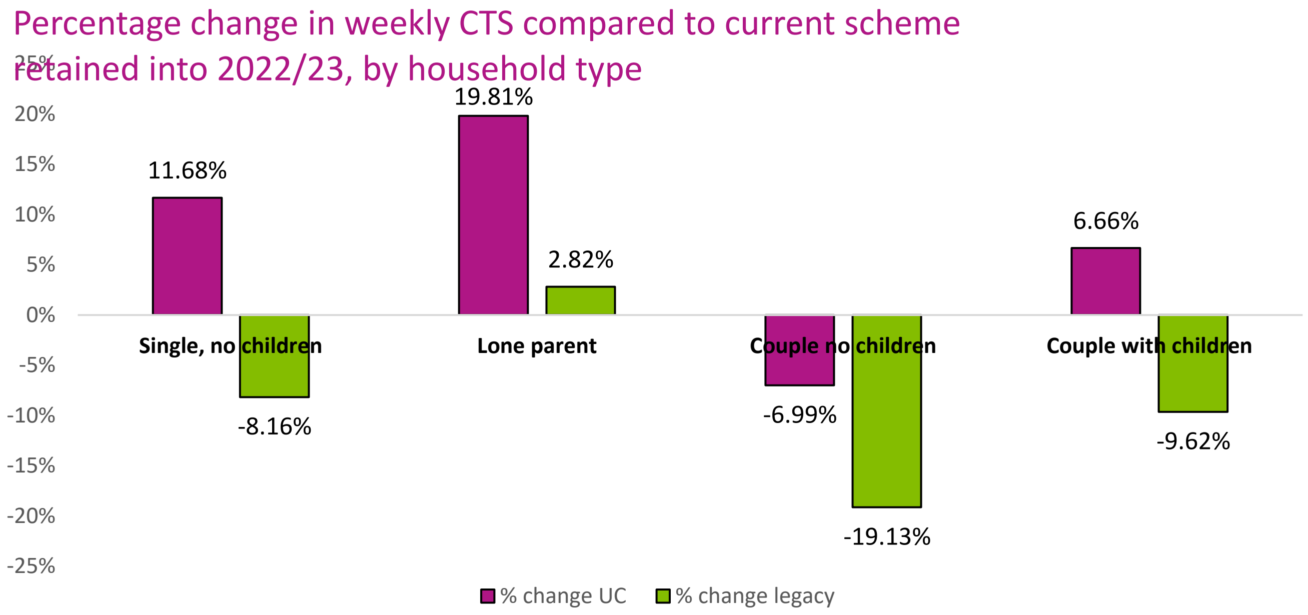


Model 3: change in average CTS award, by economic status

As under model 1, changes by economic status largely mirror the trends seen between legacy and UC claims, with those receiving legacy benefits seeing a reduction in award while those receiving UC see a rise. The trends are more noticeable for those with earnings who are less likely to be in band 1. Because those receiving UC were much less likely to be considered vulnerable by the previous scheme, band 2's 80% award still represents a significant increase on the old scheme's 70% and its taper rate. Conversely, legacy households were much more likely to be considered vulnerable, and therefore even band 2 is a significantly smaller maximum award. Self-employed households remain a very small sample and do not see significant change.

In comparison to model 1, those out-of-work are better off because these households are in band 1, so benefit from the rise to a 95% maximum award. Those in employment are in higher bands, and therefore lose out compared to model 1 because it is only the negative impact of the lower band cap which impacts them.

Household type



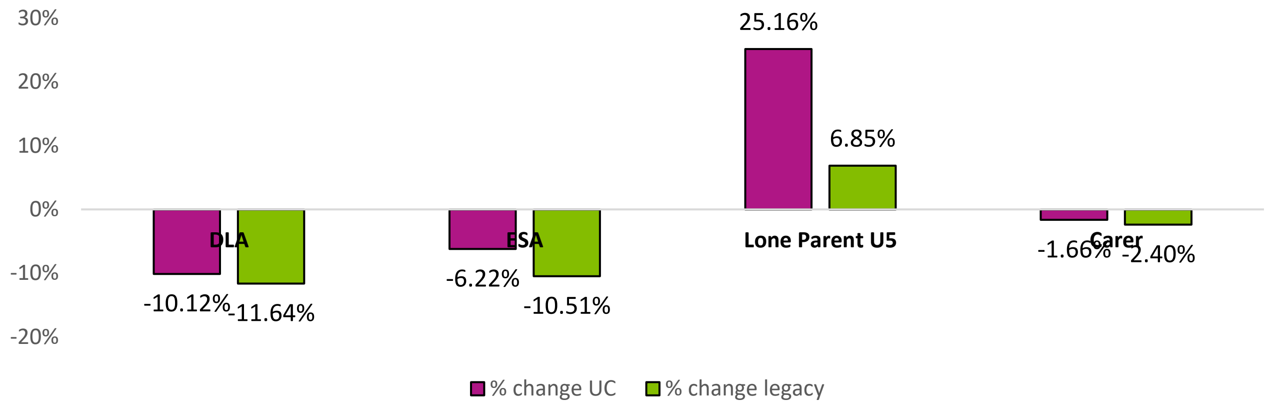
Model 3: change in average CTS award, by household type

Looking at household type, the pattern is very similar to under model 1. Single households do noticeably better than couples. This is again a reflection of vulnerability – lone parents in both benefits systems and single households on UC were all least likely to be considered vulnerable by the previous scheme, so the new scheme largely represents an increased maximum award for them. This is even more the case because single households are least likely to be in work, and therefore will mostly receive band 1's maximum award.

Compared to model 1, most groups are marginally better off due to the increased band 1 maximum award, although those more likely to have larger properties and higher CT bands such as couples with children see marginally lower awards.

Barriers to work

Percentage change in weekly CTS compared to current scheme retained into 2022/23, by barriers to work

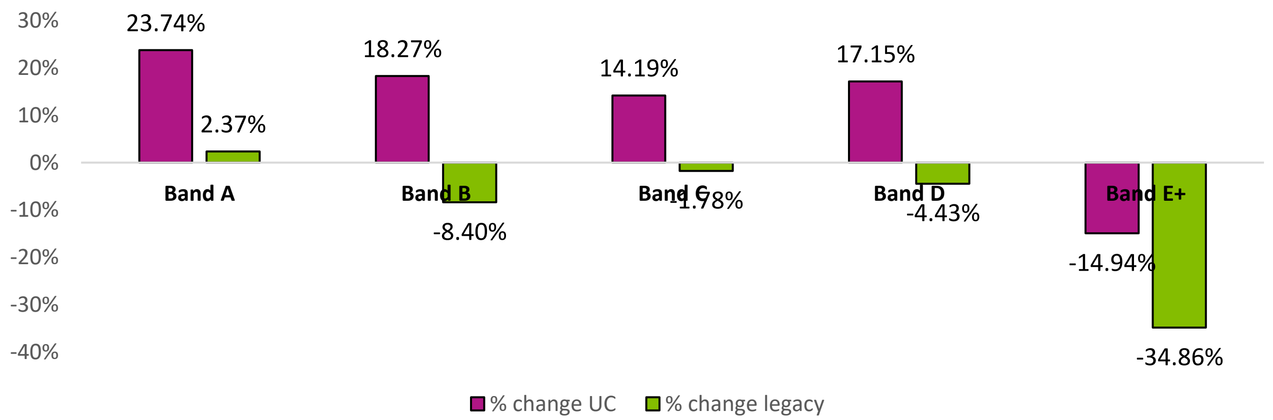


Model 3: change in average CTS award, by barriers to work

For barriers to work, as under model 1, those most likely to have lost their status as vulnerable see bigger declines in average award, while lone parents of children under 5 follow a similar pattern to all lone parents detailed above. As each of these groups is likely to be out of work, they are predominantly in band 1 so benefit from the higher maximum award under model 3, and are therefore all better off on average than under model 1.

