ELMBRIDGE BOROUGH COUNCIL

CABINET

Report of a meeting held on 11 February 2015

* J. O'Reilly - Leader
* T.G. Oliver - Deputy Leader

* J. Browne  * Mrs. C.J. Cross
* G.P. Dearlove * Mrs. C. Elmer
* A. Kelly * Mrs. D.M. Mitchell
* Mrs. R. Mitchell * Mrs. M.C. Sheldon

(* Denotes attendance)

(D.J. Archer, Rachael I. Lake, Mrs. R.J.M. Lyon, C.R. Sadler, S.J. Selleck,
J.G. Sheldon and Mrs. J.R. Turner were also present.)

1. DECLARATIONS OF INTEREST

J. Browne declared a pecuniary interest under the Code of Conduct in respect of
agenda item 4 (Minute No. 6 refers) – Revenue and Capital Budget and Council Tax
2015/16 and specifically recommendation (K), by virtue of his wife being an employee
of the Council. He indicated that he would leave the room should this element of the
report be discussed but in the event there was no discussion in this regard.

In respect of agenda item 4 (Minute No. 6 refers) – Revenue and Capital Budget and
Council Tax 2015/16, whilst not a disclosable pecuniary interest or other interest
under the Code of Conduct, C.R. Sadler wished that it be noted that he was a Director
of the Riverhouse Barn.

In respect of agenda item 4 (Minute No. 6 refers) – Revenue and Capital Budget and
Council Tax 2015/16, whilst not a disclosable pecuniary interest or other interest
under the Code of Conduct, Mrs. J.R. Turner wished that it be noted that her husband
was a regular attendee at St. Christopher’s Church and Church Hall in Hinchley
Wood.

In respect of agenda item 4 (Minute No. 6 refers) – Revenue and Capital Budget and
Council Tax 2015/16, whilst not a disclosable pecuniary interest or other interest
under the Code of Conduct, Mrs. C. Elmer wished that it be noted that she was a
Trustee of Relate, Mediation North Surrey and Home Support Elmbridge.

In respect of agenda item 4 (Minute No. 6 refers) – Revenue and Capital Budget and
Council Tax 2015/16, whilst not a disclosable pecuniary interest or other interest
under the Code of Conduct, T.G. Oliver wished that it be noted that he was a Trustee
of King George’s Hall Trust.

2. LEADER’S OPENING REMARKS

The Leader was pleased to report that the Council had been successful in disposing
of the former Walton public conveniences in Church Road following a public auction.
With a reserve of £100,000 the final sale price reached £415,000. This was good news for Council Tax payers and the use of an auction proved to be an inspired method of disposal. The Council now looked forward to seeing the new owner’s plans for the site.

He also advised that the Local Government Boundary Commission for England had now published its recommendations on the number of Councillors for this authority, namely 48. He also took the opportunity to draw everyone’s attention to the consultation process that was now underway until 31 March 2015 in relation to proposed new Ward boundaries.

The Cabinet noted that a Member briefing on the new Elmbridge Community Fund would be taking place the following evening. This would offer an opportunity for all Members to learn about this new fund, which was likely to become a significant source of charitable funding across the Borough.

The Leader also took the opportunity to advise Members that the Portfolio Holder for Environment had recently given a talk on waste matters to the University of the Third Age. In excess of 230 people had attended the talk and the Speaker Secretary, whilst thanking the Portfolio Holder, had commented that it had been a very informative talk and that all attendees were now much wiser on what they should and should not be doing with their domestic waste.

3. EXCLUSION OF PUBLIC

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<th>Minute No.</th>
<th>Item Description of Exempt Information (Schedule 12A)</th>
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<td>12.</td>
<td>Property Acquisition Proposal – Weybridge Paragraph 3</td>
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**RECOMMENDATIONS TO COUNCIL ON 25 FEBRUARY 2015**

4. COUNCIL PLAN 2015/16

(Link to Council Priorities: All)

The Leader introduced the report and reminded Members that the Council Plan set out how the Council was going to deliver its local priorities for 2015/16.

The Cabinet reviewed the areas that related to the work of the Council and it was noted that the report would inform budget allocations.

Members of the Overview & Scrutiny Committee and the Performance & Finance Standing Panel had been consulted on the draft work areas (strategic objectives) for 2015/16 and their feedback was contained within the report.

In accordance with Part 5-30 of the Council’s Constitution, the Leader invited Councillor C.R. Sadler to address the Cabinet on the Council Plan for 2015/16. With regard to objective HT1 ‘We will maximise the value of car park assets’ and specifically the reference to the refurbishment of Drewitts Court Car Park (subject to Capital Bid approval), Councillor Sadler queried that whilst it stated that this would be
subject to Capital Bid approval, no information in this regard had been included within the proposed Capital Bid Schedule. The Portfolio Holder for Resources clarified the position and confirmed that no Capital Bid had been included at this time due to the possibility that the cost of works could be more significant than previously estimated. Accordingly, further work would be undertaken in this regard and once completed, a report would be submitted to Cabinet for consideration which would include the Capital implications.

With regard to objective P3 ‘We will continue to allocate Community Infrastructure Levy to support improvements in local infrastructure’, in accordance with the published process for Community Infrastructure Levy applications, it was noted that the timescales of April 2015 and June 2015, should read “July 2015”.

Whilst acknowledging and supporting the ambitious objectives included within the Council Plan for 2015/16, thanks were extended to the Organisational Development Team for their hard work in compiling a very readable and well formatted Plan.

**RECOMMENDED: THAT**

(A) **SUBJECT TO THE TIMESCALES “APRIL 2015” AND “JUNE 2015” FOR OBJECTIVE P3 ‘WE WILL CONTINUE TO ALLOCATE COMMUNITY INFRASTRUCTURE LEVY TO SUPPORT IMPROVEMENTS IN LOCAL INFRASTRUCTURE’, BEING AMENDED TO READ “JULY 2015”, THE COUNCIL PLAN 2015/16, AND SPECIFICALLY THE PROPOSED STRATEGIC OBJECTIVES, BE APPROVED;**

(B) **THE RECOMMENDATIONS FROM THE OVERVIEW & SCRUTINY COMMITTEE AND PERFORMANCE & FINANCE STANDING PANEL, AS SET OUT IN THE REPORT, BE SUPPORTED; AND**

(C) **AUTHORITY BE DELEGATED TO THE CHIEF EXECUTIVE, IN CONSULTATION WITH THE LEADER, TO MAKE ANY CHANGES / ADDITIONS THAT MAY BE REQUIRED TO THE PLAN.**

5. **COUNCIL PLAN 2014/15 – 3RD QUARTER MONITORING REPORT AND COUNCIL PERFORMANCE IN 2014/15**

(Link to Council Priorities: All)

The Leader introduced the third quarter’s performance monitoring report in respect of the 2014/15 Council Plan objectives, Flagship activities and the basket of performance indicators.

In the third quarter, 24 (71%) Council Plan objectives were on target. Of the 9 ‘Flagship’ activities, 8 (89%) were on target.

It was noted that the report would be presented to the Performance and Finance Standing Panel on 12 February 2015.

With regard to Performance Indicator L-HS2 ‘Number of households in temporary accommodation’, the Leader congratulated the Housing Options Team for continuing to keep the number of households in temporary accommodation and bed & breakfast low.
The Leader further commented that with regard to Performance Indicator L-TP4 ‘Percentage of planning appeal decisions made in favour of the Council’, he was pleased to note that in Quarter 3, the appeal decisions made in favour of the Council were back on target at 70%. It therefore appeared that the figures in Quarters 1 and 2 were just an anomaly. Congratulations were extended to the Planning Services Team in this regard.

**RECOMMENDED: THAT**

(A) PROGRESS AGAINST THE PERFORMANCE DASHBOARD BE NOTED;

(B) PROGRESS AGAINST COUNCIL PLAN OBJECTIVES BE NOTED;

(C) PROGRESS AGAINST ‘FLAGSHIP’ ACTIVITIES BE NOTED; AND

(D) THE COMMENTS PROVIDED FOR THE TARGETS SHOWING AN AMBER OR RED TRAFFIC LIGHT ARISING FROM (A), (B) AND (C) ABOVE BE NOTED.

6. REVENUE AND CAPITAL BUDGET AND COUNCIL TAX 2015/16

(Link to Council Priorities: All)

The Cabinet was requested to consider and recommend to the Council the 2015/16 Budget and the Borough Council’s element of the overall Band ‘D’ Council Tax to apply for 2015/16.

Fundamental to the development of the Budget and Medium Term Financial Strategy (MTFS) was an overarching Budget Strategy, the objective of which was a safe and sustainable Budget delivering the policies and aspirations of the Council over the medium term. The Strategy, which underpinned the General Fund Financial Plan, was to:

- adequately resource the Council’s Statutory Services and the Policies as set out in the Council Plan;
- maintain a balanced General Fund such that the income from fees and charges, Council Tax, Government and other grants was sufficient to meet all expenditure;
- maintain council tax increases as low as possible to avoid a local referendum, subject to a satisfactory level of Government Grant / Business Rate redistribution;
- maintain the General Fund Reserve at a level that was sufficient to cover its financial risks and provide adequate working capital;
- maximise the Council’s income by promptly raising all monies due and minimise the level of arrears and debt write offs, so as to optimise its treasury management potential;
- use reserves wisely for investments that would provide financial independence and resilience for the Council; and
- actively engage local residents in the financial choices facing the Council.
The Cabinet agreed that these principles would enable the development of a Budget that was sufficient to meet the Council's ongoing day to day business activities and priorities as set out in the Council Plan. Such clear linkages between financial and business planning were the cornerstone of robust management practices.

The Budget for 2015/16 and subsequent years was developed by building onto the existing budget provision, the anticipated increases for inflation and budgetary growth that was needed for service developments; legislative changes or statutory requirements; after which planned savings, growth in income and the use of reserves were reflected.

The Cabinet noted that the overarching priority was to maintain existing services. This required Officers to continue to give careful consideration to operational practices and running costs and to deliver efficiency savings whilst minimising any adverse impact on services to residents.

The Leader and Portfolio Holder for Resources recommended a budget for 2015/16 of £16,995,920. At this level of budgeted net expenditure, it was proposed that there should be a Band D Council Tax in 2015/16 of £203.07, which represented no increase in the Borough Council’s element of the Council Tax and was therefore the same level as in 2014/15, making this the seventh year that Council Tax had been frozen.

With regard to Council Tax, it was noted that the overall Council Tax requirement was not only based on the level of Elmbridge’s own budget, but also that of Surrey County Council, the Surrey Police & Crime Commissioner and, to the appropriate taxpayers, Claygate Parish Council.

In this regard, the requirements of Surrey County Council, Surrey Police & Crime Commissioner and Claygate Parish Council follows:

- Surrey County Council had on 10 February 2015 set a 2015/16 precept which resulted in a Band D Council Tax of £1,219.68, a 1.99% increase in its element of the Band D Council Tax;
- Surrey Police and Crime Commissioner had on 5 February 2015, set a 2015/16 precept which resulted in a Band D Council Tax of £215.89, a 1.99% increase in its element of the Band D Council Tax; and

The Portfolio Holder advised that now the precept for the Surrey Police & Crime Commissioner had been set, there was no longer the need to establish a Committee for the provision of setting the Council Tax. Therefore, the Cabinet supported the removal of recommendation (M), as outlined in the report.

As part of the introduction of the item, the Portfolio Holder for Resources provided a detailed overview of the budget process. He advised that the budget had been prepared against the national backdrop and whilst there had been some signs of improvement e.g. unemployment continued to fall, growth was still slow. It was noted that Government had reduced the level of funding to Local Authorities and for Elmbridge, there had been a 15% grant reduction for 2015/16.
The Portfolio Holder reported that Elmbridge received £29.24 per head of funding from central Government, however spent £128 per head which amounted to some £100 more to deliver the services. Spending pressures were highlighted including the pension fund however on a positive note, planning application submissions continued to increase and the Council had continued to increase its property portfolio. The Portfolio Holder was also pleased to report that a cost of living award of 2% had been proposed for all employees on the Elmbridge Borough Council Local Pay Scheme and given the dedicated workforce, this was a modest increase that would hopefully assist in retaining staff.

With regard to the budget shortfall, this shortfall had been met by identifying savings, additional income and using a mix of reserves including the interest equalisation reserve. In addition, £84,000 would be used from the revenue contingency fund. It was acknowledged however, that this was not a never-ending fund and Officers would continue to monitor the fund in case there was a need to utilise it further in order to balance future budgets.

The Portfolio Holder also took the opportunity to update Members on the revenue provision required to deal with the contamination at Waterside Drive. It was noted that a provision of £650,000 had been included in the revised estimate for 2014/15 to cover the contamination works. The final cost of making the site safe was yet be determined and, the level of provision would be finalised as part of the year end accounts. This provision would be released once the build commenced.

The Cabinet noted that it was the Council’s aspiration to reduce its dependency on Central Government funding by 2020 and following approval of the Property Acquisition Strategy, £1 million of revenue had been realised this year from the Council's property portfolio.

With regard to contract renewals, it was noted that where possible, savings were sought when renewing contracts. This was evident from the recently approved Green Spaces Contract which had resulted in savings of approximately £160,000.

The Portfolio Holder also took the opportunity to update Members on the proposed Capital Programme. The Programme was proposing £3.3 million of projects including £2.5 million in respect of the Waterside Drive project. He also advised that as this was clearly a Borough-wide strategic project, it was proposed to submit an application for £2.5 million to the Strategic Community Infrastructure Levy (CIL) Spending Board. This demonstrated that the Council was continuing to improve facilities around the Borough, in addition to the projects funded by way of CIL receipts. It was further noted that £300,000 was being funded from the New Homes Bonus, £270,000 from capital receipts with the balance being funded from Section 106 monies.

In accordance with Part 5-30 of the Council’s Constitution, the Leader invited Councillor C.R. Sadler to address the Cabinet. Councillor Sadler queried the proposal to submit an application for £2.5 million to the Strategic Spending Board for the Sports Hub Waterside Drive project. He commented that, as at December 2014, there was only £1,491,268 available for strategic infrastructure and in this regard sought clarification of what the fall back position was if there were insufficient funds available. He queried whether it was sensible to utilise all the funds available on one project, which would result in no monies available for strategic infrastructure elsewhere in the Borough. He further commented that at the Cabinet meeting in November 2014, the
Sports Hub report stated that the overall aim was to work to contain the development costs at Waterside Drive to a level that would be met by the likely capital receipt arising from the disposal of the Stompond Lane Sports Ground for alternative uses. In addition, the report stated that the ambition was to reach a breakeven position between costs at Waterside Drive and value at Stompond Lane. Councillor Sadler asked whether it was now no longer feasible to reach a breakeven position and accordingly that the project would cost a further £2.5 million. He also asked when Members and residents would be provided with the full cost of the project together with details of the capital receipts. With regard to the Exhibition that was held the previous night, he asked who was responsible for organising the event given that the notification was minimal, there was no signage and the lighting was poor.

The Portfolio Holder responded and advised that should there not be sufficient funds available from the CIL receipts, then the Council would look to borrow against the Public Works Loan Board (PWLB) fund however in conjunction, would also seek to get a commitment to use future CIL monies. The Portfolio Holder further advised that the full cost of the project would be known in July 2015 and that, at this point in time, whether there would be a shortfall was unknown. With regard to the Exhibition held the previous night, the Leader acknowledged that this could have been handled better.

The Cabinet thanked the Strategic Director & Deputy Chief Executive, the Head of Finance and the Finance Team for the excellent comprehensive report which was clear and easy to understand. Members were pleased to note that whilst increases to grants for the voluntary organisations together with a number of growth items, including additional posts, and a 2% pay award for all employees on the Elmbridge Borough Council Local Pay Scheme were proposed, the proposed budget would continue to deliver value for money whilst maintaining quality frontline services.

**RECOMMENDED: THAT**

(A) **WITH REGARD TO THE BOROUGH COUNCIL’S ELEMENT OF THE COUNCIL TAX:**

(i) **THE COUNCIL TAX REQUIREMENT ON THE COLLECTION FUND FOR 2015/16 BE SET AT £12,607,601;**

(ii) **AT THIS LEVEL OF SPENDING, THE COUNCIL’S NET PRECEPT REQUIREMENT FOR 2015/16 BE £203.07 PER BAND ‘D’ DWELLING, AS ATTACHED AT APPENDIX A TO THIS REPORT;**

(B) **EXPENDITURE WITHIN THE 2015/16 CAPITAL PROGRAMME, AS ATTACHED AT APPENDIX B TO THIS REPORT, BE APPROVED;**

(C) **THE REVENUE ESTIMATES FOR 2015/16, AS SUMMARISED AT APPENDIX C ATTACHED TO THIS REPORT, BE APPROVED;**

(D) **ANY SHORTFALL IN INTEREST INCOME EARNED BELOW THE BUDGETED LEVEL DURING 2015/16, WILL BE FUNDED BY THE INTEREST EQUALISATION RESERVE SUBJECT TO VARIATION DEPENDING ON THE 2015/16 OUTTURN POSITION;**
(E) A CONTRIBUTION OF £313,000 FROM THE COUNCIL TAX FREEZE RESERVE AND £84,000 FROM THE REVENUE CONTINGENCY RESERVE BE INCLUDED IN THE 2015/16 BUDGET;

(F) THE GROWTH ITEMS, TOTALLING £526,000, INCLUDING THE ADDITIONAL POSTS, AS OUTLINED IN PARAGRAPH 4.10 OF THE REPORT, BE APPROVED;

(G) A 2% INFLATIONARY INCREASE BE APPLIED TO GRANTS TO VOLUNTARY ORGANISATIONS, AS OUTLINED IN PARAGRAPH 5.3 OF THE REPORT;

(H) THE PROPOSALS FOR THE USE OF NEW HOMES BONUS BE AS OUTLINED IN SECTION 5.4 OF THE REPORT;

(I) ADDITIONAL INCOME AND SAVINGS, AS OUTLINED IN PARAGRAPH 7.1, TOTALLING £583,000 (INCLUDED IN THE 2015/16 BUDGET) BE APPROVED;

(J) HAVING REGARD TO THE ADVICE FROM THE STRATEGIC DIRECTOR & DEPUTY CHIEF EXECUTIVE ON THE ADEQUACY OF RESERVES AND ROBUSTNESS OF BUDGET ESTIMATES, THE LEVEL OF THE NON-EARMARKED GENERAL RESERVE AT 31 MARCH 2015 BE ESTIMATED AT £4.0 MILLION, AND THE SCHEDULE OF EARMARKED RESERVES BE NOTED, AS SET OUT IN THE MEDIUM TERM FINANCIAL STRATEGY AT APPENDIX D ATTACHED TO THIS REPORT;

(K) THE 2015/16 TREASURY MANAGEMENT STRATEGY, AS SET OUT AT APPENDIX E ATTACHED TO THIS REPORT, INCLUDING THE PRUDENTIAL INDICATORS / LIMITS AND THE INVESTMENT POLICY GUIDELINES, BE APPROVED AND ADOPTED;

(L) THE PAY POLICY STATEMENT FOR 2015/16 BE ADOPTED AS PER THE REQUIREMENTS UNDER THE LOCALISM ACT 2011 (APPENDIX F);

(M) A PAY AWARD OF 2% BE IMPLEMENTED WITH EFFECT FROM 1 APRIL 2015 FOR ALL EMPLOYEES ON THE ELMBRIDGE BOROUGH COUNCIL LOCAL PAY SCHEME;


THE FOLLOWING AMOUNTS BE NOW CALCULATED BY THE COUNCIL FOR THE YEAR 2015/16 IN ACCORDANCE WITH SECTIONS 31 TO 36 OF THE LOCAL GOVERNMENT FINANCE ACT 1992:

(i) £93,824,260 BEING THE AGGREGATE OF THE AMOUNTS WHICH THE COUNCIL ESTIMATES FOR THE ITEMS SET OUT IN SECTION 31(A)(2) OF THE ACT TAKING INTO ACCOUNT ALL PRECEPTS ISSUED TO IT BY PARISH COUNCILS;*

(ii) £81,168,899 BEING THE AGGREGATE OF THE AMOUNTS WHICH THE COUNCIL ESTIMATES FOR THE ITEMS SET OUT IN SECTION 31A(3) OF THE ACT;*

(iii) £12,655,361 BEING THE AMOUNT BY WHICH THE AGGREGATE AT (i) ABOVE EXCEEDS THE AGGREGATE AT (ii) ABOVE, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 31A(4) OF THE ACT, AS ITS COUNCIL TAX REQUIREMENT FOR THE YEAR (ITEM R IN THE FORMULA IN SECTION 31B OF THE ACT);

(iv) £203.84 BEING THE AMOUNT AT (iii) ABOVE (ITEM R), ALL DIVIDED BY ITEM T, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 31B OF THE ACT, AS THE UNIFORM AMOUNT OF ITS COUNCIL TAX FOR THE YEAR (INCLUDING PARISH PRECEPTS);

(v) £47,760 BEING THE AGGREGATE AMOUNT OF ALL SPECIAL ITEMS (PARISH PRECEPTS) REFERRED TO IN SECTION 34(1) OF THE ACT;

(vi) £203.07 BEING THE AMOUNT AT (iv) ABOVE LESS THE RESULT GIVEN BY DIVIDING THE AMOUNT AT (v) ABOVE BY ITEM T, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 34(2) OF THE ACT, AS THE BASIC AMOUNT OF ITS COUNCIL TAX FOR THE YEAR FOR DWELLINGS IN THOSE PARTS OF ITS AREA TO WHICH NO PARISH PRECEPT RELATES;

The above has been calculated in accordance with the requirements for the formal council tax resolution as set out in the Localism Act 2011.

*In order to comply with the legislation in relation to the Localisation of Business Rates, these figures include approximately £18.8 million for the Council’s tariff payment.

(vii) VALUATION BANDS

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These Minutes should be referred to in conjunction with the Minutes of the subsequent meeting of the Council, where they are presented; and for completeness to the next relevant meeting when the Minutes are adopted.

## REMAINDER OF THE BOROUGH (EXCLUDING CLAYGATE)

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Being the amounts given by multiplying the amount at P(vi) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council in accordance with Section 36 (1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands;

(Q) It be noted that for the year 2015/16 the Claygate Parish Council has stated the following amounts in precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of the dwellings shown below:

**Precepting Authority – Claygate Parish Council**

**Valuation Bands**

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(R) It be noted that for the year 2015/16 the Surrey County Council has stated the following amounts in precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of the dwellings shown below:

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(S) It be noted that for the year 2015/16 the Surrey Police and Crime Commissioner has stated the following amounts in precepts issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of the dwellings shown below;
These Minutes should be referred to in conjunction with the Minutes of the subsequent meeting of the Council, where they are presented; and for completeness to the next relevant meeting when the Minutes are adopted.

PRECEPTING AUTHORITY - SURREY POLICE AND CRIME COMMISSIONER

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PARTS OF THE COUNCIL’S AREA

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FOR THAT AREA OF ELMBRIDGE BOROUGH COUNCIL NOT WITHIN THE CLAYGATE PARISH COUNCIL AREA:

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7. ANTI-SOCIAL BEHAVIOUR, CRIME AND POLICING ACT 2014

(Links to Council Priorities: A safe, caring and healthy Elmbridge)

The Portfolio Holder for Community Development introduced the item and advised Members that the Anti-Social Behaviour, Crime and Policing Act 2014 was a new Act which introduced simpler, more effective powers to tackle anti-social behaviour and provided better protection for victims and communities.

The Cabinet noted that this Act replaced 19 powers with six new powers, the details of which were outlined in the report. Five out of the six new powers had come into force in October 2014, and it was noted that with regard to Civil Injunctions, this was due to come into force from April 2015, at the earliest. The six new powers were:
These Minutes should be referred to in conjunction with the Minutes of the subsequent meeting of the Council, where they are presented; and for completeness to the next relevant meeting when the Minutes are adopted.

- Civil Injunctions;
- Community Protection Notices;
- Criminal Behaviour Orders (CBOs);
- Public Space Protection Orders;
- Closure Powers; and
- Dispersal Powers.

The Cabinet welcomed the Anti-Social Behaviour, Crime and Policing Act 2014 which was a sensible piece of legislation as it brought together all areas of anti-social behaviour into one Act. The Portfolio Holder for Housing commented that use of this Act would assist the Council when working with the Social Landlords.

**RECOMMENDED: THAT**

(A) THE FUNCTIONS OF THE COUNCIL UNDER THE ANTI-SOCIAL BEHAVIOUR, CRIME AND POLICING ACT 2014 BE DELEGATED TO THE CHIEF EXECUTIVE, INCLUDING, BUT NOT LIMITED TO, EXERCISING ALL STRATEGIC, OPERATIONAL AND MANAGEMENT POWERS AND DUTIES OF THE COUNCIL UNDER THE ACT; AND

(B) THE CHIEF EXECUTIVE BE GIVEN POWERS TO AUTHORISE OFFICERS OF THE COUNCIL OR OTHER DESIGNATES TO EXERCISE THE AFOREMENTIONED POWERS ON THEIR BEHALF.

8. CORPORATE STRATEGIC RISK REGISTER

(Link to Council Priorities: All)

The Portfolio Holder for Resources introduced the report and informed the Cabinet that the Council’s Risk Management Strategy required the Corporate Strategic Risk Register to be reviewed on an annual basis. The Register contained details of major identified risks, which could affect the Council’s ability to achieve its priorities during the financial year. The report gave details of action taken to compile a new Register for 2015/16.

**RECOMMENDED: THAT THE CORPORATE STRATEGIC RISK REGISTER, AS SET OUT AT APPENDIX G TO THESE MINUTES, BE APPROVED.**

9. ENABLING TRANSPARENCY: UPDATING CONTRACT PROCEDURE RULES

(Link to Council Priorities: Vibrant and Thriving Elmbridge: Supporting Economic Development (CM3), Promoting Effective Procurement (Legal 3))

The Portfolio Holder for Resources introduced the item and advised the Cabinet that in 2015, a number of Government reforms would come to fruition which were aimed at making Public Sector Procurement more open and transparent. In practical terms, this translated into requirements to publish any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeded £5,000; removing practices that could disadvantage small businesses; and making full use of electronic procurement.
A number of actions had already been taken to respond to the Government’s Transparency Agenda, details of which were set out in the report.

The report brought together the different legislative requirements being placed on local authorities and recommended some consequential changes to Contract Procedure Rules.

The Cabinet noted the new legislative requirements and acknowledged that a revised set of rules would harmonise with the new regulatory framework and reflect best and modern practices in public procurement. With regard to the Contract Procedure Rules, Members supported the revisions, which they considered would fully reflect the emerging regime and reinforce tendering processes that were open, competitive and delivering of value.

RECOMMENDED: THAT REVISIONS TO CONTRACT PROCEDURE RULES, AS SET OUT AT APPENDIX A TO THE REPORT, BE APPROVED IN COMPLIANCE WITH LEGISLATIVE REQUIREMENTS AND FOR THE PURPOSES OF ENABLING GREATER TRANSPARENCY IN PROCUREMENT PROCESSES.

10. PROPERTY ACQUISITION PROPOSAL - WEYBRIDGE

(Below is a brief summary of the matters discussed under this item. In view of the nature of the discussion which contained exempt information as defined under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, a copy of the full Minute is appended [at the back of these Minutes] as Minute No. 12 for Members of the Council only.)

(Link to Council Priorities: All)

The Portfolio Holder for Resources introduced the report that provided details of a proposal for the acquisition of a property in Weybridge in support of the Council’s established economic development objectives for the Borough.

MATTERS OF REPORT

11. RECOMMENDATION FROM THE COUNTRYSIDE CONSULTATIVE GROUP MEETING HELD ON 4 NOVEMBER 2014

(Link to Council Priorities: A5, A6, P4, P5)

The Portfolio Holder for Leisure and Culture informed the Cabinet that, at its meeting on 15 January 2015, the Overview and Scrutiny Committee had considered a recommendation from the Countryside Consultative Group meeting held on 4 November 2014.

The Cabinet noted that a request had been received from Esher Residents’ Association for the provision of a footpath from New Road public footpath to Hare Lane, over common land. Whilst supporting the provision of a footpath in this location, a Member of the Cabinet, who was also an Esher Ward Councillor, requested that, as and when the works were scoped, the drainage at the side of the road by the Dairycrest Building be investigated, as ponding was a problem at this location.
Subject to the above, on consideration of the report and the recommendation from the Overview and Scrutiny Committee, the Cabinet concurred and accordingly,

RESOLVED that the request from Esher Residents' Association (ERA) for the provision of a footpath from New Road public footpath to Hare Lane, over common land, be supported.

The meeting commenced at 7.00 p.m. and concluded at 8.03 p.m.

J. O'REILLY
Leader of the Council

Committee and Member Services Officer

Mrs. T. Hulse - Principal Committee and Member Services Officer

Other Officers in attendance

R. Moran - Chief Executive
Mrs. S. Selvanathan - Strategic Director and Deputy Chief Executive
R. Lee - Strategic Director
A. Harrison - Head of Legal Services
Mrs. N. Anderson - Head of Organisational Development
A. Cooper - Head of Finance
Ms. C. Williams - Communications Officer
## ELMBRIDGE ELEMENT OF COUNCIL TAX REQUIREMENT

<table>
<thead>
<tr>
<th></th>
<th>2014/15</th>
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* Net of the £133,370 2015/16 Council Tax Freeze Grant
^ Any surplus, arising from an increase in the amount collected or pooling, above the baseline, after allowing for £250,000 (Financial Strategy assumption) will be transferred to the Business rate equalisation reserve,
Number of Dwellings = 62,085
## ELMBRIDGE BOROUGH COUNCIL CAPITAL PROGRAMME 2014/15 TO 2017/18

### Appendix B

<table>
<thead>
<tr>
<th>PORTFOLIO/SCHEME</th>
<th>TOTAL ESTIMATED</th>
<th>ACTUAL EXPENDITURE TO 31.03.14</th>
<th>REVISED ESTIMATED EXPENDITURE 2014/15</th>
<th>ESTIMATED EXPENDITURE 2015/16</th>
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## ELMBRIDGE BOROUGH COUNCIL CAPITAL PROGRAMME 2014/15 TO 2017/18

### PORTFOLIO/SCHEME

<table>
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<tr>
<th>PORTFOLIO/SCHEME</th>
<th>TOTAL ESTIMATED COST £’000</th>
<th>ACTUAL EXPENDITURE TO 31.03.14 £’000</th>
<th>REVISED ESTIMATED EXPENDITURE 2014/15 £’000</th>
<th>ESTIMATED EXPENDITURE 2015/16 £’000</th>
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<td>Conservatory at Cobham (Note 5: SCC)</td>
<td>51.5</td>
<td>50.2</td>
<td>1.3</td>
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<td>Replacement Kitchen Equipment - Centres for the Community (Note 4: Bequest)</td>
<td>28.5</td>
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<td>17.2</td>
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<td>Wheelchair Loan Scheme at Centres for the Community (Note 5: s106 Tariffs)</td>
<td>4.1</td>
<td>3.1</td>
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<td>Walton Centre Refurbishment (Note 4: Bequests)</td>
<td>140.5</td>
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<td>Wellbeing Centre - Walton (Note 4: Bequests, SCC)</td>
<td>99.2</td>
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<td>Mole Hall Refurbishment</td>
<td>422.1</td>
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<td>Centres for Community - Partitions (Note 4: SCC)</td>
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<td>Meals on Wheels Vehicle (Note 4: SCC)</td>
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<td>20.8</td>
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<td>Dial-a-Ride Vehicle (Note 5: SCC)</td>
<td>19.0</td>
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<td>19.0</td>
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<td>Property Maintenance Vehicle (Note 4: SCC)</td>
<td>12.0</td>
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<td>Community Alarms Vehicle (Note 4: SCC)</td>
<td>8.7</td>
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<td>8.7</td>
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<td><strong>PROVISIONAL FUTURE ALLOCATIONS</strong></td>
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<tr>
<td>Capital Growth Bids 2015/16</td>
<td>3,285.7</td>
<td>-</td>
<td>-</td>
<td>3,285.7</td>
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<tr>
<td>2016/17 - Provisional Allocation PWLB Potential Asset Investment</td>
<td>10,000.0</td>
<td>-</td>
<td>-</td>
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<tr>
<td>2016/17 - Provisional Allocation - Other Projects</td>
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<td>-</td>
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<td>2017/18 - Provisional Allocation PWLB Potential Asset Investment</td>
<td>10,000.0</td>
<td>-</td>
<td>-</td>
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<tr>
<td>2017/18 - Provisional Allocation</td>
<td>994.0</td>
<td>-</td>
<td>-</td>
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<td><strong>TOTAL GENERAL FUND CAPITAL PROGRAMME</strong></td>
<td>56,045.3</td>
<td>7,955.5</td>
<td>5,219.9</td>
<td>19,040.9</td>
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### NOTES