Council tax band

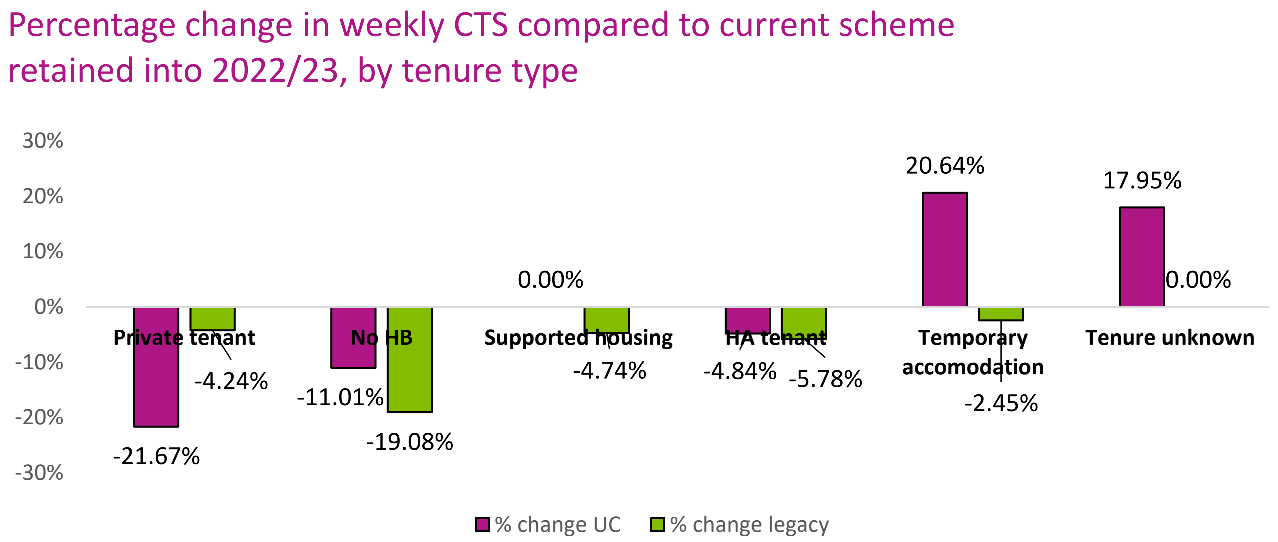
Percentage change in weekly CTS compared to current scheme retained into 2022/23, by council tax band



Model 3: change in average CTS award, by council tax band

Trends by CT band are similar to model 1, with the only differences being those in bands A-D see significant benefits from the raised maximum award for those passported, while those in Bands E+ all lose out as a result of the stricter band D cap. An extra 71 households are band capped as a result of the move to a band D cap, meaning in total 104 (7.3%) households are impacted by the band D cap under model 3.

Tenure type



Model 3: change in average CTS award, by tenure type

As with models 1 and 2, sample sizes are important to note when looking by tenure. Tenure data for households receiving UC is very sparse, so it is only HA tenants who have a significant sample size. For these UC HA households, 88% were considered vulnerable, and this accounts for their loss of award (albeit they lose slightly less on average under model 1 as a result of the increase to 95% maximum award), while the rest of the UC caseload largely gains (in the tenure unknown category).

For households receiving legacy benefits, both temporary accommodation and supported housing have negligible sample sizes (14 households). Legacy households largely follow the patterns seen above, with private tenants seeing the biggest decline because they are most likely to have earnings.

Do these models meet the council's objectives?

Surrey Heath Borough Council provided scheme objectives against which to assess any future council tax assistance scheme. The council's objectives, together with an evaluation of how the models meet these objectives, are given below.

Objective: To target support to households least able to pay council tax, and by doing so reduce collection costs

All three models provide the highest level of support to households without earnings (ie those likely to have less income with which to pay their council tax). However, due to its lack of protection for disabled households identified as vulnerable by the current scheme, model 1 would reduce support for at least some households without earnings, from 100% maximum award to 90%. Model 3 would do similar, albeit with a smaller reduction from 100% to 95%. Model 2 would ensure these vulnerable households without earnings did not receive a lower award, while also giving a larger maximum award (80% rather than 70%) to those without earnings and not considered vulnerable. Because those with earnings are more likely to be able to pay their Council Tax, collection costs should be reduced as arrears decline under each model.

Objective: To balance the above aim with existing protection for vulnerable residents

Model 2 would achieve this, by providing the same level of support for vulnerable residents without earnings, and increasing the maximum award for non-vulnerable residents who do not have any earnings. However, vulnerable residents who have earnings (14% of vulnerable households) would be required to make at least a 20% contribution to their liability. As they have earnings, it may be considered that they are able to make this contribution, though it should also be kept in mind that some of these residents will not have paid any council tax for many years, so may not expect to have to begin paying at least a small portion. Model 1 does not provide any additional protection for vulnerable residents, which means all those currently receiving 100% support would now be required to con tribute at least 10% of their liability. Model 3 would be similar, but for vulnerable households without earnings would require a smaller contribution – at least 5% of their liability. The table below summarises the three models impacts on the average CTS award, in comparison to the average current uprated award.

	Model 1	Model 2	Model 3
Households who receive DLA/PIP	-14.42%	-5.42%	-11.11%
Households who receive ESA	-13.01%	-4.22%	-9.42%
Households where someone is a carer	-3.63%	1.57%	-2.04%

Models 1, 2 and 3, difference in average weekly council tax support compared to current uprated

Objective: To be cost-neutral

Models 1 and 2 maintain costs as they will be in 2022/23. If collection costs also decline due to better targeting of support, overall savings may even be possible. Model 3 would see a slight rise in costs as a result of the more generous maximum award for passported households (slightly offset by the lower band D cap). Working-age costs would go up by £59,811 (3%) over the course of 2022/23, compared to the current scheme retained into next year.

Objective: To reduce unnecessary administrative costs caused by excessive rebilling, particularly for households who receive Universal Credit

All three models simplify the assessment of CTS awards, as only earned income and the number of children in a household are taken into account when placing a household in an income band. Re-assessments will also be reduced, as eligibility will only change if a household's earnings fluctuate between income bands or if they have a child. All of this is likely to result in some administrative savings. Model 2 may have slightly less administrative savings because disability will also still be taken into account.

Objective: To make CTS and billing more straightforward for households to understand

As all three models only take into account earned income and the number of children in a household, this should also be easier for a household to understand. Each model would also mean changes in earnings would only have an impact on an award if they were sufficiently large, again giving greater clarity about their award to most working households, with fewer changes form month to month as earnings fluctuate. Model 2 may be slightly more complicated by the addition of protected/vulnerable groups, but nonetheless should still be easier to understand than the current scheme.

Objective: To simplify nondependent deductions

The application of flat rate nondependent deduction rules should make these simpler to understand. Applicants will only need to know how many non-dependents they have in their household, and if those non-dependents are in work, in order to understand deductions.

Contact

This report was produced by Policy in Practice for Surrey Heath Borough Council.

Policy and data analysis:
Duncan Hatfield, Senior Policy and Data Analyst
duncan@policyinpractice.co.uk

Policy in Practice believes the welfare system can work better.

We were founded to help people towards financial independence. We're a policy led software and analytics business and we've built three core services to make the welfare system simple to navigate and understand.

Our award winning Benefit and Budgeting calculator is used by over 10,000 people every day. Our analytics services are used to design local support schemes and show the combined impact of different policies on individual households. Our LIFT Dashboard finds trends and relationships in data sets to uncover and visualise the drivers of poverty. We use our policy expertise to drive change via publications, media coverage and blog posts.

www.policyinpractice.co.uk

Surrey Heath Borough Council
Executive
15 February 2022

Building Control
Proposed Shared Working Arrangement

Portfolio Holder:	Cllr Adrian Page – Planning and People
Strategic Director/Head of Planning	Bob Watson / Gavin Chinniah
Report Author:	Samantha Hallam – Building Control Manager
Key Decision:	
Wards Affected:	Whole Borough

---

1. Summary and purpose

1.1 The Council is committed to exploring opportunities for greater collaboration with neighbouring Councils to help build greater service resilience and deliver longer-term efficiencies. The Council is building on a strong track record of positive shared working arrangements including those in place for Family Support, Refuse Collection, Recycling and Street cleaning, Parking Enforcement, and Community Services such as Community Transport and Meals Services. Surrey Heath Borough Council has been in discussion with Runnymede Borough Council to establish a shared working arrangement for the Building Control functions.

1.2 As the Building Control manager role in Runnymede is due to become vacant, the first stage of the process would involve creating an overall Building Control manager who will manage the proposed shared service across the two Councils.

1.3 It is proposed that the existing Surrey Heath's Building Control manager will take up this role on a full-time basis.

1.4 Runnymede Borough Council will contribute 50% of the costs of the Building Control Manager to Surrey Heath

1.5 In order to support the shared working arrangement it is proposed that within Surrey Heath's existing Building Control structure a post is elevated to a Principal level and the recruitment of an additional surveyor is undertaken. This will mirror the structure within Runnymede Borough Council.(see annex 1)

1.6 The additional cost identified in this report under section 7 to support the new structure will be match funded by the contributions from Runnymede and Surrey Heath Borough Council revenue stream. Furthermore, it is anticipated that the proposed joint service would increase the market share, building in further stability which would enhance the overall building control service within the two Boroughs going forwards. Finally it is anticipated that Surrey Heath would be able to increase the Council's revenue stream by increasing the pricing structure for any future building control services which would allow the Council to employ a further surveyor within the team, which in turn would be build in resilience and stability in the team going forwards. This would result in the increase in structure but being cost neutral to the Council due to the increase in fees for future Building Control work. Further details of this can be found under Section 7 of this report.

1.7 The intended start date for this working arrangement would be the 1st April 2022 and will be reviewed over the next 12 months, which would establish the shared service between Surrey Heath and Runneymede Borough Council's.

1.8 A further update will be required to executive regarding the long-term operations of the joint service. This paper is to consider the start of the process, together with setting up the proposed structure for the shared service.

2. Recommendation

2.1 The Executive is advised to RESOLVE that the new shared management service with Runnymede Borough Council is implemented and new structure for Surrey Heath Borough Council is agreed.

3. Background and Supporting Information

3.1 In 2020 the Council worked with boroughs and districts across Surrey and KPMG to explore opportunities for closer working and collaboration across different Councils. This work has continued during the current year, and the next opportunity to arise relates to Building Control. This builds on a positive track record of joint working between Surrey Heath and Runnymede that has been established over many years. The Building Control service, despite being a statutory service, is in a unique position, in that it has to compete with the private sector to win and retain business.