1. The above programme covers expenditure on capital schemes, irrespective of the funding source
2. Schemes for which full payment had been made by 31 March 2014 have not been included within the programme
3. Part of the expenditure for this scheme is programmed to be incurred in future years
4. Utilisation of External Funding, leaving a reduced capital cost to be funded by the Council
5. Utilisation of External funding, leaving no net capital cost to be funded by the Council
6. Disabled Facilities Grant funding has been claimed from Central Government, leaving a net capital cost to Elmbridge in 2014/15 of £1,100 to fund the remaining grants approved from the 2009/10 Capital Programme
7. Disabled Facilities Grant funding has been claimed from Central Government, leaving a net capital cost to Elmbridge in 2014/15 of £187,200 to fund the remaining grants approved from the 2013/14 Capital Programme
8. Disabled Facilities Grant funding is to be claimed from Central Government, leaving a maximum net capital cost to Elmbridge of £180,700 in 2014/15 and £431,100 in 2015/16
9. Disabled Facilities Grant funding is to be claimed from Central Government, leaving a maximum net capital cost to Elmbridge of £200,000 in 2015/16
<table>
<thead>
<tr>
<th>Portfolio / Committee</th>
<th>2014/15 Original</th>
<th>2015/16 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
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<tr>
<td>Community Development</td>
<td>427,880</td>
<td>433,580</td>
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<td>Corporate Development</td>
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<td>Environment</td>
<td>5,685,850</td>
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<tr>
<td>Highways and Transport</td>
<td>(1,222,030)</td>
<td>(1,601,500)</td>
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<tr>
<td>Housing</td>
<td>2,208,720</td>
<td>2,304,560</td>
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<td>Leisure and Culture</td>
<td>4,774,950</td>
<td>4,500,390</td>
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<td>Regulatory Affairs</td>
<td>686,110</td>
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<td>Resources</td>
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<td>Social</td>
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<td>2,640,870</td>
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<td>Planning</td>
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<td>Licensing</td>
<td>223,250</td>
<td>162,230</td>
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<tr>
<td></td>
<td><strong>20,945,040</strong></td>
<td><strong>20,819,270</strong></td>
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<tr>
<td>Asset Rentals</td>
<td>(2,111,630)</td>
<td>(2,044,710)</td>
</tr>
<tr>
<td>Interest on Balances</td>
<td>(466,000)</td>
<td>(725,000)</td>
</tr>
<tr>
<td>Contribution From Interest Equalisation Reserve</td>
<td>(1,129,000)</td>
<td>(570,000)</td>
</tr>
<tr>
<td></td>
<td><strong>17,238,410</strong></td>
<td><strong>17,479,560</strong></td>
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<tr>
<td>Capital Financing</td>
<td>299,070</td>
<td>297,240</td>
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<td>(From) / To Earmarked Reserves</td>
<td>(66,690)</td>
<td>(253,280)</td>
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<tr>
<td>Transfer From Council Tax Freeze Grant Reserve (In relation to loss of 2012/13 Freeze Grant)</td>
<td>(313,070)</td>
<td>(313,070)</td>
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<tr>
<td>Contribution from Revenue Contingency Reserve</td>
<td></td>
<td>(83,630)</td>
</tr>
<tr>
<td>Grant to Claygate Parish for compensation for decrease in Council Tax Base (Localisation of Council Tax Benefits)</td>
<td>2,440</td>
<td>2,470</td>
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<tr>
<td><strong>BUDGET REQUIREMENT (Before Council Tax Freeze Grant)</strong></td>
<td><strong>17,160,160</strong></td>
<td><strong>17,129,290</strong></td>
</tr>
<tr>
<td>Council Tax Freeze Grant (14/15 freeze grant rolled into 15/16 Formula Grant)</td>
<td>(123,810)</td>
<td>(133,370)</td>
</tr>
<tr>
<td><strong>BUDGET REQUIREMENT (After Council Tax Freeze Grant, before transfer to Business Rate Equalisation Reserve)</strong></td>
<td><strong>17,036,350</strong></td>
<td><strong>16,995,920</strong></td>
</tr>
</tbody>
</table>
APPENDIX D

MEDIUM TERM FINANCIAL STRATEGY

2015/16 – 2019/20
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1 BACKGROUND

It is the Council’s key financial planning document which takes account of all the various factors and influences that may impact on the Council for the next few years. These factors include economic conditions, Government spending plans, current expenditure patterns, inflation, planned changes to service delivery, changing demand for services, the impact of new legislation, sources of income etc. It also includes an assessment of the risks faced by the Council.

The MTFS includes a forward look over the next five years to anticipate the spending pressures faced by the Council and the level of savings required to keep Council Tax increases to minimum levels possible. It provides guidance for officers in building the short, medium and longer term picture of financial requirements facing the Authority and enables financial planning to be carried out in advance to help the Authority meet future demands. Planning now to meet known changes in the future provides greater opportunity to phase in the impact of the changes. Planning for the future will mean that the Authority can ensure sufficient funds are held in balances to be in a position to react swiftly to changing demands and emergencies as priorities or policy demands changes. By anticipating the pressures at an early stage, we can plan to meet the challenges and ensure that limited financial resources are targeted to the Council’s residents’ highest priorities.

The main objectives of the MTFS are to:

- Help ensure that the Council’s financial resources are directed to support delivery of the Council’s priorities and achievement of value for money;
- Illustrate the financial effects of existing financial commitments over the medium term, both revenue and capital, and to set the parameters for the Efficiency and Savings Strategy necessary to achieve a balanced budget;
- Look ahead to the longer term to help plan sustainable services within an uncertain external economic and funding environment;
- Strengthen the Council's financial resilience and manage volatility and risk, including maintaining an adequate level of Reserves;
- Secure, maintain and develop the Council’s capital assets consistent with the Asset Management Plan;
- Maximise the Council’s rental income from Property Acquisitions and Asset Development in line with the Property Acquisition Strategy so that the Council becomes less reliant on government grants to provide its vital services;
- Provide a single document to communicate the financial context, aims and objectives to staff, partners and other stakeholders.

In February 2014, the Council agreed the medium term financial strategy based on the objectives of the Council, the latest resource projections and estimates of expenditure. This document refreshes and updates the Council’s financial strategy. The MTFS sets out
how the Council will ensure a stable and sustainable financial position to allow the Council to achieve its strategic priorities including the administration’s wish not to increase Council Tax in 2015/16. It also takes into account the significant ongoing funding reductions confirmed in the Local Government financial settlement for 2015/16 and the potential funding reductions beyond that.

The strategy highlights that the Council will continue to face ongoing reductions in funding over the medium to longer term given the current position on public finances.

The Strategy forms a key plank in the Council’s achievement of the aims set out in the Corporate Plan and individual service and performance plans. Budgets are developed alongside the service performance and efficiency agenda and monitored similarly. This document draws on the information, aims and concerns set out in these and other documents and seeks to provide a financial framework that will allow the Council to achieve its vision and strategic priorities for the longer term.

The Council continues to be committed to maximising the use of increasingly scarce resources and directing resources towards its priorities whilst keeping Council Tax at an affordable level.

The strategy covers a five-year horizon, period 2015/16 – 2019/20 and sets out the resource issues and principles that shape the Council’s budget; it identifies current issues and considers potential developments/related issues that are likely to provide the basis for future revenue and capital budgets.

The MTFS needs to be delivered during a period of considerable change and challenge. The UK economy appears to be recovering from recession with slow but sustained growth forecast over the medium term. Large scale changes in how local government is funded have been implemented including the Localisation of Council Tax support and Business Rates reform and all this is within the Government’s deficit reduction programme which has and will continue to significantly reduce funding to local government. Further changes are anticipated but specifically in relation to the Government’s Welfare Reform agenda.

Over the past five years the Council has made significant progress in the achievement of its strategic financial priorities. The Council’s underlying financial position remains strong and this has received recognition from Grant Thornton in their Annual Audit Letter, reported to the Audit & Standards Committee in January this year. In addition, the statement of accounts for 2013/14, received an unqualified External Audit opinion.

Despite these achievements, the MTFS is being produced at a challenging time for all authorities, there is little room for manoeuvre on finances and relentless delivery of savings is required to maintain financial stability. The current national economic and financial climate provides a very challenging context for the MTFS. This strategy needs to remain flexible and the Council’s Reserves sufficiently resilient to respond to the impact of volatile external factors and risk transfers from Central Government. The Council has set a balanced budget and its financial standing is sound. Savings will continue to be required in future years to maintain financial stability and the provision of services to our residents.

The Council’s MTFS once agreed is communicated to staff, partners, stakeholders, and also published on the Council’s website.
2 DELIVERING THE COUNCIL’S PRIORITIES

The Council’s Vision for 2013-18 is:

A confident and cohesive community with a thriving local economy and cherished environment served by quality public services delivered cost effectively.

The role of the Council’s financial planning process is to support the achievement of the Council's Strategic Priorities and Council Plan.

The Council has three main priorities that respond to residents’ concerns and to ensure the delivery of high quality, cost-effective services:

- A safe, caring and healthy Elmbridge
- A vibrant and thriving Elmbridge
- A unique, green and attractive Elmbridge

The Council has successfully delivered low council tax levels and high quality services, freezing Council Tax in six out of eight years.

At a time when household budgets are under pressure, Elmbridge remains committed to keeping Council Tax at an affordable level. The Administration has indicated it wishes to freeze Council Tax again for 2015/16. This will make it the seventh year out of nine.

The Council Plan can be found on http://www.elmbridge.gov.uk.
Flagship Activities for 2015/16

Flagship activities are key priorities we want to achieve this year (2015/16) to benefit the people of Elmbridge, and are clear indicators as to whether we are fulfilling our Vision and Priorities.

**Safe, Caring and Healthy Elmbridge**
- Launch a new website for improved and efficient customer service by March 2016
- Secure at least 40 new affordable homes and bring at least 50 back into use by March 2016
- Work with partners to develop a new Physical Activity Strategy by September 2015 that will reduce inactivity by 1% year on year

**Vibrant and Thriving Elmbridge**
- Support at least 50 local businesses through a training programme focussing on leadership, marketing and international trade by March 2016
- Deliver community celebrations to promote the Rugby World Cup 2015 by October 2015
- Agree the basis for the redevelopment of the Stompond Lane Sports Ground that will be in keeping with the surrounding area by March 2016

**Unique, Green and Attractive Elmbridge**
- Improve overall recycling and composting levels by 3% through high profile campaigns targeting food waste, plastics, and garden waste by March 2016
- Protect the local environment through a review of planning designations by December 2015
- Commence the redevelopment of the Waterside Drive Sports Hub by October 2015
3 OBJECTIVES OF THE FINANCIAL STRATEGY:

- Prioritise resources to align spending plans with the Council’s vision and priorities
- Maintain Council Tax as low as possible (with a further freeze in 2015/16)
- Maintain a balanced budget position, and to set a medium term financial plan maintaining and strengthening that position
- Provide a robust framework to assist the decision making process
- Undertake a prudent level of capital investment to meet the Council’s strategic priorities and remain within prudential borrowing limits
- Deliver value for money to local taxpayers
- Exercise probity, prudence and strong financial control
- Manage risk, including holding reserves as appropriate and sustainable levels of debt
- Be financially resilient by the year 2020 by reducing the reliance on Government Grants
- Actively engage local residents in the financial choices facing the Council
- Use reserves wisely for investments that will improve the financial independence and resilience of the Council

4 NATIONAL CONTEXT

The provisional Local Government Finance Settlement confirms that councils will continue to face significant spending cuts and huge financial challenges over the next few years. Savings of £2.6 bn. will need to be found from Council budgets for 2015/16. The reduction announced in the settlement brings the total reduction in core Government Funding to councils since 2010 to over 40 per cent. In reality some councils have experienced higher reductions than this. Over this period and by the end of this Parliament, councils will have made £20 bn. worth of savings. Councils have to date largely restricted the impact of the cuts on their residents. They have continued to protect those services that residents value the most but continuing reductions of the same order to the end of the decade, as set out in by the Office of Budget Responsibility and by the Institute of Fiscal Studies, are unsustainable.

The Chancellor, in his Autumn Statement, also made clear his vision to eliminate the UK’s public spending deficit in the lifetime of the next Parliament – by 2020. On the basis of the economic data released by the Office for National Statistics (ONS), which forecast tax receipts to be £24 bn. lower than previously estimated and that a further £24 bn. of spending reductions were still to be identified, some commentators forecast that 60% of public expenditure cuts are still to come.

The problems of demography and caring for an increasing elderly population are well known as are increasing costs of pensions. In addition, there are additional announcements from all parties about more finance to be put toward the National Health Service, the difficulties about making further changes in defence and the commitment to international development all mean that the bulk of the savings have to come from local government. However, further significant reductions in public spending means that 2015/16 and subsequent years will continue to be extremely challenging for the Council as an organisation. Now, more than ever, the Council needs to be clear about the strategic objectives and focus on them to guide its decision making processes.
The following graph shows the Office of Budget Responsibility’s (OBR) graph of change in public spending from 2009/10 as departmental expenditure limit (DEL) as a proportion of gross domestic product (GDP). It highlights those areas that have been protected – health, education and international development. Local government spending is included within the “other” category. The graph then forecasts the reduction in spending over the next few years with total funding reducing from £21.2 bn. to £12.6 bn, a 40% reduction. The graph makes it very clear that if those areas continue to be protected, then the pressure on other public spending, including local government, will intensify.

5 FUNDING FROM GOVERNMENT AND LOCAL CONTEXT

Details of the Council’s provisional local government grant settlement were received in December. This confirmed that grant funding will fall, on a like for like basis, by a further 15% in 2015/16. Excluding Business Rates, the Revenue Support Grant has reduced by 25% compared to a year ago. This represents an overall reduction in funding of £3.3m (50%) over 4 years (2011/15). Since 2011/12, the Council will have lost over 50% of funding from Central Government. The Council’s cautious assumptions which have been factored into the MTFS and Budget planning over the last five years have proved to be accurate.
The key financial figures in this report show:

- A further council tax freeze in 2015/16 and an underlying increase in Council Tax of 2% in subsequent years;
- A savings requirement of around £4m is identified over the next 4 years;
- Further decreases in Government grants;
- Use of the Council Tax Freeze reserve to compensate for the drop-off in the 2013/14 freeze grant;
- Interest income from Investments continues to be low with the final tranche of the high interest earning deposits now having matured during the year resulting in a drop in interest income;
- Revenue Support Grant, which now incorporates the CT support funding and freeze grants, will reduce at the same rate as the previous four years.

Achieving the targets will not be easy, given the pressure on public finances and the scale of change required. The Council will need to ensure that the following targets are achieved.

- All spending is managed well within the overall agreed budget;
- That budget reductions and efficiencies are actually realised into real financial savings;
- That the staffing levels of the Council is kept under constant review;
- That the Capital Programme is set at a prudent affordable level to achieve the Council’s priorities;
- Continue to maximise rental income from Property Investments.

Elmbridge Business Rates

The new system introduced in 2013/14 means that the Authority will retain a proportion of any additional business rate income (above inflation) collected in the Borough. The
business rate, itself, is set by the Government with regard to the change in the Retail Price Index. Due to the way the Government has set the baseline levels and spending need for individual authorities, Elmbridge Council will receive £2.113m as retained Business Rates income (Provisional Finance Settlement).

The latest indications for 2015/16 are that business rates collected are likely to increase compared to last year. This could be due to the rateable value of new developments coming onto the rating list exceeding the rateable value of premises coming off the rating list due to demolition/change from residential use.

The latest forecasts for the current year suggest a slight increase on anticipated receipts, which would create a surplus to be reported in 2014/15. It was recommended last year that a Business Rates Equalisation Reserve is set up with this surplus due to the uncertainty and volatility around Business Rates. Although the Council has successfully maintained collection rates at anticipated levels, the Business Rates System has in-built vagaries that can lead to fluctuations in the tax base which can have a significant, if often, temporary effect on receipts. On such occasions the Business Rates Reserve can be called upon if required.

**Business Rates Pooling**

The Council, along with three other Districts in Surrey and the County Council have signed up to being part of a “Business Rates Pooling”, a scheme introduced by DCLG whereby surplus Business Rates collected can be retained in the local area. The membership to the pool is only valid for one year (2015/16) and any excess Business Rates collected in excess of the figures declared at the beginning of the year, will be retained and shared by the participating authorities.

However, there is speculation that the Business Rate Pooling scheme will not survive beyond the General Election.

The Government will conduct a review of the future structure of business rates to report by The Budget of 2016.