3.2 As a consequence of this position, customer satisfaction is not only good practice, as it should be with all services, it is paramount for the competitive success of our business. If we deliver a poor service our residents, agents and builders have the choice to go elsewhere.

3.3 The service is budgeted to bring in fee earning income. However, the value of the service should also be appraised in terms of its Social Return of Investment (SROI), not just the cost of the service. Building Control not only generates income to help fund the service but provides a wider social, economic and environmental benefit for stakeholders and the Borough.

3.4 During construction projects, Building Control intervene to provide the correct guidance, advice and steps to ensure compliance with Building Regulations. A study commissioned by the Local Authority Building Control (LABC) has been able to provide an estimated SROI on these interventions. Based on their findings it is estimated that Surrey Heath Building Control has on average prevented:

i. Structural damage costs in the region of £556,507.16 to the UK economy and
ii. Fire damaged costs in the region of £11,585,113.15 to the UK economy

3.5 Following the Grenfell Tower disaster and resulting report from Dame Judith Hackett, the upcoming Building Safety Act will overhaul the Building Control function.

3.6 All Building Control professionals will have to become licenced as individuals to practice. This will involve competence validation on an ongoing bases resulting in more time pressures on the surveyors

3.7 The choice currently afforded to applicants to choose their Building Control body will be removed for certain buildings. These are currently high rise residential buildings (18m and over), but it is believed that this scope will expand to include hospitals, all flats, care homes and other high risk buildings. This will be the case in Wales.

3.8 A new Building Safety Regulator, an arm of the Health and Safety Executive (HSE), has been formed and they will choose which Building Control body will be awarded the application. LABC have been informed that the preferred Building Control body will be Local Authority.

3.9 These in scope buildings can only be inspected by level 6 surveyors and if a Council does not have appropriately qualified Surveyors the next neighbouring council will be called upon.

3.10 These changes will bring about an increase in work load to local authorities and expend more of the surveyor’s time as these projects will be of a complex nature and require dedicated supervision.

3.11 The industry is predicting a 20% increase in workload in the coming years

3.12 Therefore, the increase in structure will provide support to the Building Control team at Surrey Heath Borough Council to ensure the valuable work it performs is sustainable

4. Reasons for Recommendation

4.1 The exploration of shared services has been identified as a priority for this Council following the report published by KPMG in January 2021. This shared working arrangement is step 1 on the consideration to a fully shared service / partnership.

4.2 Once underway further work can start to investigate the feasibility of developing this arrangement into a partnership.

4.3 The new proposed structure will provide the opportunity to build much needed resilience within the Surrey Heath Building Control service. It will relieve any undue burden on the team to cover additional work and duties. Thereby retaining the current staff within the team

4.4 With the increase in structure, staff will feel supported and energised to continue to the provide the current excellent service. Further details of how this will be funded are detailed in Section 7. The risks of not implementing this structure is detailed in Section 14.

4.5 This working arrangement will support existing staff to explore new challenges and progress their career within Surrey Heath

4.6 It will enable our ability to embrace new opportunities to increase income.

i. With additional resource the team will have the confidence to secure new avenues of income generation. Such as Partnership working with Agents outside of the Borough. Surrey Heath Borough Council are able to offer a service where they can check and process all Building Control applications from an Agent, regardless of where the work is being undertaken. For this service a fee is charged based on the type of work.

ii. Increase market share. An additional surveyor to the service will also allow the fostering of good working relationships with residents, agents and builders thereby increasing our local market share. It is foreseen that an increase of market share to 75% could be achieved.

iii. Section 14.3 provides further detail on the projected additional income levels

4.7 All statutory timescales will continue to be met.

4.8 Surrey Heath currently has 2 level 6 surveyors and Runnymede has 3. The shared working arrangement will enable further resilience across borders when demand for level 6 work increases.

4.9 Once the joint service is up and running, there will need to be further detailed discussions regarding the ongoing management of the joint service, which will include ICT and the Human Resources function. This will require further work to be undertaken and as a result of this a further update will be provided to Executive in due course.

5. Proposal and Alternative Options

5.1 The available options for the Executive to consider are:

i. To approve the new shared management service with Runneymede Borough Council and new structure as set out in this report and annex 1

ii. To not approve the new shared management service with Runneymede Borough Council and new structure as set out in this report and annex 1

6. Contribution to the Council's Five Year Strategy

6.1 Proceeding with the shared working arrangement and new structure will help to deliver on our aspirations to the:

i. **Environment** – By ensuring a qualified and resilient building control service is in place, compliance to the energy efficient targets underpinned in the Building Regulations will be met.

ii. **Health & Quality of Life** – An effective Building Control service is essential in ensuring safe and quality homes are constructed and designs are sustainable for future generations.

iii. **Economy** – Further capacity within the Building Control service will enable further engagement with Agents and clients thereby, promoting new work to the Borough

iv. **Effective & Responsive Council** – Surrey Heath's Building Control service is highly regarded by our Agents, Builders and Residents. The team has built trust in the service. This high level of service is currently mirrored by Runnymede's Building Control service. The additional capacity and resilience will enable these high levels of service to continue.

7. Resource Implications

7.1 The elevation of the Manager, Principal and an additional surveyor will increase the existing budget in the region of £95,000

7.2 The increase in the budget will be match funding from:

i. Contributions from Runnymede; forecasted at £55,000

ii. Increase of fees by 5% per year which will generate approximately an additional £55,000 to achieve cost neutral over the 3 year accounts

- The forecasted increase in fees are benched marked, and will be in line with other Council's in Surrey and in line with expected inflationary rates.

7.3 Due to the increase in charges, which would generate further income to the Council as a whole, which would allow the Council to enlarge the current structure, mirroring the proposed structure by Runnymede Borough Council. Furthermore, building in further resilience as a whole. It should be noted that the proposed increase in fees would allow any growth and expansion of the team to be cost neutral to the Council budgets, meaning that no further expenditure would be required from the Councils resources, which will be a further benefit from the proposed joint service with Runneymede Borough Council.

7.4 In summary, given the figures detailed in 7.2 above, the overall costs will be covered by the increase in income and Runnymede Borough Council's contributions. Therefore, there would be no further cost to Surrey Heath Borough Council.

8. Section 151 Officer Comments

8.1 The Council's building control service will need to expand to cover the increased workload emanating for the new government legislation. This would normally create a pressure on the service budgets, but it is anticipated that this can be contained by utilising the contribution from Runnymede Borough Council for the sashed manager post and increased income from chargeable service provided to the public. Building Control Services must operate within a balanced budget ringfence. Income and expenditure budgets will be uplifted accordingly with no impact on the Council's balanced budget.

9. Legal and Governance Issues

9.1 No matters arising.

10. Monitoring Officer Comments

10.1 Section 113 of the Local Government Act 1972 permits the Council to provide Council Officers to Runnymede Borough Council for the purposes of discharging the functions of the latter. A service level agreement would need to be agreed with Runnymede Borough Council.

11. Other Considerations and Impacts

11.1 No matters arising.

12. Environment and Climate Change

12.1 No matters arising

13. Equalities and Human Rights

13.1 No matters arising

14. Risk Management

14.1 Risk of not proceeding

i. Loss of reputation and business

Reports from within the Local Authority Building Control network exposes the impact of under resourced and failing Local Authority Building Control teams on neighbouring Authorities.

Where a Local Authority cannot provide an effective and responsive Building Control service builders, agents and residents will choose to use a private Building Control firm

The resultant impact of this is that builders and agents bring those private Building Control firms with them to use on work in neighbouring authorities.

This subsequently has a negative impact on the market share in those neighbouring authorities as the private Building Control firms take hold.

Without this shared service Runnymede will be under resourced and, as detailed above, cause harm to their business and reputation, which in turn could have a detrimental impact to Surrey Heath Building Control's business. It should be noted that both Borough's have a high proportion of the market share (75% plus)

This proposal will assist to shore up and maintain business at Runnymede Borough Council and Surrey Heath Borough Council and the additional resource will allow for further growth in revenue.

In addition, if this proposal is not supported this could damage existing and future working relationships with Runnymede Borough Council.

ii. Loss of opportunity to develop into a full partnership.

Upon inception it is proposed that works will begin to ascertain the viability to expand this working arrangement into a full partnership. Step 2

It is envisaged that this would be hosted wholly by Surrey Heath.

This could attract savings for Surrey Heath regarding the cost of the service due to further recharges to Runnymede.

Any further work will draw on existing frameworks in place between Surrey Heath and Runnymede

iii. Loss of opportunity to develop beyond two Authorities

If the implementation of Step 2 is a success then there may be opportunities to expand the Partnership further.

Do to the age demographic within neighbouring Building Control teams, the next 2-3 years will see further retirement of their Managers. Leaving teams without leadership.

With an established Partnership, Surrey Heath Borough Council would be in a strong position to offer our services to those Councils

This, in turn, will generate more cost savings for Surrey Heath and greater scope to expand revenue streams, create resilience and ensure capacity is in place to ensure we have fully competent and qualified Building Control teams.