**Impact on the Council and its Budget**

The key impacts of the national context on the Council’s Medium Term Financial Strategy are:

- The uncertainty and volatility associated with the new localised business rate scheme. A decline in major local businesses and/or a large number of successful business rate appeals could result in a fall in business rates income for the Council;
- Uncertainties around the level of future government grant support and the scale of future reductions and throughout the medium term forecast period and beyond;
- The ongoing impact of the new Council Tax support scheme on collection rates, bad debts, increased demand on the scheme and other Council services;
- The impact of major Central Government policy changes, particularly the introduction of Universal Credit, now planning to come into effect nationally for new claimants from 2014, and being phased in for existing claimants in stages until 2017;
• The impact on key income streams (Interest, Fees & Charges, Rental Income) and on the cost of the new Council Tax Support Scheme of the economic recession;
• There is a significant risk transfer from Central Government to Local Government as a result of the legislative changes;
• Central government policies, including legislative changes and the imposition of statutory targets, which may require additional requirements in areas that would not otherwise be Council priorities;
• Recent trend in inflation increases and its effect on prices;
• The impact of market forces on costs, particularly with regard to major contracts and the local employment market;
• The financial implications of technology and organisational changes arising from the electronic enablement of services;
• The raising of community expectations, leading to additional demand for services or better services.

Universal credit aims to transform the Welfare System for the better, ensuring it always pays to work, reducing fraud and error and streamlining administration. The Government estimates that up to 300,000 more people will be in work under Universal Credit. As announced by the Department for Work and Pensions (DWP) in October 2014, Universal Credit will expand nationwide through 2015/16 to all remaining job centres and local authorities. Legacy benefits will close to new claims from 2016 and the Universal Credit caseload will continue to build naturally thereafter.

The Council needs to plan over the medium term for an increase in financial risk, year on year volatility and reduced Government funding. Broad estimates of the financial impact of the Localisation of Business Rates and Council Tax Support Scheme have been built into the medium term forecast at this stage. No assessment has been made of the impact of the implementation of the Universal Credit at this time.

While we have social, environmental and economic characteristics that result in a high quality of life and opportunities for many of our residents, there are still many challenges to be addressed. Our consultation and research suggests that the main issues are remaining as:

• Continuing demand for affordable housing and the lack of this;
• Ageing population;
• High property prices;
• A need for services for young people;
• Fear of crime;
• Pockets where people feel isolated and excluded;
• Cost of living;
• Environmental protection;
• Traffic congestion;
• Impact of the Welfare Reform changes on the “working poor”.

Overall, Elmbridge is not a deprived area (7th least deprived area out of 326 authorities in the Indices of Multiple Deprivation). However, there are small pockets of deprivation within the Borough, which are particularly prominent given the prosperity of surrounding...
areas. Resources have been targeted to these areas of the Borough through specific projects such as the family support programme and Council Tax support schemes.

Resident perceptions of the services provided by the Council are measured through the Elmbridge Residents’ Panel surveys and previously through BVPI/Place Survey. Eighty-six per cent (86%) of residents said they were satisfied with the way Elmbridge run its service. Over seventy-three per cent (73%) of residents agreed that the Council provides value for money for the services for which it is responsible.

6 THE ECONOMY AND THE COUNCIL’S INVESTMENTS

An average return of 0.82% has been estimated in respect of the Council’s investments for 2014/15, which includes a 1% interest rate for new investments made during the year. In previous years, funds were placed at favourable rates, which were available at that time for money market deposits on durations of two to five years, thereby locking in favourable rates of interest. This favourable position has helped mitigate the forecast returns on variable deposits due to the current market conditions. Current market forecasts vary considerably dependent, in particular, on views taken by commentators as to uncertainties over movements in US and Euro rates, forecasts of key UK indicators (such as industrial production and consumer spending) and the containment of inflationary pressures. Estimated returns included in the budget are based on advice from the Council’s Treasury Management Advisor.

A variation in the average return of just 0.25% on new investments would have the impact of varying the level of investment income provided for within the budget by approximately £94,000. The opportunity cost of spending rather than holding funds for investment, by way of cash-backed capital receipts and revenue reserves, can be expressed as the potential loss of investment income and consequent increase in the Council’s net revenue budget at the prevailing market rate.

Investment income is a significant factor within the Council’s net budget. In the event of an adverse change in market conditions during the year, resulting in a lower level of investment income being received, funds held within the Interest Equalisation Reserve would be utilised to smooth the effect of lower than anticipated returns. In such circumstances, the Council would then need to re-evaluate its Medium Term Financial Strategy.

When opportunities were available, the Council took advantage of higher interest rates. The last of these “higher” rate investments (3.3%) is due to fall out in February 2015.

Officers, when funds are available and when market conditions allow, have made longer term investments (greater than 1 year) in particular escalating deals where the rate increases over the term of the loan. Details of the investments can be found on the Audit & Standards Committee Treasury Management reports (for example; agenda item 6, 21 January 2015 – Audit & Standards Committee).
The profile of loan redemption dates at the 2 January 2015 is shown in the following graph:

![Loan Redemption Dates @ 2 January 2015](image)

7 COUNCIL TAX POLICY

The Budget for 2015/16 has been constructed around the Administration’s wish to freeze Council Tax again for 2015/16. The Council’s approach is to deliver an affordable but realistic and prudent level of Council Tax over the period of the MTFS. The Council needs to ensure that it has adequate resources to meet its statutory and mandatory obligations and the means to deliver its priorities.

The proposed Band D Council Tax for the Elmbridge element will be maintained at £203.07, same level as 2014/15. The Council has only had two increases in the last nine years.

The Council will continue to work to ensure the right balance of Council Tax and spend is achieved over the next four year MTFS period, in accordance with its financial and service planning framework and in the context of Elmbridge’s overall priorities.

The advice of the Strategic Director as, Section 151 Officer, is that there are funding risks in accepting the freeze grants and not increasing Council Tax levels. Whilst there are difficult economic conditions and financial pressures upon many in the community, by accepting the additional grant and freezing Council Tax, it potentially creates additional pressure on future budgets. This is because the equivalent monies (net of what is subsequently incorporated into base funding) must be found from savings or additional income.

For councils looking to increase Council Tax in 2015/16 – CLG have set a cap of 2%, any increase of 2% and above will require a local referendum.

8 VALUE FOR MONEY

Elmbridge Borough Council has a strong track record of delivering savings. The Council has a strong track record of sound financial management, a view endorsed by the Audit
Commission and affirmed by the current External Auditors, Grant Thornton. Elmbridge has relatively low staffing levels and have outsourced services like Waste collection, Street Cleaning and Grounds Maintenance. In addition, there are a number of joint posts with other authorities in Surrey enabling us to deliver efficiencies. The Council continues to apply restraint over recruitment and overall staffing costs.

The Council has already achieved/identified year on year savings of £10 mn. over a 7-year period, as a result, it has been able to freeze the Council Tax in 7 out of 9 years. This equates to £134 saving per Band D Household. If the Council had not achieved this level of savings, the Council Tax would have been nearly 66% higher than its current level at £337.07 (EBC element of Band D household).

**Budget Savings 2009-2015 = £10 mn. over 7 years**

![Graph showing budget savings](image)

9 **RISK MANAGEMENT AND SENSITIVITY ANALYSIS**

Given the uncertainties of the economic environment and the national political landscape, the scale of reductions required present significant risks in delivering balanced budgets over the medium term. Key strategic risks are regularly reported to Cabinet, Audit & Standards Committee and the Council.

Since 2013/14, the balancing of the budget depends upon the Council achieving its Business Rates projections. Monitoring of Business Rates income continues to be closely monitored.

The area of the highest risk is represented by the continuing need to deliver significant reductions over the next four years.

The Council is faced with an uncertain financial climate over the medium to long term
which presents a high risk to the Authority and there remains potential for further, as yet, unrecognised risks. For this reason, a prudent approach to the level of reserves held by the Council remains sensible and necessary. The Strategic Director and Deputy CE, as the Council’s Chief Finance Officer, is required to state whether the reserves are adequate as part of the annual budget setting process.

In assessing an authority’s level of general reserves, CIPFA has identified one of the major factors is meeting possible increases in either unpredictable or demand-led expenditure. The principal assumptions made in formulating the annual budget impact not only the budget itself, but also on the level of general reserves. In this context the principal budget assumptions for 2015/16 as set out together with (as appropriate) indicators of the potential variable elements (and, therefore, of the robustness) of those assumptions should be maintained.

The principal demand-led pressures on income are in respect of housing and development activity within the Borough, reflected in income obtained from land charges search fees, planning applications and building control fees, and also in respect of off-street car parking and recycling services. In addition, as the Council continues to acquire Property Assets, any variations in rentals, including rent free periods, will need to be managed. Estimates within the budget are based on current levels of activity; a variation in activity levels of 10% would produce a variation in income, as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Impact on income due to a variation of 10% +/- in activity levels £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Charges *</td>
<td>20</td>
</tr>
<tr>
<td>Building Control *</td>
<td>N/A – if mutualised</td>
</tr>
<tr>
<td>Planning Applications</td>
<td>90</td>
</tr>
<tr>
<td>Off street Parking</td>
<td>290</td>
</tr>
<tr>
<td>Recycling Income</td>
<td>210</td>
</tr>
<tr>
<td>Other external Grant Income</td>
<td>120</td>
</tr>
<tr>
<td>Property Rental Income</td>
<td>170</td>
</tr>
<tr>
<td>Business Rates Δ</td>
<td>1,000</td>
</tr>
<tr>
<td>Revenue Support Grant</td>
<td>180</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,080</strong></td>
</tr>
</tbody>
</table>

* These services are subject to a statutory requirement to break even.
Δ Excluding the effect of the safety net

The sensitivities around changes to inflation to budgets are as follows:

- Each 1% on pay is equivalent to £125,000 across the General Fund
- Each 1% on major contract prices is equivalent to £120,000.

**Price Inflation and Pay Inflation**

Inflation on pay of 2% in 2015/16 in respect of the annual award applicable from 1 April 2015 and a provisional estimate of 2% thereafter has been provided for pay within the profile. Inflation on prices has been made in accordance with forecasts of appropriate indexations in respect of contractual commitments. Inflation on non-domestic rates has been provided in accordance with the Government’s announcement of the multiplier on rateable values effective from 1 April 2015 which has been restricted to 2%.
Sensitivity Analysis

Each budget adjustment of £100,000 will give rise to an impact on Council Tax of 0.8% or £1.64 on Band D property. In terms of council tax sensitivity, for every 1% increase in the council tax an additional £126,000 of council tax revenue is raised and therefore for every 1% variation, a budget variation of £126,000 would be required.

The Revenue Support Grant received and Business Rates retained from Central Government contributes to around a quarter of the net budget leaving the residents to meet almost three quarters of the cost of services they receive through council tax, compared to only two-fifths for London as a whole. [A variation of 1% in the level of external support would amount to £39,000 (0.3% on Council Tax)].

10 PARTNERSHIPS/CONTRACTS

Partnerships form the basis of an increasing range of the Council’s services and extend from joint activities within a loose working arrangement to complex and significant vehicles for service delivery. The Council welcomes partnerships but will always seek to ensure that:

- The governance arrangements are in place;
- The financial viability of partners is assured before committing to an agreement;
- The responsibilities and liabilities of each of the partners is clearly laid out in the partnership agreement;
- The accounting arrangements are established before any payments are made;
- The implications of the terms and conditions of any funding arrangements are considered before any monies are accepted;
- Appropriate exit strategies are in place

Re-tendered and renegotiated contracts have been included within the budget as previously agreed by the Cabinet.

During 2014/15, the Council retendered its Grounds Maintenance contract. As part of the exercise, it amalgamated a number of contracts and moved from an input based specification to an outcome based specification. As a result, the Council saved £163,000 in 2015/16 with a further £66,000 in 2016/17.

Elmbridge is one of six councils working jointly to procure a contract for waste collection, recycling, street cleaning and associated services. The new contract will be outcome based and is expected to deliver significant savings to the Council from 2017/18.

11 CONTINGENCY FUND/CORPORATE INITIATIVES BUDGET

It is good practice for an organisation to have a contingency sum within its base budget calculations. The contingency budget of £150,000 is within the base budget, which provides for resources that can be applied to issues as they arise during the year of both an ongoing or one-off nature (for example, the recent flooding). A number of issues typically arise during the budget process where the likelihood or value of resources being required is uncertain. Rather than include all of these in the draft budget and therefore
overstate the budget requirement, a contingency sum is provided for. It enables the Council to have a robust base budget without needing to fund unforeseen pressures by using or depleting the general fund balance, the Council’s ultimate financial safety net.

12 MEDIUM TERM FINANCIAL STRATEGY

Financial Context 2015/16

In 2015/16 the Council’s net revenue budget requirement to be met by council tax payers remains approximately £12.6 mn. (net of Government Grants, rental income, interest and fees & charges) as shown below:

<table>
<thead>
<tr>
<th>Revenue Budget 2015/16</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Expenditure</td>
<td>77</td>
</tr>
<tr>
<td>Less: Housing Benefit</td>
<td>(42)</td>
</tr>
<tr>
<td>Less: Capital Charges</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Gross Budget</strong></td>
<td><strong>33</strong></td>
</tr>
<tr>
<td><strong>Funded by:</strong></td>
<td></td>
</tr>
<tr>
<td>Rental income, interest, Fees &amp; Charges and other Income</td>
<td>(15)</td>
</tr>
<tr>
<td>Business Rates retained</td>
<td>(2)</td>
</tr>
<tr>
<td>Revenue Support Grant</td>
<td>(2)</td>
</tr>
<tr>
<td>Use of Reserves</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>To be met from Council Tax</strong></td>
<td><strong>13</strong></td>
</tr>
</tbody>
</table>

The Council’s 2015/16 gross expenditure budget at £77 mn. and after excluding Housing Benefit payments and Capital Charges, the gross expenditure budget is £33 mn. and is comprised as follows:
The Council’s expenditure is supported by a considerable level of Council Tax income, rental income, interest and other income as well as by Government grants and Business Rates, as shown below:

The Council’s budget position is very sensitive to changes in expenditure such as pay and contracts and to changing investment returns, fees & charges, rental income and Government Grant levels.

The 2015/16 Capital Programme of £15.6 mn. together with revenue budget, provide the resources required to meet key priorities and service delivery plans of the Council.

The Council currently generates £1.6 mn. rental income to support the revenue basic budget. In addition, interest income from our cash investments amounts to £0.5 mn. in 2014/15 (this was £2.3m in 2008/09) which also supports the revenue budget.

The key financial issues for the Council that can be drawn from this context are:

- The Council relies more on Council Tax income and other income including Business Rates combined (80%) than on Central Government grant received
- The Council has a resilient financial base that, whilst not insulating it from the impacts of public spending reductions, will enable it to continue to take a planned medium term approach to adjusting to the new public sector financial environment
- Looking ahead to future years, the Council has a ‘deficit’ as the annual budget will increase for pay and price inflation by at least £600,000 which is more than the likely growth in income, investment returns, rental income and Council Tax.
The External Auditors, in their Audit Findings report, stated:

“The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.”

The Medium Term Financial Strategy, approved by the Council in February 2014, identified continuing pressures, which would be placed on the Council’s budget in future years. The factors set out in this statement on the general reserve and robustness of budget estimates have highlighted significant elements of pressures and uncertainty. This position will continue to apply in 2015/16 and subsequent years, significant aspects of which are:

- Local Government Finance Settlement being restricted for the foreseeable future;
- Changes proposed in respect of Business Rates retention and the impact of rebasing;
- Implications of the Localisation of Council Tax benefit as local authorities are expected to absorb the costs;
- Uncertainty over levels of investment returns;
- Uncertainty over the Inflation rates;
- Impact on demand for services as a result of the economic climate and the level of unemployment;
- Demand-led pressures on both expenditure and income;
- Uncertainty over the changes proposed to the Benefit Regime;
- Implications of the Localism Act;
- Longevity of the Pension Fund deficit.

13 THE MEDIUM TERM FINANCIAL PLAN

The financial implications of the policies and assumptions identified in this document are set out in the report. This summarises the revenue budget projections over the medium term and includes the savings, increased income and spending pressure proposals reported to Cabinet.

There is no prospect for growth in our funding from Central Government, albeit funding will continue to reduce. At the same time, our population is growing and the current state of the economy means more people will need to rely on support from the Public Sector. All of this places increasing demands on a budget that is shrinking in real terms. As with any plan spanning a number of years it is only prudent to consider the associated risks. The Council, in common with most local authorities, continues to be at risk from financial pressures. They include:

- Increased pressure on Housing budgets due to lack of affordable housing;
- Impact of funding reduction for localisation of Council Tax support now that it’s included within RSG;
- Inflation differing from assumptions – services may need to be asked to in effect absorb inflation to help contribute to future years budget deficits;
- Growth and spending pressures may only be provided for uncontrollable pressures;
- Interest Rates – variations due to the economic factors;
- Changes in legislation affecting the costs of providing the services;
- Reduction in Capital Receipts without any new receipts in the near future due to the economic downturn;
- Adverse claims experience increasing insurance premiums;
- Service demands exceeding resources available;
- Sudden requirement to change policy

The trend of rising costs and decreasing funding will continue over the next few years and this creates the need for a significant strategic response, modeling the level of the projected deficit accurately is difficult and becomes increasingly so beyond 2015/16.

Predicting the severity of funding projections beyond 2015/16 also carries an element of speculation and uncertainty given the forthcoming General Election in 2015 and the uncertainty on the level of economic growth. However, it is likely that the new government will be both committed to eradicating the deficit and to protecting education and health funding, and therefore the “unprotected” departments such as local government will be expected to continue to bear the brunt of funding reductions.

In common with other local authorities in England, Elmbridge Borough Council (EBC) is faced with a reduction in funding brought about by the reduction in RSG. The grant is being reduced in annual stages until financial year 2019/20. For prudent planning purposes, EBC is assuming that RSG will have diminished at this point.

Traditionally, when faced with a reduction in revenue funding, Public Sector organisations will look to cut spending, which in reality means cutting services received by residents, unless coupled with improved services. EBC has taken a different approach to this funding decline and has adopted a policy of finding efficiencies through transforming service delivery, for example, partnership working and generating income through the introduction of a more commercial approach, in order to replace some of the lost grant. This revenue is then reinvested in the delivery of services, thereby protecting the services valued by our residents.

The Medium Term Forecast indicates that the Council faces a deficit around £4 mn. over a four-year horizon. The level of the anticipated deficit means the organisation will undergo a large degree of change over the next few years. A culture of cost consciousness has burgeoned throughout the Organisation in recent years, and this is something that will be developed even further. Linked to this, the Council will continue to explore opportunities to utilise the benefits of sharing and pooling resources with other organisations.

The Financial Plan, as part of the Medium Term Financial Strategy (MTFS) is shown over a five-year period projecting the budget up to and including 2019/20 as shown overleaf:
14 CAPITAL PROGRAMME

The Capital Programme is set in the context of the Council’s vision, its priorities and its financial resources. All new projects are assessed in terms of their contribution to the Council objectives and their priority in terms of scarce resources.

The Council reviews its capital spending plans each year and sets a three-year Capital Programme. A key consideration when setting the programme is the projected level of available capital resources and affordability, which is assessed during the budget setting process. Revenue expenditure is concerned with the day-to-day running of the services and capital expenditure is a key element in the development of the Council’s services compared with investment in the assets required to deliver services. Decisions on the Capital Programme have an impact on the revenue budget, for example, in relation to:

- The revenue cost of financing capital, including prudential borrowing
- The ongoing running costs and upkeep of assets such as buildings and car parks
The Council’s revenue and capital budgets are integrated with the financial impact of the Proposed Capital Programme, which is reflected in the revenue estimates.

The Council will only invest as long as its capital spending plans are **affordable, prudent and sustainable**. The fundamental constraint on capital investment by the Council is the scope to afford the financial implications in terms of council tax levels.

**Capital Projects/Capital Receipts**

The overall level of a fully funded capital programme for 2015/16 has been based on the position set out in reports on the 2015/16 – 2017/18 capital programme and on budget and council tax projections for 2015/16, considered by the Cabinet on this agenda. The estimated impact of financing this level of capital expenditure in accordance with the Council’s Treasury Management Strategy has been reflected in the 2015/16 base budgets, which includes the implementation of uncommitted capital projects in line with the level of provision made within the Council’s financial strategy.

In accordance with the terms of the agreement for the transfer of the Council’s housing stock to the Elmbridge Housing Trust, the Council’s share of right to buy receipts obtained in 2014/15 is receivable in April 2015.

**PWLB Certainty Rate**

A new discounted rate on loans from the Government was launched as part of the Budget announcement in March 2012. Cheaper borrowing rates are available from the Public Loans Works Board (PWLB) for councils that can provide improved information on borrowing plans.

The new “certainty rate” is 20 basis points (or 0.2%) below the PWLB’s normal rate. The objective is to afford increased spending capacity for councils who will benefit from savings accrued from preferential interest rates.

As part of the 2013/14 Capital Programme, Council approved a provisional allocation of £10 mn. per annum funded by PWLB borrowing, should the Council have a need to borrow funds for Asset Developments or property Investments in the Borough.

Having a provisional allocation in the Capital Programme will allow the Council to borrow at the discounted certainty rate, for projects such as the build of Waterside Drive, which can then be repaid when capital receipts from Stompond Lane development are received.
ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES

Statutory declarations on Robustness of Budget Estimates and Adequacy of Reserves

Section 25 of the Local Government Act 2003 requires that the Chief Financial Officer must report to the Council in two areas, namely, the:

- robustness of the estimates and that the Council must have regard to this report when the Council Tax is being set and;
- adequacy of the proposed reserves.

Robustness

The Chief Finance Officer (S151 Officer) advises that she is satisfied that the level of reserves and balances in the draft budget is adequate and that the proposed budget is robust. The budget setting process is designed to produce robust revenue budget estimates for the medium to long term.

The draft budget has been subject to considerable examination by the Council's Officers. Officers in preparing their budget proposals have considered departments’ base budgets and growth and saving proposals in detail.

- The budget and service planning cycles are in line, so that resources are now aligned with service objectives through the budget setting process;
- The revenue impact of decisions concerning capital spending is considered and incorporated in the budget proposals;
- Any known risks at 31 January 2015 are considered and appropriately budgeted for;
- The Cabinet receives and comments upon the draft budget report before the Council meets to set the budget;
- The Council’s Overview and Scrutiny function (Performance & Finance Panel) has the opportunity to consider and comment upon the budget proposals to the Council.

In order to assess the adequacy of the non-earmarked element of the general reserves when setting the budget, account must be taken of the strategic, operational and financial risks facing the Council. The risk assessment is in two parts. Firstly, an evaluation was made of the short/medium term risks to the Council, which could lead to budget overspends. Secondly, an evaluation was made of factors that could impact on the Council’s reserves over the longer term.

Elmbridge has kept within its overall budget in recent years but there have been under and overspends in individual service areas. This is crucial to protecting the financial stability of the Council. The Council’s gross revenue budget for 2015/16 is £77 mn. and it provides an extremely wide range of very different services, many of them demand-led. As a result, it faces a great variety of risks of adverse budget variations. These risks are mitigated by close budget monitoring and reporting in year to officers, Council Management Board and various committees.
Setting the level of the general reserve is one of several related decisions in the formulation of the Medium Term Financial Strategy and of the budget for a particular year. In broad terms, the annual budget is based on forecasts of pay and price changes, levels of interest rates and the quality and quantity of services to be provided. The existence of a general reserve and working balance provides for unexpected changes to those forecasts, and the provision of an appropriate level of general reserve is a fundamental part of prudent financial management over the medium term.

**Statement on Adequacy of Reserves**

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

Both the National Audit Office and the Chartered Institute of Public Finance and Accountancy have explicitly recognised that a reserves strategy is very much a local decision to meet local needs, and there is no one “size fits all” strategy which will be suitable for all councils. Uncertainties, such as the unknown impact of further changes to Welfare Reform, need to be taken into account. Delivering major structural change takes time and costs money which normally needs to be met from reserves.

The requirement for local authorities to hold financial reserves is acknowledged in statute. Reserves are one component of an authority’s medium-term financial planning – other components include revenue spending plans, income forecasts, potential liabilities, capital investment plans, borrowing and council tax levels. These decisions are inter-linked. This means that, to ensure prudent financial management, some authorities will need to maintain reserves at higher levels than others.

The effect of the cessation of the 2012/13 Council Tax Freeze Grant is mitigated by a contribution from the Council Tax Freeze Grant Reserve from 2013/14. If not for the reserve, recurring savings of £313,000 will need to be found to mitigate the drop-off in funding. To date, £626,000 has been drawn from this reserve and a further £313,000 to be used in 2015/16.

**Earmarked and Essential Reserves**

These balances are not a general resource but earmarked for specific purposes, considered essential, for example, for the following reasons:

- To provide resilience against fluctuation in Interest Rates (eg Interest Equalisation Reserve);
- To provide resilience against future risks such as government funding (eg Revenue Risk Reserves, Council Tax Freeze Reserve);
- Holding funds for further Spending plans (eg Capital Expenditure Reserve);
- For renewal of operational assets instead of funding through annual budgets, (eg Repairs & Maintenance and health and safety);
- To create policy capacity for one-off priority funding (eg Elmbridge Civic Improvement Fund);
To provide resilience against fluctuations in Business Rates (eg Business Rates Equalisation Reserve).

There is no statutory definition of a minimum level of reserves and it is for this reason that the matter falls to the judgment of the S151 officer. In coming to a judgment on this matter the S151 officer needs to take into account matters such as:

- Potential policy changes (including fiscal and service specific) following the General Election in May 2015;
- The potential for revisions to the basis of how local government is funded and the recommendations from the Independent Commission;
- Risks inherent in the Council’s Flagship projects;
- Council’s Risk Management appetite;
- Past financial performance;
- Current budget projections and the robustness of estimates contained within the budget
- Financial Management arrangements;
- Increased demand on services due to the current economic state;
- Uncertainty over the timing of interest rate rises;
- Future changes to the Welfare and Benefits regime;
- Level of savings achieved to date and the ability to continue to do so;
- Uncertainty over the longevity of some income, eg New Homes Bonus;
- Ability to continue realising Capital Receipts.

Having regard to the position outlined in this statement, and recognising in particular the need for the level of the General Fund Reserve to be sufficiently robust to be able to finance unforeseen one-off events, it is considered that the general reserve is currently set at an appropriate and adequate level. It is the view of the Section 151 Officer that the level of the General Fund Reserve should not be forecast to drop below £4 mn. throughout the period of the Council’s medium term financial strategy. The level of General Fund Reserve at £4 mn. will be 13% of gross expenditure (excluding Housing Benefits) and equates to 6.3 weeks of expenditure required to provide Council Services.

A review of the level of the major elements of earmarked reserves has been undertaken, from which it is considered that the estimated levels of those reserves are at an appropriate and adequate level especially given the current state of the economy. A schedule listing the general reserve, the earmarked reserves and the purpose for which they are held is attached at Appendix G1.
Revenue Reserves

In summary, the Council’s revenue reserves position as at 31 March 2016 is forecast to be £15.9 mn. excluding the General Fund Balance.

<table>
<thead>
<tr>
<th>Reserves held for Statutory/Legal purposes (eg: S106, Property related, Insurance)</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earmarked for Specific Purposes (eg: Interest Equalisation, Council Tax Freeze, Welfare Reform, Bequests, Property Acquisition, ECIF, Business Rates Equalisation)</td>
<td>8.0</td>
</tr>
<tr>
<td>Essential Reserves (eg: Repairs &amp; Maintenance, Revenue Contingency, Corporate Restructuring, LABGI)</td>
<td>5.4</td>
</tr>
<tr>
<td><strong>Total Revenue Reserves</strong></td>
<td><strong>15.9</strong></td>
</tr>
<tr>
<td><strong>General Fund Balance</strong></td>
<td><strong>4.0</strong></td>
</tr>
</tbody>
</table>
Treasury Management Strategy Report 2015/16

This report outlines the Council’s prudential indicators for 2015/16 – 2017/18 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:

- The reporting of the **prudential indicators** setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities - Appendix E1). The treasury management prudential indicators are now included as treasury indicators in the CIPFA Treasury Management Code of Practice;

- The Council’s **Minimum Revenue Provision (MRP) Policy**, which sets out how the Council will pay for capital assets financed from borrowing through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007 – Also Appendix E1);

- The **treasury management strategy statement** which sets out how the Council’s treasury service will support the capital decisions, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the **Authorised Limit**, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by S3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Appendix E2;

- The **investment strategy** which sets out the Council’s criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance. And is also shown in Appendix E2.

The Cabinet is recommended to approve each of the key elements of these reports and recommend these to Council:

1. **The Prudential Indicators and Limits for 2015/16 to 2017/18 contained within Appendix E1 of the report, including the Authorised Limit Prudential Indicator.**

2. **The Minimum Revenue Provision (MRP) Statement contained within Appendix E1 which sets out the Council’s policy on MRP.**

3. **The Treasury Management Strategy 2015/16 to 2017/18, and the Treasury Prudential Indicators contained within Appendix E2.**

4a. **The Investment Strategy 2015/16 contained in the treasury management strategy (Appendix E2) and the detailed criteria included in Annexe E2a and the Treasury Management Scheme of Delegation (Annexe E2c).**

4b. **The removal of the restriction on lending to other Surrey Local Authorities from the Counterparty List (Appendix E3).**
The Capital Prudential Indicators 2015/16 – 2017/18

Introduction

1. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, and reflects the outcome of the Council’s underlying capital appraisal systems. This report updates the currently approved indicators.

2. Within this overall prudential framework there is an impact on the Council’s treasury management activity – as it will directly impact on borrowing or investment activity. As a consequence the treasury management strategy for 2015/16 to 2017/18 is included as Appendix E2 to compliment these indicators. Some of the prudential indicators are shown in the treasury management strategy to aid understanding.

The Capital Expenditure Plans

3. The Council’s capital expenditure plans are summarised below and this forms the first of the prudential indicators. At some Local Authorities certain level of capital expenditure is grant supported by the Government; any decisions by the Council to spend above this level will be considered unsupported capital expenditure. This unsupported capital expenditure needs to have regard to:

- Service objectives (e.g. strategic planning);
- Stewardship of assets (e.g. asset management planning);
- Value for money (e.g. option appraisal);
- Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
- Affordability (e.g. implications for the council tax and rents);
- Practicality (e.g. the achievability of the forward plan).

4. The revenue consequences of capital expenditure, particularly the unsupported capital expenditure, will need to be paid for from the Council’s own resources.

5. This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants or revenue resources), but if these resources are insufficient any residual capital expenditure will add to the Council’s borrowing need.

6. The key risks to the Council’s plans are that the level of Government support has been estimated and is therefore subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. For instance anticipated asset sales may be postponed, or the value revised may be reduced, due to the impact of the recession on the property market.
7. The Council is asked to approve the summary capital expenditure projections below. This forms the first prudential indicator:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Capital Expenditure (Appendix H)</td>
<td>15,587</td>
<td>5,220</td>
<td>19,041</td>
<td>12,835</td>
<td>10,994</td>
</tr>
<tr>
<td><strong>Financed by:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital receipts</td>
<td>2,588</td>
<td>1,306</td>
<td>2,851</td>
<td>756</td>
<td>450</td>
</tr>
<tr>
<td>Capital grants</td>
<td>380</td>
<td>436</td>
<td>2,888</td>
<td>444</td>
<td>444</td>
</tr>
<tr>
<td>Capital reserves</td>
<td>1,444</td>
<td>1,838</td>
<td>1,792</td>
<td>1,140</td>
<td>0</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,175</td>
<td>1,640</td>
<td>1,510</td>
<td>495</td>
<td>100</td>
</tr>
<tr>
<td><strong>Net financing need for the year Δ</strong></td>
<td>10,000</td>
<td>0</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
</tbody>
</table>

Δ - The Council's Borrowing Need (the change in the Capital Financing Requirement (CFR) excluding sums set aside for redemption of debt)

The above financing need excludes other long term liabilities such as leasing arrangements which may already include borrowing instruments.

8. The second prudential indicator is the Council’s overall capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council’s underlying borrowing need. Any capital expenditure which has not immediately been paid will increase the CFR.

9. The Council is asked to approve the CFR projections below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Financing Requirement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFR</td>
<td>19,015</td>
<td>3,180</td>
<td>13,040</td>
<td>22,500</td>
<td>31,560</td>
</tr>
<tr>
<td><strong>Movement in CFR</strong></td>
<td>9,616</td>
<td>(140)</td>
<td>9,860</td>
<td>9,460</td>
<td>9,060</td>
</tr>
<tr>
<td><strong>Movement in CFR represented by</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net financing need for the year (above)</td>
<td>10,000</td>
<td>0</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Less MRP/VRP and other financing movements</td>
<td>(384)</td>
<td>(140)</td>
<td>(140)</td>
<td>(540)</td>
<td>(940)</td>
</tr>
<tr>
<td><strong>Movement in CFR</strong></td>
<td>9,616</td>
<td>(140)</td>
<td>9,860</td>
<td>9,460</td>
<td>9,060</td>
</tr>
</tbody>
</table>

The Council has no PFI schemes. However, if it were to enter any schemes in the future any long term liability would be included in the CFR.

Under International Accounting Standards, the vehicles used in the waste contract with Veolia are deemed to have been acquired by the Council under a finance lease (an embedded lease) and therefore technically increase the Council’s CFR. The above projection for CFR specifically excludes this embedded lease.