14.2 Risk of proceeding

i. It is proposed that this working arrangement will be reviewed over the coming 12 months, which will limit any risk to the Council.
ii. The changes in the responsibilities of Surrey Heath's Building Control Manager and 1 Surveyor to Principal will be undertaken on a trial 12 month basis.
iii. Therefore, if the shared working arrangement were to cease, these posts would revert to their existing responsibilities and grades

14.3 Risk of recruiting additional resources if the shared arrangement ended.

i. The cost of the additional Building Control surveyor proposed in the new structure could be entirely met by Surrey Heath Building Control service.
ii. The cost of an additional surveyor is in the region of £73,000.
iii. With this additional resource is it predicted that an increase in market share to 75% could be achieved. This would on average provide additional income of £30,000
iv. Further income streams through Partnership working with Agents would bring in additional income of £51,000

14.4 Risk to the shared working arrangement of not recruiting an additional Surveyor

i. Without the support an additional Surveyor will bring it is not envisaged that the shared working arrangement could proceed.
ii. A proportion of Surrey Heath's Building Control Manager's current workload would need to be delegated to a Principal surveyor who subsequently would need to disseminate some of their day to day work to the remaining surveyors.
iii. Without this resource the workload would be unsustainable.

14.5 Risk to Surrey Heath's Building Control Service of not recruiting an additional Surveyor

i. The additional workload that would have to be picked up by the remaining staff which is not sustainable. This added workload and pressure on the remaining staff will create an unbalanced work/life and lead to job dissatisfaction. The demand in the market place for qualified Building Control professionals is very high so staff will leave to go elsewhere to a fully resourced Authority or Private sector.
ii. The result of which would mean Surrey Heath will no longer have a viable Building Control department to provide their statutory service
iii. A benchmarking exercise has been undertaken and it is believed that the package that Surrey Heath offers would be very competitive in the market place, and therefore, confident a suitably qualified member of staff could be attracted.

14.6 To summarise, there is a positive business case for providing a shared service and an additional surveyor.

14.7 It will provide stability to both Borough Councils to continue to deliver an effective and responsive service to residents and prevent to loss of work to private Building Control firms.

15. Community Engagement

15.1 No matters arising

16. Annexes

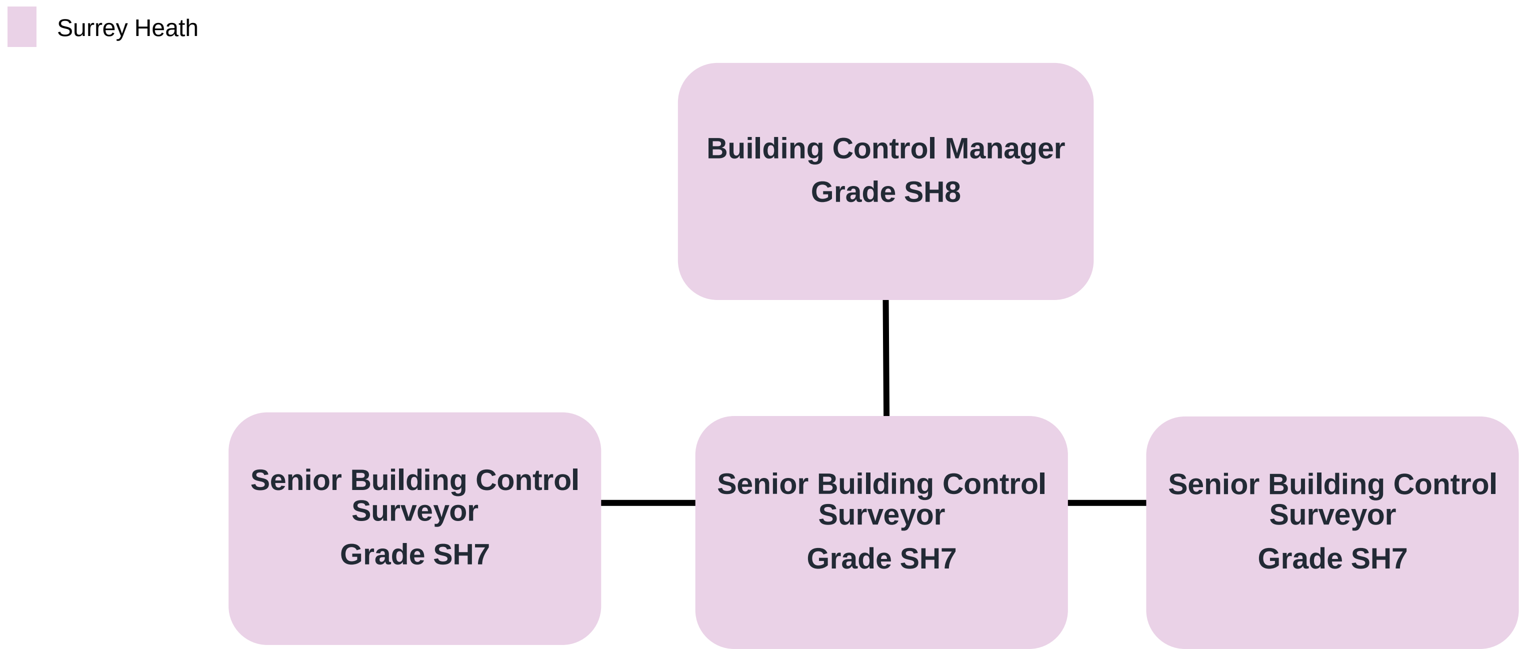
16.1 Annex 1 – Existing and Proposed Building Control Structure

17. Background Papers

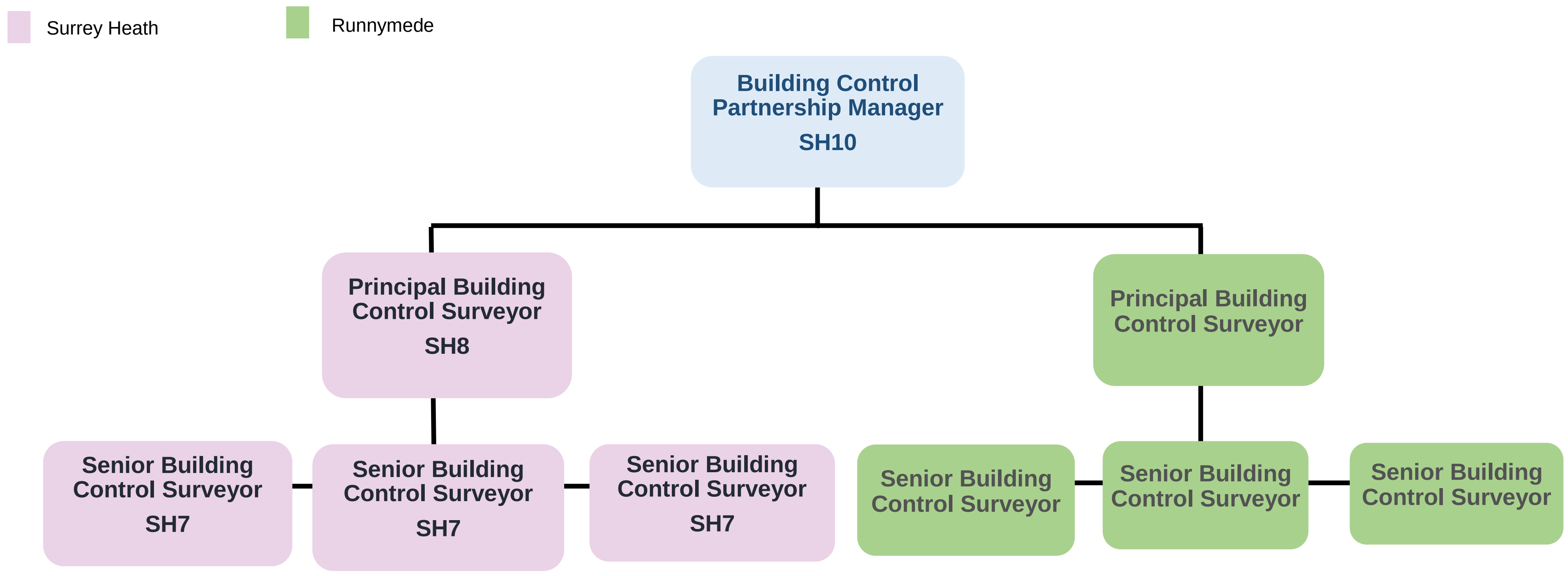
17.1 None.

Annex 1

1.1 Existing Structure



1.2 Proposed Structure



Surrey Heath Borough Council

Executive

15 February 2022

Response to Surrey Minerals & Waste Local Plan Surrey County Council Regulation 18 Consultation

Portfolio Holder:	Cllr Adrian Page – Planning and People
Strategic Director/Head of Service	Gavin Chinniah – Head of Planning
Report Author:	Daniel Nunn – Senior Planning Officer (Policy)
Key Decision:	No
Wards Affected:	Whole Borough

---

1. Summary and purpose

1.1 The Minerals and Waste Planning Authority (MWPA), Surrey County Council (SCC), are preparing a new Minerals and Waste Local Plan (MWLP) for Surrey.

1.2 Once adopted, the MWLP would replace the existing Surrey Minerals Plan (2011) (and the associated development plan documents and guidance) and the Surrey Waste Local Plan (2019). The plan would also be a material consideration for Surrey Heath in the preparation of the local development plan and making planning decisions.

1.3 The draft MWLP is currently at the Regulation 18 'Issues and Options' consultation stage. The consultation plan sets out various issues and challenges that face future minerals and waste-management development in the County, alongside various options for planning policy approaches to address those issues and challenges.

1.4 The draft MWLP does not identify or otherwise allocate any land or area within the County for future minerals and waste-management development.

1.5 The Issues and Options public consultation is open for a period of 16 weeks from 15 November 2021 to 7 March 2022. Consultation documents are available to view online[1].

1.6 This report sets out the proposed response to the Regulation 18 'Issues and Options' consultation on the Surrey Minerals & Waste Local Plan.

---

[1] Available online at: https://www.surreycc.gov.uk/land-planning-and-development/minerals-and-waste/local-plan.

1.7 Broadly, the consultation plan is concerned with establishing the appropriate level of detail with which to address each policy area. Generally, the response recommends that the MWLP would benefit from greater detail in the draft planning policies, providing more certainty for developers and better outcomes for residents.

2. Recommendation

2.1 The Executive is advised to RESOLVE that the response set out in Annex 1 to this report is agreed and to be submitted as the Council's formal response to the Regulation 18 'Issues and Options' consultation on the Surrey Minerals & Waste Local Plan.

3. Background and Supporting Information

3.1 The MWLP will replace the existing Surrey Minerals Plan 2011 (and associated development plan documents and guidance) and the Surrey Waste Local Plan 2019.

3.2 As the plan progresses toward adoption, it will gain weight as a material consideration for the preparation of our local development plan and the making of planning decisions in our borough. The MWLP Issues and Options consultation is the first formal stage of engagement in the plan-making process.

3.3 The consultation and associated documents are available to view online at: www.surreycc.gov.uk/land-planning-and-development/minerals-and-waste/local-plan.

3.4 Hard copies of the documents are available to view at various libraries throughout the county, including at Frimley Green library within the borough.

4. Reasons for Recommendation

4.1 Surrey Heath Borough Council has been invited to respond to the Regulation 18 'Issues and Options' consultation for the emerging Surrey Minerals and Waste Local Plan.

4.2 Once adopted, the plan would be a material consideration in the preparation of our emerging local development plan and in making planning decisions related to minerals and waste-management development in our borough.

4.3 In accordance with the Council's Five Year Strategy, the Council is committed to:

i. working with our local government partners to tackle the causes and impacts of Climate Change;

ii. promoting the unique identity of our borough and its places, working with partners to improve to the borough's infrastructure including transport infrastructure; and
iii. working with other Local Authorities to advocate on behalf of our community on issues outside of our direct control.

4.4 Positive engagement with the development of the emerging MWLP could help to improve the effectiveness of the policies contained in the plan. Concise, effective planning policies could help to deliver more beneficial results for our local communities in the determination of relevant minerals and waste-management planning applications. The Council's proposed response to the consultation seeks to promote the clarity and effectiveness of the proposed planning policy options.

4.5 The consultation includes a total of 84 technical questions, in addition to a number of non-technical questions. The proposed response does not consider the non-technical questions. Commentary is provided where the Council believes that a response could be beneficial for the improvement of the draft MWLP.

4.6 Broadly the draft MWLP consultation is concerned with establishing an appropriate level of detail to provide in drafting planning policies for each policy area. In achieving this, the draft MWLP sets out, typically, two to four potential options for addressing each of the policy areas, which ascend in terms of providing greater detail.

4.7 Typically, the first option provided comprises relying on either an existing approach or on national guidance for the determination of planning applications. Further options then set out; a single-policy approach which would provide over-arching, strategic policy that would rely on the relevant district or borough policies for detail, and a more detailed multiple policy approach which provides detailed policy for the specific issues that may arise in the consideration of a planning application.

4.8 Generally, the proposed response to the consultation recommends that the draft MWLP would benefit from the provision of greater detail in the draft planning policies that are brought forward. Broadly, the response sets out that the provision of greater detail in the MWLP policies would generate greater certainty for developers and better outcomes for our residents.

4.9 However, the response recognises that in some policy areas, the provision of greater detail could prove unnecessary. For example, in the consideration of 'Land and Soils', as contamination is already covered in detail by legislation and a majority of the district and boroughs within Surrey provide further guidance in any event.

5. Proposal and Alternative Options

5.1 The available options for the Executive to consider are:

i. to approve the submission of the proposed response to the Regulation 18 'Issues and Options' consultation as set out in Annex 1 of this report; or
ii. to approve the submission of the proposed response to the Regulation 18 'Issues and Options' consultation as set out in Annex 1 of this report in addition to any further comments the Executive wishes to include within the response; or
iii. to not agree the submission of the proposed response to the Regulation 18 'Issues and Options' consultation as set out in Annex 1 of this report.

6. Contribution to the Council's Five Year Strategy

6.1 Engaging with the development of the Surrey Minerals & Waste Local Plan could help to deliver on our ambition to:

i. **Environment** - enhance and improve access to the borough's cherished green spaces and natural environments for the enjoyment of generations to come, balancing our commitments to housing delivery and economic growth.
ii. **Environment** – tackle Climate Change, working with communities and partners.
iii. **Health & Quality of Life –** provide of infrastructure that would support our ambition to ensure everyone can access a safe, quality home to meet their needs.
iv. **Economy** – invest in our towns, villages and communities, supporting our existing businesses and attracting new ones.
v. **Economy** – work with partners to improve to the borough's infrastructure.
vi. **Effective & Responsive Council** – advocate on behalf of our community on issues outside our direct control.

7. Resource Implications

7.1 No matters arising.

8. Section 151 Officer Comments

8.1 There are no additional budgetary implications of this report outside of existing budgets.

9. Legal and Governance Issues

9.1 Regulation 18 of the Town and Country Planning (Local Planning) Regulations 2012 requires that various bodies and stakeholders be notified that Surrey County Council is preparing a Minerals and Waste Local Plan. It invites them to comment about what that plan ought to contain.

10. Monitoring Officer Comments

10.1 No matters arising.

11. Other Considerations and Impacts

11.1 No matters arising.

12. Environment and Climate Change

12.1 The Regulation 18 Consultation considers the implications of minerals and waste management development with regard to the environment in terms of potential impacts on climate; air quality; nature; and movement and access. The consultation plan sets out a range of planning policy options that seek to address these potential impacts in each relevant policy area. The consultation plan does not identify preferred options at this stage.

12.2 Surrey County Council's in-house environmental assessment service has prepared a Strategic Environmental Assessment ('SEA') and Sustainability Appraisal ('SA') Scoping Report to support the Issues and Options public consultation.

12.3 The scoping report explains how the likely significant environmental, economic and community impacts of the Plan will be identified, and how that information will be fed into the plan making process. The scoping report is prepared in response to the requirements set out in Regulations 12(5) and 12(6) of the Environmental Assessment of Plans & Programmes Regulations 2004 (Statutory Instrument 2004 No.1633) (as amended).

12.4 The Surrey Minerals & Waste Local Plan will also be subject to Habitat Regulations Assessment (HRA), as required by the Conservation of Habitats & Species Regulations 2017 (as amended). HRA protects sites designated or proposed for designation as Special Areas of Conservation (SACs) or Special Protection Areas (SPAs). The findings and conclusions of the HRA will be reflected in the full SEA and SA as the plan progresses through the stages of its development.

13. Equalities and Human Rights

13.1 Surrey County Council have published an Equalities Impact Assessment (EIA) in support of the consultation plan[2]. The EIA does not identify any potential for discrimination or negative impact, and all opportunities to promote equality have been undertaken.

14. Risk Management

14.1 No matters arising.

---

2 Available online at: https://res.cloudinary.com/commonplace-digital-limited/image/upload/v1636734140/projects/smwlp/Equality_Impact_Assessment.pdf.

15. Community Engagement

15.1 The Regulation 18 Issues and Options consultation is open to members of the public and community groups throughout the County.

16. Annexes

16.1 Annex 1 – Proposed Response to the Surrey Minerals & Waste Local Plan Regulation 18 Consultation

17. Background Papers

17.1 None.

Surrey Heath Borough Council
Surrey Heath House
Knoll Road
Camberley
Surrey GU15 3HD
01276 707100
DX: 32722 Camberley
www.surreyheath.gov.uk

Service: Chief Executive
Our Ref:
Your Ref:
Direct Tel:
Email:

Planning and Development Service
Room 385 County Hall,
Penrhyn Road
Kingston upon Thames
KT1 2DW

15th February 2022

Dear Sir/Madam,

Surrey Heath Borough Council's response to the Surrey Minerals & Waste Local Plan Regulation 18 Consultation

Thank you for the opportunity to comment on the Surrey Minerals & Waste Local Plan Regulation 18 consultation.