10. The Council is required to pay off an element of the accumulated General Fund capital spend each year (CFR) through a revenue charge known as the Minimum Revenue Provision (MRP), although it is also allowed to undertake additional voluntary payments (VRP).
11. CLG Regulations have been issued which require full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

**MRP Statement**

12. Whilst the Prudential Code provides an opportunity to finance capital expenditure from borrowing, the affordability of doing so is related to the impact of both the Minimum Revenue Provision (MRP) and interest payable on the annual revenue account, both of which are a charge to that account. Regulation 28 of the 2003 Regulations (as amended by regulation 4 of the 2008 Regulations) requires a local authority to calculate for the current financial year an amount of minimum revenue provision which it considers to be prudent. The Secretary of State recommends that, for the purposes of regulations 28, the prudent amount of provision should be determined with the broad aim of ensuring that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits. In order to achieve this aim, the Council will determine the MRP for each year by what is termed an **Asset Life method**, summarised as follows:

Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be made in equal annual instalments over the life of the asset, in accordance with the following formula:

\[
\frac{A - B}{C}
\]

where:

- **A** is the amount of the capital expenditure in respect of the asset financed by borrowing or credit arrangements
- **B** is the total provision made before the current financial year in respect of that expenditure
- **C** is the inclusive number of financial years from the current year to that in which the estimated life of the asset expires.

**Commencement of provision.** MRP should normally commence in the financial year following the one in which the expenditure was incurred.

**Asset Life.** The estimated life of the asset should be determined in the year that MRP commences and not subsequently be revised.

**Freehold land.** If no life can reasonably be attributed to an asset, such as freehold land, the life should be taken to be a maximum of 50 years. However, in the case of freehold land on which a building or other structure is constructed, the life of the land may be treated as equal to that of the structure, where this would exceed 50 years.

**Construction period.** When borrowing to construct an asset, the authority may treat the asset life as commencing in the year in which the asset first becomes operational. It may accordingly postpone beginning to make MRP until that year. “Operational” here has its standard accounting definition, the construction period ends and they are regarded as becoming operational when they begin to generate revenues.

**Embedded Leases.** Under International Accounting Standards, where a contract includes the use of assets that are consumed over the life of the contract, those assets are deemed to have been acquired by the Council under a finance lease. As such, an element of the contract price has to be treated in the accounts as Minimum Revenue Repayment and Interest.
The Use of the Council’s Resources and the Investment Position

13. The application of resources (capital receipts, reserves, capital grants) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (for example, asset sales). Detailed below are estimates of the year-end balances for each resource.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund balance</td>
<td>(4,000)</td>
<td>(4,000)</td>
<td>(4,000)</td>
<td>(4,000)</td>
<td>(4,000)</td>
</tr>
<tr>
<td>Capital receipts balance*</td>
<td>(6,660)</td>
<td>(7,569)</td>
<td>(6,204)</td>
<td>(7,614)</td>
<td>(7,414)</td>
</tr>
<tr>
<td>Earmarked reserves</td>
<td>(14,925)</td>
<td>(17,211)</td>
<td>(15,947)</td>
<td>(16,739)</td>
<td>(15,226)</td>
</tr>
<tr>
<td>Capital Grants Unapplied</td>
<td>(2,562)</td>
<td>(4,689)</td>
<td>(2,918)</td>
<td>(1,778)</td>
<td>(1,778)</td>
</tr>
<tr>
<td>CIL Grants Unapplied</td>
<td>0</td>
<td>(4,041)</td>
<td>(2,826)</td>
<td>(4,122)</td>
<td>(5,417)</td>
</tr>
<tr>
<td><strong>Total Core Funds</strong></td>
<td><strong>(28,147)</strong></td>
<td><strong>(37,510)</strong></td>
<td><strong>(31,895)</strong></td>
<td><strong>(34,253)</strong></td>
<td><strong>(33,835)</strong></td>
</tr>
<tr>
<td>Working Capital**</td>
<td>(5,000)</td>
<td>(10,000)</td>
<td>(10,000)</td>
<td>(10,000)</td>
<td>(10,000)</td>
</tr>
</tbody>
</table>

* Capital Receipts from the sale of Stompond Lane are not included.
** Working capital balances (cash flow including the collection fund) shown are year-end estimates; these will fluctuate during the year.

Affordability Prudential Indicators

14. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council’s overall finances. The Council is asked to approve the following indicators:

15. **Actual and Estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream, eg (Cost of Borrowing less Investment Income/Net Expenditure)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>(3.3)</td>
<td>(3.5)</td>
<td>(4.2)</td>
<td>(2.5)</td>
<td>(4.5)</td>
</tr>
</tbody>
</table>

16. The estimates of financing costs include current commitments and the proposals in this budget report.

17. **Estimates of the incremental impact of capital investment decisions on the Council Tax** – This indicator identifies the revenue costs associated with *proposed changes* to the capital programme recommended in this budget report compared to the Council’s existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published for the three-year period.
18. **Incremental impact of capital investment decisions on the Band D Council Tax**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Council Tax - Band D</strong></td>
<td>(20.35)</td>
<td>0.86</td>
<td>1.03</td>
<td>(0.29)</td>
<td>(2.08)</td>
<td></td>
</tr>
</tbody>
</table>

This includes the impact of the £10,000,000 for potential asset investment included within the capital programme.
Treasury Management Strategy 2015/16 – 2017/18

1. The treasury management service is an important part of the overall financial management of the Council’s affairs. The prudential indicators consider the affordability and impact of capital expenditure decisions, and set out the Council’s overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process, which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992.

2. The Council’s treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management in February 2010.

3. As a result of adopting the Code the Council also adopted a Treasury Management Policy Statement. This adoption is the requirements of one of the prudential indicators.

4. The policy requires an annual strategy to be reported to the Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year, and the Code of Practice requires a mid-year monitoring report.

5. This strategy covers:
   - The Council’s debt and investment projections;
   - The Council’s estimates and limits on future debt levels;
   - The expected movement in interest rates;
   - The Council’s borrowing and investment strategies;
   - Treasury performance indicators;
   - Specific limits on treasury activities;
   - Any local treasury issues.

Debt and Investment Projections 2015/16 – 2017/18

6. The Council’s treasury portfolio position at 31 March 2015, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.
The Capital Financing Requirement

The over borrowing shown is as a result of setting aside funds to repay a £1.5m PWLB Loan which, due to adverse market conditions, is yet to be repaid.

7. The related impact of the above movements on the revenue budget are:

<table>
<thead>
<tr>
<th>£’000</th>
<th>2014/15 Revised</th>
<th>2015/16 Estimated</th>
<th>2016/17 Estimated</th>
<th>2017/18 Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Budgets</td>
<td>Interest on Borrowing</td>
<td>158</td>
<td>157</td>
<td>444</td>
</tr>
<tr>
<td></td>
<td>Principal</td>
<td>140</td>
<td>140</td>
<td>540</td>
</tr>
<tr>
<td></td>
<td>General Fund Borrowing Costs</td>
<td>298</td>
<td>297</td>
<td>984</td>
</tr>
<tr>
<td></td>
<td>Investment Income</td>
<td>(626)</td>
<td>(725)</td>
<td>(850)</td>
</tr>
</tbody>
</table>

Limits to Borrowing Activity

8. Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits. The first of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

9. The Strategic Director & Deputy Chief Executive reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report. The former net debt indicator below has been retained for Members’ information.
10. The Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

<table>
<thead>
<tr>
<th>Operational Boundary £’000</th>
<th>2014/15 Revised</th>
<th>2015/16 Estimate</th>
<th>2016/17 Estimate</th>
<th>2017/18 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>5,000</td>
<td>15,000</td>
<td>24,000</td>
<td>33,000</td>
</tr>
<tr>
<td>Other Long Term liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>5,000</td>
<td>15,000</td>
<td>24,000</td>
<td>33,000</td>
</tr>
</tbody>
</table>

11. The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

12. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils’ plans, or those of a specific council, although no control has yet been exercised.

13. The Council is asked to approve the following Authorised Limit:

<table>
<thead>
<tr>
<th>Authorised limit £’000</th>
<th>2014/15 Revised</th>
<th>2015/16 Estimate</th>
<th>2016/17 Estimate</th>
<th>2017/18 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing</td>
<td>7,500</td>
<td>17,500</td>
<td>26,500</td>
<td>35,500</td>
</tr>
<tr>
<td>Other long term liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>7,500</td>
<td>17,500</td>
<td>26,500</td>
<td>35,500</td>
</tr>
</tbody>
</table>

Under International Accounting Standards, the vehicles used in the waste contract with Veolia are deemed to have been acquired by the Council under a finance lease. Technically, part of the future contract price relates to finance repayments. The above authorised limit specifically excludes embedded lease implications. If included, this would be shown under “other long term liabilities”.

14. The Authorised Limit also allows for any potential overdraft position as this will be counted against the overall borrowing and short-term borrowing from the market should a need arise.

15. Borrowing in advance of need – The Council has some flexibility to borrow funds this year for use in future years. The Strategic Director & Deputy Chief Executive, in consultation with the Portfolio Holder for Resources, may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Strategic Director & Deputy Chief Executive will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Borrowing in advance will be made within the constraints that:
• It will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the three year planning period; and

• Would not normally look to borrow more than 12 months in advance of need.

16. Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism.

**Expected Movement in Interest Rates**

**Medium-Term Rate Estimates (averages)**

The following table gives the Capita central view:

<table>
<thead>
<tr>
<th>Annual Average %</th>
<th>Bank Rate</th>
<th>Money Rates (LIBID)</th>
<th>PWLB Rates (or successor organisation)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3 months</td>
<td>1 year</td>
<td>5 years</td>
</tr>
<tr>
<td>Mar 2015</td>
<td>0.50</td>
<td>0.50</td>
<td>0.90</td>
</tr>
<tr>
<td>June 2015</td>
<td>0.50</td>
<td>0.50</td>
<td>1.00</td>
</tr>
<tr>
<td>Sept 2015</td>
<td>0.50</td>
<td>0.60</td>
<td>1.10</td>
</tr>
<tr>
<td>Dec 2015</td>
<td>0.75</td>
<td>0.80</td>
<td>1.30</td>
</tr>
<tr>
<td>Mar 2016</td>
<td>0.75</td>
<td>0.90</td>
<td>1.40</td>
</tr>
<tr>
<td>June 2016</td>
<td>1.00</td>
<td>1.10</td>
<td>1.50</td>
</tr>
<tr>
<td>Sept 2016</td>
<td>1.00</td>
<td>1.10</td>
<td>1.60</td>
</tr>
<tr>
<td>Dec 2016</td>
<td>1.25</td>
<td>1.30</td>
<td>1.80</td>
</tr>
<tr>
<td>Mar 2017</td>
<td>1.25</td>
<td>1.40</td>
<td>1.90</td>
</tr>
<tr>
<td>June 2017</td>
<td>1.50</td>
<td>1.50</td>
<td>2.00</td>
</tr>
<tr>
<td>Sept 2017</td>
<td>1.75</td>
<td>1.80</td>
<td>2.30</td>
</tr>
<tr>
<td>Dec 2017</td>
<td>1.75</td>
<td>1.90</td>
<td>2.40</td>
</tr>
<tr>
<td>Mar 2018</td>
<td>2.00</td>
<td>2.10</td>
<td>2.60</td>
</tr>
</tbody>
</table>

17. The outlook for interest rates remains uncertain, particularly the timing of the next increase in the Bank Base Rate, as set by the Bank of England’s Monetary Policy Committee at its monthly meetings. The rate has remained at an historical low of 0.50% since March 2009, with speculation continuing as to the timing of the next movement, expected to be a 0.25% increase.

With oil prices continuing to fall, weak economic growth in the Eurozone, slowing economies in China and other developing nations, and Japan heading back into recession, the global outlook suggests a continuing slowdown in world economies. The combination of these and other factors has lowered expectations of an early movement in rates.

In the UK, which has out-performed many other nations, economic growth in excess of 2% has been forecast for both 2014 and 2015. During 2014, unemployment has been falling whilst wage growth has been minimal, although tax revenues have not been boosted by the increased numbers in employment, therefore future governments are expected to impose further austerity measures in order to reduce government borrowing and the country’s deficit. Inflation remains low, with the CPI rate for December at an historic low of 0.5%, and expected to fall further in the coming months, as the oil price continues to drop, before eventually picking up towards the government’s target rate of 2%. Capita’s most recent interest rate forecast is for the first 0.25% rise in Base Rate to occur in the fourth quarter of 2015, followed by further 0.25% increases during 2016 and 2017, reaching 2.00% by March 2018.

The Council is currently maintaining an over-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has been fully funded. This is due to £1,500,000 of capital receipts which have been set aside to repay the Public Works Loan Board (or successor organisation) maturity loan.

A provisional capital allocation has been included in the 2015/16 to 2017/18 Capital Programme for potential Asset Investment to give the Council the ability to obtain future loans from the Public Works Loan Board (or successor organisation) at preferential interest rates (0.2% below normal rates – the certainty rate). Borrowing will only be undertaken if required to fund investment, or asset development opportunities as they arise and will be subject to consideration of a business case then approved by Council on an individual proposal basis.

Investment Strategy 2015/16 – 2017/18

19. Key Objectives – The Council’s investment strategy primary objectives are safeguarding the re-payment of the principal and interest of its investments on time first and ensuring adequate liquidity second – the investment return being a third objective. Following the economic background above, the current investment climate has one over-riding risk consideration that of counterparty security risk. As a result of these underlying concerns officers are implementing an operational investment strategy which retains tight controls which are already in place in the approved investment strategy.

20. Risk Benchmarking – A development in the revised Codes and the CLG Investment Guidance is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are requirements, although the application of these is more subjective in nature. Additional background in the approach taken is attached at Appendix E2.

21. These benchmarks are simple guides (to minimise risk) and so may be exceeded from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. If the benchmarks are exceeded, this will be reported, with supporting reasons in the Mid-Year or Annual Report.

22. Security – The Council’s maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:
   - 0.25% historic risk of default when compared to the whole portfolio.

23. Liquidity Management

The Council monitors cash flow to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, minimising the risk of the Council being forced to borrow on unfavourable terms to meet its short-term financial commitments.

Limits on long-term investments are set by reference to the Council’s medium-term financial plan and cash flow forecast.
   - Maximum at anytime bank overdraft - £100,000.
   - Liquid short-term deposits of at least £2m available with a week’s notice.
- Weighted Average Life benchmark is expected to be 2.0 years, with a maximum of 3.0 years.
- Core investments are defined as the anticipated sums invested at the end of the financial year.
- A core investment balance of approximately £50 million, although this amount may fluctuate due to cash flow reasons.
- Non-core investments may not have a final maturity date of more than 365 days.
- No more than 50% of core investments should have a remaining maturity date of more than 3 years at any one time.
- The Council will be able to allocate 100% of its investments to non-specified instruments.

24. **Yield** - Local measures of the yield benchmarks for Investments is the rate of returns above the 7 day LIBID rate.

25. In addition, the security benchmark for each individual year is:

<table>
<thead>
<tr>
<th></th>
<th>1 year</th>
<th>2 years</th>
<th>3 years</th>
<th>4 years</th>
<th>5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum</td>
<td>0.15%</td>
<td>0.30%</td>
<td>0.50%</td>
<td>0.75%</td>
<td>1.00%</td>
</tr>
</tbody>
</table>

Note: This benchmark is an average risk of default measure, and does not constitute an expectation of a loss against a particular investment. (See Appendix E2).

26. **Investment Counterparty Selection Criteria** - The primary principle governing the Council’s investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council’s prudential indicators covering the maximum principal sums invested.

27. A copy of the 2015/16, counterparty list is attached at Appendix E3. The changes proposed from the 2014/15 list are:

- The removal of the Cooperative bank, which is currently suspended;
- The upgrade of Bank of Scotland from D+ to C-

In addition, subject to Members’ approval, to remove the restriction of not lending to other Surrey Local Authorities.

The criteria is different from Specified and Non-Specified investments as it provides an overall pool of counterparties considered high quality which the Council may use rather than defining investments.

28. The rating criteria use the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Council’s minimum criteria will apply to the lowest available rating for any institution. For instance if
an institution is rated by two agencies, one meets the Council’s criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2011 and the CIPFA Treasury Management Code of Practice.

29. Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

30. At 31 March 2014 the Government held an element of shares in RBS (80% total share capital) and Lloyds (25% - although another 15% of total share capital in Lloyds may be sold by 30 June 2015). Our advisers are keeping the credit market and these two banks under continual review against an uncertain backdrop. All western banks are being regulated so that they become stronger institutions going forward and are less likely to fail, indicating an upgrading of their credit ratings. At the same time, as this process comes to completion, the UK and most Western governments are likely to indicate an unwillingness to bail out banks in the future, potentially indicating a downward movement in ratings. However, the latter part of the process is unlikely in the near term. Over time, and as further details emerge, the ratings and investment criteria may change and will be reported to Council in future reports.

31. The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:

   a. **Banks 1 - Good Credit Quality** – the Council will only use banks which:
      
      are UK clearing banks or UK subsidiaries of major overseas banks

      And have, as a minimum, the following Fitch, Moody’s and Standard and Poors credit ratings (where rated):

      i. Short Term – *(Fitch F1, Moody’s P-1, S & P A-1)*
      ii. Long Term – *(Fitch A, Moody’s A2, S & P A)*
      iii. Individual / Financial Strength – *(Moody’s C-)*
      iv. Support – 1 *(Fitch only)*

   - **Banks 2** – The Council’s own banker, if it falls below the above criteria excluding iv (above), support, although in this case balances will be minimised in both monetary size and time.

   - **Banks 3** – UK Banks and their subsidiaries where the UK Government has a controlling interest.

   - Building Societies – the Council will use all rated Societies which have Moody’s Financial Strength rating of C- or above, and all non-credit rated Societies with assets exceeding £350 million

   - UK Government *(including gilts and the Debt Management Account Deposit Facility)*
- Local authorities, Police and Fire authorities.
- Specified money market funds.

A limit of 100% will be applied to the use of Non-Specified investments.

32. **Country and Capita considerations** – Due care will be taken to consider the country, group and Capita exposure of the Council’s investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:

- no more than 0% will be placed with any non-UK country at any time;
- limits in place above will apply to Group companies; and
- Capita limits will be monitored regularly for appropriateness.

33. **Use of additional information other than credit ratings** – Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

34. **Time and Monetary Limits applying to Investments** – The time and monetary limits for institutions on the Council’s Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

<table>
<thead>
<tr>
<th>Category</th>
<th>Fitch (or equivalent)</th>
<th>Money Limit</th>
<th>Time Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Short Term</td>
<td>Long Term</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>F1</td>
<td>A</td>
<td>£15m</td>
</tr>
<tr>
<td>2</td>
<td>-</td>
<td>-</td>
<td>£0.5m</td>
</tr>
<tr>
<td>3</td>
<td>F1</td>
<td>A</td>
<td>£10m</td>
</tr>
<tr>
<td>4</td>
<td>F2</td>
<td>BBB+</td>
<td>£5m</td>
</tr>
<tr>
<td>5</td>
<td>-</td>
<td>-</td>
<td>£1m</td>
</tr>
<tr>
<td>6</td>
<td>F1</td>
<td>A</td>
<td>£20m in group</td>
</tr>
<tr>
<td>7</td>
<td>-</td>
<td>-</td>
<td>£5m</td>
</tr>
<tr>
<td>8</td>
<td>F1</td>
<td>AAA</td>
<td>£3m in group</td>
</tr>
</tbody>
</table>

Due to the issues with the Council’s banker, the Co-operative Bank plc, the Council is no longer using the Co-operative Bank’s treasury function to invest surplus funds and instead places surplus funds in the Santander Call Account. The current aim of the treasury function is to keep the aggregate balance on all the accounts of the authority with the Co-operative Bank at an overdrawn position, thereby maximising alternative investment opportunities and reducing the risk of financial loss should the Co-operative Bank run into difficulties. Although the Council continues to take prudent action to protect tax-payers funds, it should not be seen as a direct reflection on the financial stability of the Co-
operative Bank. From the 1 April 2015 the Council’s bankers will be Lloyds and surplus funds will also be held in the Lloyds Call Account.

**Investment Limits**

The Council sets additional criteria to cover the amount of monies which will be invested with individual bodies referred to above. These are shown in the table below, applicable with effect from 1 April 2015.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Category</th>
<th>Maximum Loan £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major UK Clearing Banks and Subsidiaries</td>
<td>1</td>
<td>15(1)</td>
</tr>
<tr>
<td>Co-operative Bank</td>
<td>2</td>
<td>0.5</td>
</tr>
<tr>
<td>UK Bank Subsidiaries of overseas banks</td>
<td>6</td>
<td>20(2)</td>
</tr>
<tr>
<td>Nationwide Building Society</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Yorkshire, Coventry, Leeds and Nottingham Building Societies</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Non-credit rated building societies</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Other local authorities</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Money Market Funds – Prime Rate Sterling/Ignis Sterling</td>
<td>8</td>
<td>2(3)</td>
</tr>
</tbody>
</table>

(1) Per Clearing Bank   (2) Within the Category   (3) £3m in the group

The current institutions approved for the purpose of lending the Council’s internally managed surplus cash are detailed at Appendix E3.

35. For completeness the criteria for defining Specified and Non-Specified investments are shown in Annex J2a.

36. In the normal course of the council’s cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short-term investments.

37. The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-Specified investment category. These instruments will only be used where the Council’s liquidity requirements are safeguarded. This will also be limited by the longer-term investment limits.

38. **Economic Investment Considerations** - Expectations on shorter-term interest rates, on which investment decisions are based, show it is likely the current Bank Rate (0.5%) will continue to remain flat, with the possibility of a rise during the final quarter of 2015. The Council’s investment decisions are based on comparisons between the rises priced into market rates compared with the advice provided by the Council’s Treasury Management advisors (CAPITA).

39. The criteria for choosing counterparties set out above provide a sound approach to investment given the current market conditions. Whilst Members are asked to approve this base criteria above the Strategic Director & Deputy Chief Executive may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to “normal” conditions. Similarly the time periods for investments will be restricted.
40. Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMDAF – a Government body which accepts local authority deposits), Money Market Funds, guaranteed deposit facilities and strongly rated institutions offered support by the UK Government.

**Sensitivity to Interest Rate Movements**

41. The Council accounts require disclosure of the impact of risks on the Council’s treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. That element of the debt and investment portfolios, which are of a longer-term, fixed interest rate nature will not be affected by interest rate changes.

<table>
<thead>
<tr>
<th>£'000</th>
<th>2015/16 Estimated + 1%</th>
<th>2015/16 Estimated - 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Budgets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on Borrowing</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net General Fund Borrowing Cost</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment income</td>
<td>431</td>
<td>(431)</td>
</tr>
</tbody>
</table>

**Treasury Management Limits on Activity**

42. There are four further treasury activity limits, which were previously prudential indicators. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure – This identifies a maximum limit for variable interest rates based upon the debt position net of investments.

- Upper limits on fixed interest rate exposure.

- Maturity structures of borrowing – These gross limits are set to reduce the Council’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

- Total principal funds invested for greater than 364 days – These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.
43. The Council is asked to approve the limits:

<table>
<thead>
<tr>
<th>Interest rate Exposures</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Limits on fixed interest rates based on net debt</td>
<td>Upper (65,000)</td>
<td>Upper (55,000)</td>
<td>Upper (45,000)</td>
</tr>
<tr>
<td>Limits on variable interest rates based on net debt</td>
<td>(4,000)</td>
<td>(4,000)</td>
<td>(4,000)</td>
</tr>
</tbody>
</table>

### Limits on fixed interest rates:
- **Debt only**
  - Upper (15,000)
- **Investments only**
  - Upper (80,000)

### Limits on variable interest rates:
- **Debt only**
  - Upper (1,000)
- **Investments only**
  - Upper (5,000)

Maximum principal sums invested > 364 days
- Principal sums invested > 364 days: 25,000, 25,000, 25,000

**Maturity Structure of fixed interest rate borrowing 2015/16**

<table>
<thead>
<tr>
<th>Lower (%)</th>
<th>Upper (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 12 months</td>
<td>3.0</td>
</tr>
<tr>
<td>12 months to 2 years</td>
<td>6.0</td>
</tr>
<tr>
<td>2 years to 5 years</td>
<td>9.0</td>
</tr>
<tr>
<td>5 years to 10 years</td>
<td>15.0</td>
</tr>
<tr>
<td>10 years and above</td>
<td>67.0</td>
</tr>
</tbody>
</table>

**Performance Indicators**

44. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- **Debt/Borrowing** - Average rate of borrowing for the year compared to average available
- **Debt** – Average rate movement year on year
- **Investments** – Internal returns above the 7 day LIBID rate

The results of these indicators will be reported in the Treasury Annual Report.

**Treasury Management Advisers**

45. The Council uses Capita as its treasury management consultants. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies;
The estimates for 2015/16 include a budget of £8,000 for Treasury Management Advisors. In 2011, the Council’s contract for the provision of investment advice was awarded to Capita. The contract ran for 3 years to the end of 2014 and has an optional 2-year extension, which the Council has exercised. This service is subject to regular review.

46. Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council.

Member and Officer Training

47. The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training programme for Members and Officers. A specific training session for Members was held in September 2014 and there will be annual training sessions with the next training planned for September 2015.

48. The needs of the Council’s treasury management staff for training in investment management are assessed annually as part of the staff appraisals process, and additionally when the responsibilities of individual members of staff change.
Treasury Management Practice (TMP) 1 – Credit and Counterparty Risk Management

CLG issued Investment Guidance in 2010 and this forms the structure of the Council’s policy below.

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Capital Guidance Notes. This Council adopted the Code of Practice at the Council meeting on 24 February 2010 and will apply its principles to all investment activity. In accordance with the Code, the Strategic Director & Deputy Chief Executive has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

Annual Investment Strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy Guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified Investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
2. Supranational bonds of less than one year’s duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 7 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor’s, Moody’s or Fitch rating agencies.
5. For category 5 this covers bodies with a minimum short term rating of AAA (or the equivalent) as rated by Standard and Poor’s, Moody’s or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies.
**Non-Specified Investments** – Non-Specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-Specified investments would include any sterling investments with:

<table>
<thead>
<tr>
<th>Non-Specified Investment Category</th>
<th>Limit (£ or %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. <strong>Supranational Bonds greater than 1 year to maturity</strong>&lt;br&gt;</td>
<td>£NIL</td>
</tr>
<tr>
<td>(a) <strong>Multilateral development bank bonds</strong> - These are bonds defined as an international financial institution having as one of its objectives economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).&lt;br&gt;</td>
<td></td>
</tr>
<tr>
<td>(b) <strong>A financial institution that is guaranteed by the United Kingdom Government</strong> (e.g. The Guaranteed Export Finance Company {GEFCO})&lt;br&gt;</td>
<td></td>
</tr>
<tr>
<td>The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt-edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</td>
<td></td>
</tr>
<tr>
<td>b. <strong>Gilt edged securities</strong> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</td>
<td>£NIL</td>
</tr>
<tr>
<td>c. <strong>The Council’s own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible. Subject to an improvement in the Co-operative’s financial ratings.</strong></td>
<td>£15m</td>
</tr>
<tr>
<td>d. <strong>Building societies not meeting the basic security requirements under the specified investments.</strong> The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings.</td>
<td>£1m</td>
</tr>
<tr>
<td>e. Any <strong>bank or building society</strong> that has a minimum long term credit rating of A+, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</td>
<td>£15m</td>
</tr>
<tr>
<td>f. <strong>Share capital or loan capital</strong> in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. There is a higher risk of loss with these types of instruments.</td>
<td>£NIL</td>
</tr>
<tr>
<td>g. <strong>Pooled property or bond funds</strong> – The use of these instruments will normally be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. The key exception to this is an investment in the CCLA Local Authorities Property Fund.</td>
<td>£NIL</td>
</tr>
</tbody>
</table>
**The Monitoring of Investment Counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Strategic Director & Deputy Chief Executive, and if required, new counterparties which meet the criteria will be added to the list, subject to the appropriate approval.
Security, Liquidity and Yield Benchmarking

Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service

A proposed development for Member reporting is the consideration and approval of security and liquidity benchmarks.

These benchmarks are targets and so may be breached from time to time. Any breach will be reported, with supporting reasons in the Annual Treasury Report.

Yield – These benchmarks are currently widely used to assess investment performance. Local measures of yield benchmarks are:

- Investments – Returns above the 7 day LIBID rate.

Security and liquidity benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators. Proposed benchmarks for the cash type investments are below and these will form the basis of future reporting in this area. In the other investment categories appropriate benchmarks will be used where available.

Liquidity – This is defined as “having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives” (CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:

- Bank overdraft - £100,000.
- Liquid short-term deposits of at least £2.0m available with a week’s notice.

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – shorter WAL would generally embody less risk. In this respect the proposed benchmark is to be used:

- WAL benchmark is expected to be 2.0 years, with a maximum of 3.0 years.

Security of the investments – In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody’s and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council’s investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch long term rating category over the period 1990 to 2013.

<table>
<thead>
<tr>
<th>Long term rating</th>
<th>1 year</th>
<th>2 years</th>
<th>3 years</th>
<th>4 years</th>
<th>5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>0.00%</td>
<td>0.02%</td>
<td>0.06%</td>
<td>0.09%</td>
<td>0.13%</td>
</tr>
<tr>
<td>AA</td>
<td>0.02%</td>
<td>0.04%</td>
<td>0.14%</td>
<td>0.27%</td>
<td>0.38%</td>
</tr>
<tr>
<td>A</td>
<td>0.09%</td>
<td>0.24%</td>
<td>0.43%</td>
<td>0.61%</td>
<td>0.86%</td>
</tr>
<tr>
<td>BBB</td>
<td>0.20%</td>
<td>0.59%</td>
<td>1.02%</td>
<td>1.52%</td>
<td>2.00%</td>
</tr>
</tbody>
</table>
The Council’s minimum long term rating criteria is currently “A”, meaning the average expectation of default for a one year investment in a counterparty with “A” long term rating would be 0.09% of the total investment (e.g. for a £1m investment the average loss would be £900). This is only an average – if there is any specific counterparty loss the amount is likely to be higher - but these figures are used as a proxy benchmark to establish the risk across the portfolio.

The Council’s maximum security risk benchmark for the whole portfolio, when compared to these historic default tables, is:

- 0.25% historic risk of default when compared to the whole portfolio.

In addition, the security benchmark for each individual year is:

<table>
<thead>
<tr>
<th></th>
<th>1 year</th>
<th>2 years</th>
<th>3 years</th>
<th>4 years</th>
<th>5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum</td>
<td>0.15%</td>
<td>0.30%</td>
<td>0.50%</td>
<td>0.75%</td>
<td>1.00%</td>
</tr>
</tbody>
</table>

These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and regularly reported to Members (Audit & Standards Committee) and in the Investment Annual Report. As this data is collated, trends and analysis will be reported. Where a counterparty is not credit rated a proxy rating will be applied.
Treasury Management Scheme of Delegation

(i) Cabinet/Council

- receiving and reviewing reports on treasury management policies and practice;
- approval of annual strategy;
- budget consideration and approval;
- approval of/amendments to the organisation’s adopted clauses, treasury management policy statement and treasury management practices;
- approval of the division of responsibilities, and scheme of delegation.

(ii) Audit & Standards Committee

- reviewing the treasury management policy and procedures and making recommendations to Cabinet or Council;
- receiving and reviewing regular monitoring and activity reports;
- receiving and reviewing the mid-year and the full year activity reports.

(iii) The S151 (responsible) officer

- approving the selection of external service providers and agreeing terms of appointment;
- recommending the appointment of external service providers;
- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting treasury management policy reports;
- Submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- making changes/amendments to the Council’s counterparty list providing they are within the overall approved counterparty criteria;
- placing investments for periods of greater than one year to maturity;
- ensuring the adequacy of internal audit, and liaising with external audit on Treasury Management;
- to authorise borrowing as and when the need arises in accordance with the Treasury Management Strategy.
Moody’s financial strength credit ratings shown in brackets.