Please accept this letter as Surrey Heath Borough Council's formal response to the consultation, agreed by Executive on 15th February 2022. Our response follows the format of the Regulation 18 consultation documents. Each question has been considered and only those where the Council wishes to provide specific commentary are included in the response.

Where the response does not provide commentary in relation to a consultation question, please assume that the Council does not wish to provide detailed comment to the question at this stage. Please note that our response does not provide commentary on the non-technical questions.

Surrey Heath Borough Council wishes to be notified of the outcome of the consultation and to be kept informed about future consultations relevant to the development of the Surrey Minerals and Waste Local Plan.

Having considered the Regulation 18 draft plan, the Council has the following comments to make:

1. Proposed Vision and Strategic Objectives

Q1.
Do you support or otherwise agree with the vision proposed for the MWLP?
If not, what would you like to see included or excluded?

1.1. Surrey Heath Borough Council is supportive of the vision proposed for the Surrey Minerals and Waste Local Plan.

1.2. The proposed vision for Surrey County broadly aligns with the Council's corporate priorities for Surrey Heath borough, as set out in the Council's Five-Year Strategy[1]. The Council is supportive of the proposed vision's commitment to the sustainable development of minerals and waste management facilities to support our borough's residents and businesses, whilst seeking to ensure that any development mitigates potential environmental impacts, promotes biodiversity net gain, and is resilient to climate change.

Q2.
Do you support or otherwise agree with the strategic objectives proposed for the MWLP?
If not, what would you like to see included or excluded?

1.3. Surrey Heath Borough Council is supportive of the 13 proposed strategic objectives for the Surrey Minerals and Waste Local Plan.

1.4. We are committed to working with our partners to undertake local action to tackle climate change, preserving and enhancing the natural environment, whilst balancing our commitments to housing delivery and economic growth. Insofar as these commitments must be balanced, the inclusion of all 13 strategic objectives is recommended for the MWLP, in order to provide an holistic approach to minerals and waste development in Surrey.

1.5. However, the Council notes that there is scope for further ambition and detail to be added to the strategic objectives throughout the development of the plan as progress is made toward adoption. Particular consideration should be given to the introduction of text to reaffirm Surrey County's commitments to carbon-neutrality, as set out in County Council's Climate Change Strategy 2020, within the context of the MWLP.

[1] Available online at: https://surreyheath.gov.uk/council/about-council/five-year-strategy.

2. Spatial Strategy

Spatial Strategy Options for Minerals Development

1. **Option One:** Provide for future minerals needs for key mineral resources (i.e. primary aggregate, silica sand and brick clay) solely through the development of extensions to the quarries / minerals sites already present in the County.
2. **Option Two:** Provide for future minerals needs through the identification and allocation of small numbers of new quarries / minerals sites in locations with good accessibility and away from sensitive landscapes, habitats, and communities. Any new strategic sites will be identified in the MWLP.
3. **Option Three:** Combine elements of options one and two to ensure that the County is able to comply with national requirements for landbanks in respect of primary aggregate, silica sand and brick clay.

Q1.

Which one of the three options do you think should be the approach taken for the MWLP?

Whv?

2.1. The MWLP does not at this stage express an identified need for minerals development over the proposed plan period. Therefore, it is not possible to determine whether the implementation of either Option 1 or Option 2 in isolation would provide for sufficient minerals development throughout the plan period.

2.2. Given the MWLP's strategic objectives, Option 1 could reasonably be considered preferable, where existing minerals facilities can be appropriately expanded or intensified. However, given the spatial distribution of existing minerals sites, in combination with the geological conditions of the borough, it remains to be determined whether the implementation of Option 1 alone would be sufficient.

2.3. Consideration should therefore be given to the introduction of a strategic policy that sets out a spatial hierarchy of preference for the direction of minerals development. Such a policy could seek to maximise the implementation of one option as far as reasonably practicable, before then relying on another approach, to provide sufficient minerals development to meet any identified need or requirement. This could be introduced alongside any specific site allocations.

Q2.

Are there any other issues or policy options that you would suggest for consideration?

Please provide detail.

2.4. No further comment.

Waste Management Development

1. **Option One:** Maximise the capacity of existing waste management facilities in the County (including expansion where practicable and appropriate) to meet the need of any necessary additional capacity.
2. **Option Two:** Seek to provide any necessary additional capacity in a small number of new strategic facilities accommodating a range of waste management approaches within or close to the main centres of population where high levels of growth are anticipated and there is good access to the strategic/primary road network. Any new strategic sites will be identified in the MWLP.
3. **Option Three:** Seek to provide any necessary additional capacity in a large number of new non-strategic facilities dispersed across the County with particular focus on areas likely to experience the most rapid pace of growth and development over the MWLP period. Non-strategic sites would not be identified in the MWLP.
4. **Option Four:** Combine elements of options one, two and three and use strategic allocations to address only the most significant capacity gaps expected to arise over the lifetime of the MWLP.

Q3.

Which one of the four options do you think should be the approach taken for the MWLP?

Why?

2.5. The Council notes that the Waste Capacity Needs Assessment (WCNA) (2019) forecasts a capacity gap in Surrey to 2035. However, the MWLP does not identify, at this stage, whether the implementation of a single identified strategy would provide for sufficient waste-management development throughout the plan period.

2.6. Therefore, it is not possible to determine whether the implementation of Option 1, Option 2 or Option 3 in isolation would provide for sufficient minerals development throughout the plan period. Given the MWLP's strategic objectives, Option 1 could reasonably be considered preferable, where existing minerals facilities can be appropriately expanded or intensified, though it remains to be determined whether the implementation of Option 1 alone would be sufficient.

2.7. Consideration should therefore be given to the introduction of a strategic policy that sets out a spatial hierarchy of preference for the direction of waste-management development. Such a policy could seek to maximise the implementation of one option as far as reasonably practicable, before then relying on another approach, to provide sufficient minerals development to meet any identified need or requirement. The options do not appear to be mutually exclusive. This This could be introduced alongside any specific site allocations.

3. Protecting the Green Belt, Environment and Communities

Green Belt

1. **Option One:** Maintain the established policy approach. With one policy that provides guidance to all forms of waste management development, and a second that addresses the question of minerals extraction and other forms of minerals development in the Green Belt.
2. **Option Two:** Update the existing policy approach to reflect guidance on 'inappropriateness'. Include one policy providing guidance for 'inappropriate development' including waste management development and non-extractive minerals related development, and a second policy covering mineral extraction including surface mineral workings and hydrocarbon development (exploration, appraisal, and extraction).

Q1.
Which one of two options do you think should be the approach taken for the MWLP?
Whv?

3.1. Of the available options, Option 2 represents the Council's preferred approach. Option 2 would provide for the guidance to be updated to reflect the guidance on 'inappropriateness', and allow for an appropriate level of guidance to specifically address mineral extraction including surface mineral workings and hydrocarbon development (exploration, appraisal, and extraction).

Q2.
Are there any other policy approaches that should be considered with reference to the management of impacts on the Green Belt?

3.2. No comment.

Restoration

1. **Option One:** All site restoration or enhancement schemes deliver at least 10% biodiversity net gain (on-site or through off-setting contributions as appropriate). Such an approach is likely to deliver some improvement at the site level over the situation that pertained prior to mineral working / other development but would be unlikely to support broader biodiversity benefits for the host area.
2. **Option Two:** All quarry restoration schemes deliver at least 20% biodiversity net gain; and all other site restoration or enhancement schemes deliver at least 10% biodiversity net gain (on-site or through off-setting contributions as appropriate). Such an approach is likely to deliver definite improvement at the site level for quarries over the situation that pertained prior to mineral working but would have a limited ability to support broader biodiversity benefits for the host area. For non-quarry development the approach would deliver some improvement at the site level over the situation that pertained prior to mineral working / other development but would be unlikely to support broader biodiversity benefits for the host area.
3. **Option Three:** All quarry restoration schemes deliver 20% biodiversity net gain over the site baseline and a further net gain of at least 10% to create additional headroom within the host area; and all other site restoration or enhancement schemes deliver at least 10% biodiversity net gain (on-site or through off-setting contributions as appropriate). Such an approach is likely to deliver definite improvement at the site level over the situation that pertained prior to mineral working and would support broader biodiversity benefits for the host area (particularly if the minimum 10% uplift were substantially exceeded).

Q3.
Which one of the four options do you think should be the approach taken for the MWLP?
Whv?

3.3. In March 2019, the government confirmed that biodiversity net gains are set to be required for all development proposals. Additionally, the NPPF (2021) makes it clear that planning policies should contribute to and enhance the natural environment by minimising impacts on and providing net gains for biodiversity. The NPPF also states that planning policies should identify and pursue opportunities for securing *measurable* net gains for biodiversity.

3.4. Notably, the Surrey Nature Partnership recommends that Surrey's local planning authorities adopt a policy for a minimum 20% increase in biodiversity units for all planning applications. The Council agrees with the conclusions of the Surrey Nature Partnership and contends that a minimum of 20% increase in biodiversity should be the target for all planning applications. Therefore the council does not support any of the proposed options as currently formulated.

3.5. The Council notes that development provides opportunities to encourage biodiversity through appropriate design, including site restoration and/or enhancement schemes. The Council is supportive of an approach that requires a minimum of 20% in biodiversity as the target for all planning applications, including for all site restoration and/or enhancement schemes.

3.6. Given the scale of biodiversity loss in Surrey, the Council is supportive of an ambitious approach to biodiversity net gain. Therefore, the Council supports the implementation of Option 3 but note that the objective should be amended to ensure that "*all other site restoration or enhancement schemes deliver at least **20%** biodiversity net gain (on-site or through off-setting contributions as appropriate)*."

3.7. Additionally, it should be made clear within any detailed policy that biodiversity net gain should be additional to any habitat creation required to mitigate or compensate for impacts of new development and should be delivered even if there are no losses through development. Biodiversity net gain should not be applied to irreplaceable habitats and should be dealt with separately to any mitigation and/or compensation requirements for European sites

Site Restoration and Enhancement

1. **Option One:** Retain the SMP approach to the form, content, and structure of the restoration policies for quarry sites. Retain the approach currently set out in the SWLP with respect to restoration and enhancement of waste management facilities. There would be no clear policy approach with respect to minerals development that does not involve quarrying operations.
2. **Option Two:** Adopt a policy approach based on the type of land-use. The first policy would focus on quarry restoration with sub-clauses that set out the MWPAs requirements with respect to the restoration of quarry sites and associated temporary infrastructure. The second policy would deal with the restoration / enhancement of minerals or waste management development not subject to quarrying operations, with a structure like that proposed for quarrying operations.

3. **Option Three:** Adopt a policy approach based on landform and biodiversity net gain. The first policy would focus on the question of the landform to be achieved by the restoration of land affected by quarrying operations. The second policy would focus on the delivery of biodiversity net gain across all the forms of development covered by the MWLP.

Q7.
Which one of three options above do you think should be the approach taken for the MWLP?
Whv?

3.8. Of the available options, Option 2 represents the Council's preferred approach. However, this depends on the approach that the MWLP takes with regard to the other policy areas in relation to Biodiversity Net Gain. The inclusion of a broad policy on biodiversity net gain across all forms of development covered by the MWLP would be useful, though this is likely to be covered in detail elsewhere.

Climate

1. **Option One:** Maintain the established policy approach. For minerals development, no policies would specifically address greenhouse gas emissions relying instead on National policy guidance and policies in the district and borough local development plans. For waste management development, the approach set out in the SWLP, in terms of measures to support sustainable construction and transport, would be retained.
2. **Option Two:** Broad environmental protection policy approach. Include specific greenhouse gas reduction clauses in a single broad environmental protection policy that covers all forms of minerals and waste management development.
3. **Option Three:** Climate change mitigation policy approach. Introduce a policy that covers (1) the management of greenhouse gas emissions from all types of minerals and waste management development e.g. through integration of renewable energy technology into development design, energy efficiency measures, incorporation of electric vehicle charging points and use of electric or hydrogen powered vehicles; (2) the potential for minerals and waste management development to contribute to carbon management e.g. carbon sequestration in planting and underground carbon capture and storage in suitable geological structures; and (3) the potential for certain types of minerals or waste management development (e.g. natural gas well sites, AD facilities, and landfill sites) to produce hydrogen from natural gas or biogas, subject to such developments being equipped with carbon capture technology.
4. **Option Four:** Development-specific climate change policies approach. Introduce several policies that address the impacts of minerals and waste management development on the causes of climate change and the steps that such developments can take to reduce or eliminate such emissions. One policy would focus on surface mineral working and associated development (e.g. aggregate recycling, and rail aggregate depots), a second policy would focus on hydrocarbon development, a third policy would focus on waste management development, and a fourth policy would address the potential of the minerals and waste management industries to contribute to carbon management (e.g. carbon capture and storage facilities, carbon sequestration, hydrogen production, and energy efficiency measures).

Q9.

Which one of four options above do you think should be the approach taken for the MWLP?

Why?

3.9. Surrey Heath Borough Council is committed to tackling Climate Change, working with our local communities and partners, including Surrey County Council. Local Planning Authorities have an important role in shaping new and existing development in ways that reduce carbon emissions and positively build community resilience to the impacts of climate change. In March 2019, Surrey County Council declared a climate emergency, highlighting the need for proactive action to help tackle both the causes and effects of climate change.

3.10. Therefore, the Council is supportive of an approach that delivers detailed policy guidance to address the impacts of minerals and waste management development on the causes of climate change and the steps that such developments can take to reduce or eliminate relevant emissions. As such, Option 1 does not represent a preferred approach.

3.11. Of the remaining available options, Options 3 and 4 represent the more ambitious approaches. In the Council’s view, Option 3 represents a deliverable, flexible, and concise approach to address the impacts of minerals and waste management development on the causes of climate change. Importantly, any detailed policy should include sufficient flexibility to remain relevant in the fast-changing technological landscape in relation to climate change mitigation. As such, policies that focus on outcomes rather than processes in this area may be more appropriate.

Air Quality

1. **Option One:** Maintain the established policy approach. For minerals development no policies would specifically address the question of impacts on local air quality. The MWLP will instead rely upon National policy guidance and policies in the district and borough local development plans. For waste management development the policy approach set out in the SWLP would be retained.
2. **Option Two:** Broad environmental protection policy approach. Include specific air quality impact management clauses in a single broad environmental protection policy that covers all forms of minerals and waste management development.
3. **Option Three:** Single air quality mitigation policy approach. Introduce a single policy that addresses the impacts of minerals and waste management development on air quality.
4. **Option Four:** Development-specific air quality policies approach. Introduce several policies that address the impacts of minerals and waste management development on air quality, with one policy focusing on surface mineral working and associated development (e.g. aggregate recycling and rail aggregate depots), a second policy focusing on hydrocarbon development, a third focusing on waste management development, and a fourth focussing on traffic related emissions from minerals and waste management development.

Q11.

Which one of the four options above do you think should be the approach taken for the MWLP?

Why?

3.12. Of the available options, Option 3 represents the Council's preferred approach. Option 3 represents the appropriate level guidance, which is deliverable, flexible, and concise, to address the impacts of minerals and waste management development on air quality.

3.13. Potential Air Quality impacts from development represents a technical and variegated area, which would benefit from detailed guidance in an holistic air quality mitigation policy. The implementation of Options 1 and 2 would appear to provide insufficient guidance on this technical area.

3.14. Given the variegated context that the different types of development face in relation to potential air quality impacts, policies that focus on outcomes rather than processes in this area may be more appropriate. Therefore, Option 4 would appear to be less deliverable and an inefficient way to present the requirements concerning potential air quality impacts.

Water

1. **Option One:** Maintain the established policy approach. For the minerals development maintain the established SMP approach of a clause on water quality, water resources and flood risk within a broad environmental protection policy; and maintain the policy approach for the waste management development as set out in the SWLP.
2. **Option Two:** Single water environment protection policy approach. Introduce a single policy that addresses the impacts of minerals and waste management development on water quality, on water resources and on flood risk.
3. **Option Three:** Separate water quality and resources policy and flood risk management policy approach. Introduce two policies both covering the impacts of minerals and waste management development on the water environment, the first focussing on water quality and water resources, and the second on the management of flood risk.

Q13.

Which one of three options above do you think should be the approach taken for the MWLP?

Whv?

3.15. Of the available options, either Option 2 or Option 3 would represent the Council's preferred approach. Options 2 and Option 3 would each represent an appropriate level of guidance, which would be deliverable, flexible, and concise, to address the impacts of minerals and waste management development on water quality, water resources, and flood risk management.

3.16. Potential impacts on water quality and water resources from development represents a technical and variegated area, which would benefit from detailed guidance in an holistic water quality and water resources mitigation and management policy. Consideration of Flood Risk Management may benefit from discussion in an holistic single policy, as the policy requirements and discussion are likely to relate or overlap somewhat.

3.17. However, consideration should be given to setting out requirements relating to flood risk management in a distinct policy should the topic area warrant particular attention in the drafting of the policy. Given the variegated context that the different types of development face in relation to potential water quality, water resource, and flood risk management impacts, policies that focus on outcomes rather than processes in this area may be more appropriate.

3.18. Where appropriate, the Council would defer to the advice of the Environment Agency in this regard.

Land and Soils

1. **Option One:** Maintain the established policy approach. Maintain the established policy approach of having a clause that deals with impacts of minerals and waste management development on land and soil resources set within a broad environmental protection policy.
2. **Option Two:** Single land and soils protection policy approach. Introduce a single policy that addresses the impacts of minerals and waste management development on land and soil resources, including risks of contamination and instability.
3. **Option Three:** Development-specific land and soil protection policies approach. Introduce two policies, one covering the impacts of minerals development on land and soil resources, and the second covering the impacts of waste management development on land and soil resources. In both cases include risks of contamination and instability as relevant to the type of development addressed.

Q15.
Which one of three options above do you think should be the approach taken for the MWLP?
Why?

3.19. Of the available options, Option 2 represents the Council's preferred approach. Option 2 represents an appropriate level of guidance, which would be deliverable, flexible, and concise, to address the impacts of minerals and waste management development on land and soil resources, including risks of contamination and instability.