1. **MAJOR UK CLEARING BANKS and SUBSIDIARIES** (£15m max. per Clearing Bank), including those in which the UK Government has a controlling interest
   - Barclays Bank plc (C-)
   - HSBC Bank plc (C)
   - Lloyds Banking Group (UK Government controlling interest)
     - Lloyds TSB Bank (C-) (UK Government controlling interest)
     - Bank of Scotland (C-) (UK Government controlling interest)
   - Royal Bank of Scotland (D+) (UK Government controlling interest)

2. **UK BANK SUBSIDIARIES OF MAJOR OVERSEAS BANKS** (£20m within category)
   - Santander UK plc (C-) - owned by Banco Santander
   - Clydesdale Bank (D+) - owned by National Australia Bank - currently suspended

3. **BUILDING SOCIETIES**
   - Societies in top ten with credit ratings which meet our criteria
     - Nationwide (C) (ranked no. 1 by asset size) – investment limit £10 million
     - Yorkshire (C-) (ranked no. 2) – investment limit £5 million
     - Coventry (C) (ranked no. 3) – investment limit £5 million
     - Leeds (C) (ranked no. 5) – investment limit £5 million
     - Nottingham (C-) (ranked no. 9) – investment limit £5 million

   Building Societies by asset size with no credit rating
   - Asset size exceeding £700 million
     - Investment limit per Society: £1 million for maximum of 1 year
   - Asset size exceeding £350 million
     - Investment limit per Society: £1 million for maximum of 6 months

4. **UK GOVERNMENT DEBT MANAGEMENT OFFICE** (unlimited investments)

5. **ALL LOCAL AUTHORITIES** (includes Police & Fire Authorities) (£5m max. per Authority)

6. **MONEY MARKET FUNDS** (Maximum £3 million in the group with £2 million per counterparty)
   - Prime Rate Sterling Liquidity Fund
   - Ignis Sterling Liquidity Fund
Elmbridge Borough Council Pay Policy Statement – Financial year 2015/16

1. Purpose

This policy statement has been produced in accordance with Sections 38 to 43 of the Localism Act 2011 (the Act), which require local authorities to publish an annual statement of their policy for the relevant financial year in relation to:

- The remuneration of their most senior employees (which the Act defines as the Head of Paid Service (Chief Executive), the Monitoring Officer, the Chief Officers (or Directors), and the Deputy Chief Officers (i.e. managers who report directly to a Chief Officer));
- The remuneration of their lowest-paid employees; and
- The relationship between the remuneration of the most senior employees and that of other employees.

The pay policy statement will be reviewed on an annual basis, and a new version of the policy will be approved before the start of each subsequent financial year, which will need to be complied with during that year.

The pay policy statement can also be amended during the course of any financial year, but only by a resolution of the full Council. If it is amended during the year to which it relates, the revised version of the statement will be published as soon as reasonably possible after the amendment is approved by the Council.

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

2. Definitions

For the purpose of this pay policy the following definitions will apply:

2.1 “Pay” in addition to salary includes charges, fees, allowances, benefits in kind, increases in/enhancements to pension entitlements, and termination payments.

2.2 “Chief Officer” refers to the following roles within Elmbridge Borough Council:

- Chief Executive, as Head of Paid Services* (1st tier)
- Strategic Director and Deputy Chief Executive as the Council’s statutory Chief Officer * (2nd tier)
- Strategic Director as a non-statutory Chief Officer* (2nd tier)
• Heads of Service if reporting directly or is directly accountable to a statutory or non-statutory Chief Officer in respect of all or most of their duties (3\textsuperscript{rd} tier). This includes the Council’s Monitoring Officer.

* Members of the Council’s Corporate Management Board (CMB).

2.3 **“Lowest paid employees”** refers to those staff employed within grade scale one of the Council’s pay framework. This excludes apprentices, Elmbridge Youth Employment Scheme trainees and work experience.

2.4 **“Employee who is not a Chief Officer”** refers to all staff that are not covered under the “Chief Officer” group above. This includes the “lowest paid employees” i.e. staff on grade scale one. This excludes apprentices, Elmbridge Youth Employment Scheme trainees and work experience.

3. **Pay framework and remuneration levels**

3.1 **General approach**

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

3.2 **Responsibility for decisions on remuneration**

It is essential for good governance that decisions on pay and reward packages for chief executives and chief officers are made in an open and accountable way and that there is a verified and accountable process for recommending the levels of top salaries.

Any proposal to offer a new chief officer appointment on terms and conditions which include a total remuneration package of £100,000 or more, including salary, fees or allowances which would routinely be payable to the appointee and any benefits in kind to which the officer would be entitled as a result of their employment, will be referred to the full Council for approval before any such appointment is advertised or before any such offer is made to a particular candidate.
3.3 **Salary grades and grading framework**

The current Elmbridge Borough Council’s pay framework was implemented from 1 April 2007 and is based on local pay and terms and conditions of employment. There are a very small number of employees (5 currently) who remain on national terms and conditions of employment by choice.

Grades are determined in line with the job description of the post and consideration with similar jobs within Surrey and neighbouring councils. The Council aims to pay the median salary compared with other Councils across Surrey. Equal pay checks are also undertaken to ensure fair and consistent practice for different groups of workers with the same employer.

Employees can progress to the salary range maximum of their grade subject to satisfactory work performance.

With the exception of any groups where pay is governed by National consultation groups, pay for the “lowest paid employees” and “all other employees” including Chief Officers is agreed by Cabinet following consultation with employees and ratified by Council.

Where the Council considers that pay rates for specific posts are insufficient to enable it to recruit and/or retain staff with the required knowledge, skills and expertise, it may authorise the use of market supplements, or other form of enhancement to pay rates.

4 **Remuneration – level and element**

Over 98% of Elmbridge Borough Council employees are on local conditions and the pay. This includes all employees defined as “Chief Officers” in section 2.2 above and all employees recruited since 1 April 2007. The Authority has a salary and grading structure (pay scales) for all staff which includes the grades and salaries applicable to Chief Officers. The grade allocated to a post is determined by the duties, level of responsibility and competencies required as outlined in the job description and person specification.

In addition to basic pay all officers could receive the following benefits (depending on the duties of their job):

- If the employee chooses to be a member of the Local Government Pension Scheme the employers contribution.
- A car allowance which is paid in monthly installments. The amount paid is subject to the amount of mileage done whilst carrying the Council’s
Business. Employees have to pay tax and national insurance on this allowance.

- Payment of an annual subscription to one professional institution where this is a requirement or a clear benefit to their job.
- Opportunity to opt into a salary sacrifice scheme such as Childcare Vouchers or Cycle Scheme.

4.1 **Other Benefits**

Most “Chief Officers” are eligible to join the Council’s private health Insurance scheme and have the opportunity for a biennial health screen.

4.2 **“Lowest paid employees”**

Each “lowest paid employee” is paid within the salary range for grade scale one.

4.3 **Merit Payments**

The Council has a policy to pay a one-off non-consolidated payment of £500 called a merit awards to any employee who significantly exceeds the requirements of their post. It is unlikely that any senior manager would be awarded a merit award, given the already demanding expectations of their job. In any one year there is usually a maximum of five merit awards granted.

4.4 **Pay Progression (where this applies)**

Pay progression is normally by annual increment, payable from 1 April each year until the employee reaches the maximum of their grade. This is subject to satisfactory performance.

4.5 **Charges, fees or allowances**

Any allowance or other payments will only be made to employees in connection with their role or the patterns of hours they work and must be in accordance with the Council’s policies.

Details of election fees paid to employees (including “Chief Officers”) who volunteer to assist in elections can be found on the Council's website and are in line with the Ministry of Justice and Surrey district scales.

4.6 **Severance Payments**

Elmbridge Borough Council has a redundancy policy which sets out a consistent method of calculating redundancy pay which is applied to all
employees whose posts are made redundant. There are no additional payments for Chief Officers. The level of redundancy pay is calculated using the statutory system with a multiplier of 2 and no cap on weekly earnings. The payment is intended to recompense employees for the loss of their livelihood and provide financial support whilst they seek alternative employment. Payments made to the Chief Executive and Strategic Directors (1st and 2nd tier) as a result of their employment being terminated have to be taken to Cabinet in accordance with the relevant Policy.

4.7 New starters joining the Council

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

The salary scales for “Chief Officer” posts are determined by reference to a combination of national comparators, local conditions, recruitments difficulties, inflation, and whether the post has recently been advertised and the process has been unsuccessful. In professions where there is a particular skills shortage, as a temporary arrangement, it may be necessary to consider a market premium to attract high quality applicants. With Chief Officer salaries, there can be scope for negotiation over the exact starting salary at the point of job offer, and a range of factors will be considered. As outlined in the Council’s Constitution, appointments to the post of Chief Executive are made by the Council.

5 Re-engagement of Chief Officers who have left Elmbridge Borough Council with a severance or termination payment

5.1 Re-engagement as employees

In line with our flexible retirement policy we will consider requests from staff who wish to draw their pension but continue working in a reduced capacity. We would expect to see a reduction of a minimum of 20 per cent in salary through either reduced hours or responsibility.

5.2 Re-engagement under a contract for services

The Council’s policy is not to re-engage under a contract for services any former Chief Executive or Chief Officer who left the Council for any reason
and was in receipt of a redundancy, severance or termination payment, for a period of two years from the cessation of employment. This policy may be varied in exceptional circumstances which are approved by the Council’s Chief Executive in consultation with the Monitoring Officer.

5.3 Flexible retirement:

The LGPS regulations permit the Council to consider flexible retirement for employees (including Chief Officers) aged 55 or over, so that they can reduce their hours of work, and receive a pension in respect of the proportion of full-time hours they no longer work.

6 Relationship between remuneration of “Chief Officers” and “employees who are not Chief Officers”

The ratio between the median average earnings and the Chief Executive’s salary has increased from 4.57 to 4.58. The ratio between the lowest paid and the highest paid, has remained the same level as 2011/12 and is 9.06. These figures are based on all taxable earnings for the 2013/2014 financial year including base salary, variable pay, allowances and the cash value of any benefits in kind.

7 The publication of and access to information relating to remuneration of “Chief Officers”

Our annual Pay Policy statement will be published on the website where it can be easily accessed. Information about Chief Officer Remuneration has been published on the Council’s website www.elmbridge.gov.uk in the section “About Your Council”.

This Policy will be reviewed annually and agreed by a meeting of the Council.
## Strategic Risk Register

<table>
<thead>
<tr>
<th>Item</th>
<th>Risk Description</th>
<th>Impact</th>
<th>Probability</th>
<th>Risk Score</th>
<th>Internal Controls</th>
<th>Assigned To</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td>Adverse service planning conditions and / or significant loss of income resulting from changes in macro-economic conditions beyond the Council’s control including the effects of welfare reforms and other legislation and regulations.</td>
<td>5</td>
<td>3</td>
<td>15</td>
<td>Forward Financial Planning Adequate Investment Strategy Adequate Financial Reserves Monitoring of Financial Strategy Full Audit of Financial Strategy Monthly Financial Monitoring Housing Strategy</td>
<td>Council Management Board Head of Finance All Heads of Service</td>
</tr>
<tr>
<td>B</td>
<td>Inability to provide services due to mass absence as a result of, for example, adverse weather conditions</td>
<td>3</td>
<td>4</td>
<td>12</td>
<td>Civil Contingencies Act Business Continuity Plan Local Service Recovery Plans Contractor’s Contingency Plans Surrey Community Risk Register Surrey Local Resilience Forum (SLRF) Severe Weather Action Group (SWAG)</td>
<td>Council Management Board All Heads of Service</td>
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| C    | Death or serious injury to staff or public, due to lack of adequate care or major breach of Corporate Health & Safety responsibilities | 5      | 3           | 15         | Corporate Manslaughter Act  
Health & Safety Policy and Strategy  
Systems for complying with Health & Safety at Work Act and other legislation  
Visitor Control System  
Occupational Health Policy  
Procurement Strategy  
Surrey Safeguarding Children and Adult Boards  
Policies for Safeguarding Children, Young People and Vulnerable Adults  
Surrey Multi Agency Plans  
Disclosure and Debarring Service  
Corporate Management Board  
All Heads of Service | Chief Executive  
Head of Asset Management and Property Services division |
| D    | Civic Centre major fire or plant / equipment / structural failure                | 5      | 1           | 5          | Business Continuity Plan  
Local Recovery Service Plans  
Staff Awareness  
Building Maintenance, Plant and Equipment Inspection Systems  
Fire and Security Protection Systems  
Compliance with Statutes  
System to Ensure Emergency Vehicle Access  
Monitoring and Control of Occupants  
Monitoring and Control of Contractors  
Employing best practice in accordance with BS25999 | Corporate Management Board  
All Heads of Service |
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<tbody>
<tr>
<td>E</td>
<td>Failure to comply with statutory duties or other legal responsibilities including those arising from European legislation resulting in claims being made against the Council and damage to reputation.</td>
<td>5</td>
<td>2</td>
<td>10</td>
<td>Awareness of extent of all Statutory requirements Monitoring of Achievements Compliance with Council’s Contract and Financial procedure rules.</td>
<td>Corporate Management Board</td>
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<td>All Heads of Service</td>
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<tr>
<td>F</td>
<td>Services not delivered due to failure of major contractor</td>
<td>5</td>
<td>2</td>
<td>10</td>
<td>Procurement Strategy Financial Checks by Audit Terms of Contract – Legal Contingency Plan (alternative provider) Quality Control Systems</td>
<td>Head of Environmental Services</td>
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<td>Head of Leisure and Cultural Services</td>
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<tr>
<td>G</td>
<td>Total or major loss of Information and Communication Technology Infrastructure</td>
<td>5</td>
<td>3</td>
<td>15</td>
<td>Business Continuity Plan, Contracts for IT &amp; Telecomms Recovery Services ICT Disaster Recovery Plan Alternative sites for IT,Telecomms &amp; small complements of staff Staff Awareness Data Back Up &amp; Recovery Procedures Additional Contracts with 3rd Parties e.g. Orange Bus Employment of best practice in accordance with ISO 27001</td>
<td>Head of Information Systems</td>
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<td>I</td>
<td>Failure to regulate and monitor Partnerships and Joint Working Arrangements</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>Strong Governance arrangements including system to agree aims, objectives, structure and responsibilities, Systems of financial and other checks, including risk and information sharing procedures, Ensure Exit Strategy, Contract / Memorandum of Understanding, Performance Monitoring Procedures, Review of all active Partnerships, Regular Dialogue with Partners</td>
<td>Council Management Board, All Heads of Service</td>
</tr>
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</tbody>
</table>
| J    | Failure to react appropriately to a major civil emergency within or adjacent to the Borough | 5      | 1           | 5          | Surrey Major Incident Plan  
EBC Civil Emergency Plan  
Reputation Toolkit  
Early Flood Warning System  
Designated Emergency Control Room  
SLRF Training Programme  
Availability of Emergency Centres  
SLRF Multi Agency Plans  
Flood Planning & Protocols  
Annual WBC Civil Emergency Plan  
Severe Weather Action Group (SWAG) | Council Management Board |
| K    | Failure to retain and recruit suitable calibre staff and volunteers to deliver the Council’s services to the required standard | 3      | 2           | 6          | Local Pay & Conditions  
Work / Life Balance Programme  
Competency Based Performance Reviews  
Apprenticeship Scheme  
Continuous Development programme  
Succession Planning | Council Management Board  
Leadership Group  
Personnel Department |
| L    | Impact of adverse findings by the Local Government Ombudsman or the Audit & Standards Committee | 4      | 2           | 8          | Policy for funding of award of cost  
Review of Council’s Constitution  
Procedural review following adverse reports  
Internal Audits | Head of Legal Services |
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<tr>
<td>M</td>
<td>The identification and potential remediation costs of contaminated land within the Borough</td>
<td>3</td>
<td>3</td>
<td>9</td>
<td>Contaminated land register Contaminated Land Strategy and associated action plan.</td>
<td>Council Management Board Head of Environmental Services</td>
</tr>
<tr>
<td>N</td>
<td>Reduction in the effectiveness of the Member / Officer working arrangement including a lack of leadership from the controlling political group.</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>Members Code of Conduct Protocol of Member / Officer Relations Council Constitution Corporate Strategy Effective Decision Making Structure Member Induction Development &amp; Support Programme Regular dialogue and constructive cross-party relationships. Regular official and unofficial contact Independent Assessors</td>
<td>Council Management Board All Heads of Service</td>
</tr>
<tr>
<td>O</td>
<td>Failure to encourage innovation and positive risk taking in a controlled manner</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>Develop Awareness Employee Suggestion Schemes Encourage teams to “think out of the box” Senior management support for good initiatives Cultural change Chief Executive’s induction talk on positive risk taking Risk Management training Project training Performance clinics</td>
<td>Council Management Board</td>
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| P    | Inadequate arrangements for Strategic Planning and Performance Management Process | 4      | 1           | 4          | Corporate Plan  
Service Delivery Plans  
Performance Review Process  
Key Performance Indicators set and monitored  
Systems of regular monitoring and reporting  
Peer Reviews  
Value For Money Reviews  
Business Efficiency Achieves More (BEAM) Programme  
Performance clinics  
Business Improvements Through Efficient Systems (BITES) | Council Management Board  
Corporate Policy and Partnerships  
Head of Personnel |
| Q    | Fluctuations in the property market and loss of tenants affecting rental income generated from the Council’s property portfolio | 3      | 3           | 9          | Revenue Contingency and Rent Risk Reserve  
Monthly Financial Monitoring  
Monitoring of Financial Strategy  
Monitoring of Council owned commercial property portfolio | Council Management Board  
Head of Asset Management  
Head of Finance |