3.20. Where appropriate, the Council would defer to the advice of the Environment Agency in this regard.

Nature

1. **Option One:** Maintain the established policy approach. With reference made to issues relevant to the protection of the natural environment in several policies covering minerals and waste management development.
2. **Option Two:** Single nature and biodiversity policy approach. Include a single dedicated policy that focuses on the protection of habitats and species, including designated sites and geological conservation interests, and wider ecological networks from the potential adverse impacts of minerals and waste management development, and on the delivery of biodiversity net gain through the restoration of minerals workings, or the design and construction of waste management facilities.
3. **Option Three:** Separate nature protection and biodiversity net gain policies approach. Include two natural environment focussed policies, one covering the protection of habitats and species, including designated sites and geological conservation interests, and wider ecological networks from the potential adverse impacts of minerals and waste management development, and one that focusses on the delivery of biodiversity net gain through the restoration of mineral workings or through the design and construction of waste management facilities.
4. **Option Four:** Single strategic nature protection policy approach. Include a single strategic policy in the MWLP that covers nationally important nature conservation and geological conservation assets, but for detail rely on the biodiversity and geodiversity protection and biodiversity net gain policies set out in district or borough local development plans.

Q17.

Which one of four options above do you think should be the approach taken for the MWLP?

Why?

3.21. Of the available options, Option 3 represents the Council's preferred approach. Option 3 represents the appropriate level of guidance, which would be deliverable, flexible, and concise, to address the potential impacts of minerals and waste management development on both protected habitats and species, and the delivery of biodiversity net gain.

3.22. Biodiversity Net Gain management and the protection and enhancement of protected habitats and species are sufficiently detailed topic areas to warrant guidance to be provided in two distinct policies. Given the detailed policies that many district or borough local development plans have set out, any policy taken forward should take account of the ambition and intent of these policies to ensure that the requirements are consistently ambitious across the County.

3.23. In the research and development of this policy, consideration should be given to the extent of coverage across the County of adopted local development plans that include policies on biodiversity net gain. If it is determined that there is sufficient coverage amongst the district and borough's adopted local development plans, Option 4 may be considered appropriate. Any conclusions made in this assessment should be set out in the discussion accompanying this proposed policy in the next iteration of the MWLP.

Landscape and Townscape

1. **Option One:** Maintain the established policy approach. With reference made to issues relevant to the protection of landscapes and townscapes in several policies covering minerals and waste management development.
2. **Option Two:** Single landscape and townscape policy approach. Include a single dedicated policy that focuses on the protection of landscapes and townscapes from the potential adverse impacts of minerals and waste management development, and on the delivery of enhancement through the restoration of minerals workings or through the design and implementation of waste management facilities.
3. **Option Three:** Single strategic landscape and townscape policy approach. Include a single strategic policy in the MWLP that covers nationally important landscape or townscape assets, but for detail rely on relevant policies set out in the district or borough local development plan.

Q19.
Which one of three options above do you think should be the approach taken for the MWLP?
Why?

3.24. Of the available options, Option 3 represents the Council's preferred approach. Option 3 represents an appropriate level of guidance, which would be deliverable, flexible, and concise, to address the potential impacts of minerals and waste management development on both landscape and townscape, given the likeliness that Surrey's borough and district Councils will benefit from adopted detailed policy guidance.

Heritage

1. **Option One:** Maintain the established policy approach. With reference made to issues relevant to the protection of heritage assets in several policies covering the minerals and waste management development.
2. **Option Two:** Single historic environment policy approach. Include a single dedicated policy that focuses on protecting the historic environment from the potential harm from minerals and waste management development.
3. **Option Three:** Separate policies approach. Include one policy covering the protection of the historic environment from harm from minerals development, and a second policy covering the same for waste management development.
4. **Option Four:** Single strategic landscape and townscape policy approach. Include a single strategic policy in the MWLP that covers nationally important heritage assets, but for detail rely on relevant policies set out in the district or borough local development plan.

Q21.

Which one of four options above do you think should be the approach taken for the MWLP?

Why?

3.25. Of the available options, Option 3 represents the Council's preferred approach. Option 3 represents an appropriate level of guidance, which would be deliverable, flexible, and concise, to address the potential impacts of minerals and waste management development on heritage, given the likeliness that Surrey's borough and district Councils will benefit from adopted detailed policy guidance.

Movement and Access

1. **Option One:** Maintain the established policy approach. With one policy addressing the impacts of minerals development on transport networks and requiring that alternatives to road-based transport be considered, a second policy safeguarding rail aggregate depots, and a third policy covering the impacts of waste management development on transport networks and requiring that alternatives to road-based transport be considered.
2. **Option Two:** Two policy approach. Adopt one policy covering the impacts of minerals and waste management development on transport networks, and a second policy safeguarding rail aggregate depots and promoting rail as an alternative to road-based transport.
3. **Option Three:** Three policy approach. Adopt one policy covering the impacts of minerals and waste management development on transport networks, a second policy safeguarding rail aggregate depots and encouraging the use of rail for the transport of waste, and a third policy covering river-borne transport and the provision of wharves.

Q23.

Which one of three options above do you think should be the approach taken for the MWLP?

Why?

3.26. In the Council's view, Option 3 represents the preferred approach. Option 3 represents the most deliverable and efficient approach to address the impacts of minerals and waste management development on the transport network.

3.27. Given the variegated context that the different types of development face in relation to potential impacts on the transport network, policies that focus on outcomes rather than processes in this area may be more appropriate. In drafting the detailed policies, the County Council should consider the benefits of including requirements that alternatives to road-based transportation are demonstrably explored before any decision is made to rely on road-based transportation.

Communities

1. **Option One:** Maintain the established policy approach. With a single broad policy for minerals development covering a range of environmental matters including issues of noise, dust, light, impacts on open space and the public rights of way, and public protection (particularly bird strike), with supporting references made to relevant matters in a minerals site restoration policy. For waste management development maintain the established policy approach, with harmful impacts on communities covered in a broad environmental and community protection policy, and provision of green infrastructure addressed in the sustainable design policy.
2. **Option Two:** Multiple policy approach. Adopt a single policy that focuses on the protection of communities from the nuisance impacts of minerals and waste management development, covering both strategic and detailed matters (including bird strike risks), and enhance the guidance given on the creation publicly accessible greenspace in the restoration policy and the sustainable design policy.
3. **Option Three:** Single strategic policy approach. Adopt a single strategic policy in the MWLP covering community wellbeing and accessible greenspace, but for detail rely on the relevant policies set out in the district or borough local development plan.

Q25.

Which one of three options above do you think should be the approach taken for the MWLP?

Whv?

3.28. Of the available options, Option 2 represents the Council's preferred approach. The implementation of Option 2 would represent an appropriate level of guidance, which would be deliverable, flexible, and concise, to address the impacts of minerals and waste management development on our local communities.

3.29. The protection of communities from the nuisance impacts of minerals and waste management development, and the creation and enhancement of publicly accessible greenspace, are topics of sufficient detail and size to warrant consideration in distinct policies.

3.30. However, consideration should be given to the extent to which the creation and enhancement of publicly accessible greenspace is covered in both the site restoration policy and the sustainable design policy. If there is insufficient additional value to be provided in developing a distinct policy on the matter, the MWLP may benefit from either a distinct policy that draws in the requirements previously set out in the alternative policies, or covering the remaining policy requirements in this area within the broader detailed communities policy. This would essentially comprise Option 2, but within a single detailed policy.

4. Aggregate, Minerals and Infrastructure

4.1. The Council does not wish to submit specific commentary on this part of the consultation.

5. Waste Management

Identifying land for waste management development

1. **Option One:** An approach which allocates land for specific waste management uses; and a range of potential management waste uses the acceptability of which is to be determined at the planning application stage based on criteria-based policy and need.
2. **Option Two:** An approach which identifies areas of search, with specific waste management uses to be determined at the planning application stage based on criteria-based policy and need.
3. **Option Three:** A combined approach which includes a combination of Option One and Option Two above.
4. **Option Four:** Adopt a criteria-based policy approach only with no allocations or areas of search.

Q18.
Which option do you think is the best approach for the MWLP to provide enough land to meet any identified need for waste management capacity?

5.1. Option 3 represents the Council's preferred approach to the identification of potential land for waste-management development. As previously noted, it remains to be determined whether the implementation of Option 1 in isolation would provide for sufficient potential development land to meet the identified need within the plan period. Within this context, Option 1 should be implemented as far as reasonably practicable prior to consideration of Option 2.

5.2. The allocation of identified sites for specific waste-management uses provides the most robust approach of the four available options. In identifying specific sites for the development of waste management facilities, Surrey County Council is provided the opportunity to assess the *suitability*, *viability* and *achievability* of sites in relation to the definitions provided in Planning Practice Guidance. In undertaking individual site assessments up-front at the plan-making stage, the MWLP could provide a more robust set of site allocations that are more likely to be delivered within the plan period to meet the identified capacity gap.

5.3. Should the implementation of Option 1 not identify sufficient sites for waste-management development, the MWLP should seek to implement Option 2 as a second step to ensure that further waste-management development can be guided by the criteria-based policy. Essentially, this would comprise the implementation of Option 3.

This page is intentionally left blank