

Cabinet



Date & time
Tuesday, 27 May
2014 at 2.00 pm

Place
Ashcombe Suite,
County Hall, Kingston
upon Thames, Surrey
KT1 2DN

Contact
Anne Gowing
Room 122, County Hall
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Chief Executive
David McNulty

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Cabinet Members: Mr David Hodge, Mr Peter Martin, Mrs Mary Angell, Mrs Helyn Clack, Mr Mel Few, Mr John Furey, Mr Mike Goodman, Mr Michael Gosling, Mrs Linda Kemeny and Ms Denise Le Gal

Cabinet Associates: Mr Steve Cosser, Mrs Clare Curran, Mrs Kay Hammond and Mr Tony Samuels

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This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Anne Gowing on 020 8541 9938.

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If you have any queries regarding this, please contact the representative of Legal and Democratic Services at the meeting

1 APOLOGIES FOR ABSENCE

2 MINUTES OF PREVIOUS MEETING: 22 APRIL 2014

The minutes will be available in the meeting room half an hour before the start of the meeting.

3 DECLARATIONS OF INTEREST

To receive any declarations of disclosable pecuniary interests from Members in respect of any item to be considered at the meeting.

Notes:

- In line with the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, declarations may relate to the interest of the member, or the member's spouse or civil partner, or a person with whom the member is living as husband or wife, or a person with whom the member is living as if they were civil partners and the member is aware they have the interest.
- Members need only disclose interests not currently listed on the Register of Disclosable Pecuniary Interests.
- Members must notify the Monitoring Officer of any interests disclosed at the meeting so they may be added to the Register.
- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest.

4 PROCEDURAL MATTERS

4a Members' Questions

The deadline for Member's questions is 12pm four working days before the meeting (*20 May 2014*).

4b Public Questions

The deadline for public questions is seven days before the meeting (*20 May 2014*).

4c Petitions

The deadline for petitions was 14 days before the meeting, and no petitions have been received.

4d Representations received on reports to be considered in private

To consider any representations received in relation why part of the meeting relating to a report circulated in Part 2 of the agenda should be open to the public.

5 REPORTS FROM SELECT COMMITTEES, TASK GROUPS, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL

6 YEAR END FINANCIAL BUDGET OUTTURN 2013/14

(Pages 1
- 48)

To note the revenue and capital budget outturn for 2013/14 financial year. The annexes present the final revenue and capital outturn for the 2013/14 financial year. This is based upon the final accounts at the end of March 2014. The carry forwards for revenue and capital were indicatively approved last month, but there are some minor changes between the indicative figures and actual. This report requests the minor changes and revenue reserve transfers.

As the outturn impacts upon the 2014 - 19 revenue and capital budget, there is a high level update and two revenue virement requests for allocating and distributing government grants and realigning the children's service contact centre. The capital budget will be reprofiled in July.

[The decisions on this item can be called in by the Council Overview and Scrutiny Committee]

7 HIGHWAYS ASSET MANAGEMENT POLICY, STRATEGY AND PRIORITISATION POLICY AND CRITERIA

(Pages
49 - 92)

Surrey's Transport Asset Management Plan (STAMP) was published nearly 10 years ago. STAMP's aim was to describe how the County Council would maintain all of Surrey's Highways and Transport infrastructure. New national guidance for developing Asset Management Plans for Highway Infrastructure was published in 2013. In line with this new guidance, the County Council have produced Asset Management Policy and Strategy documents and revised the prioritisation criteria for the five key Highway Assets; Roads, Footways, Structures, Safety Barriers and Drainage.

[The decisions on this item can be called in by the Environment and Transport Select Committee]

8 HIGH PERFORMANCE LEADERSHIP DEVELOPMENT PROGRAMME

(Pages
93 - 104)

The County Council is performing strongly. We are working as "one team" with our partners to ensure Surrey residents receive high quality and value for money services. We are making positive differences to people's lives every day.

A large part of this success has been the growth in good leaders with exemplary leadership skills and behaviours. This has a direct impact on the morale and well-being of staff who, in turn, become happier at work and can give an excellent service to residents. A Coaching Programme took place between 2009 and 2013. 1,545 people went through the programme and it has played a key role in building good leadership at Surrey. This was Phase 1 of the Leadership Development Pathway. We have now developed Phase 2 - the new High Performance Development Programme (HPDP) – which will take performance to another level. It will be focused on enabling leaders and managers to address the most difficult issues they face at work; the issues which challenge them the most.

After a successful pilot of the new HPDP, carried out between November 2013 and April 2014, a procurement exercise has been completed to enable us to secure a supplier to deliver the full programme. We are now

in a position to recommend the award of contracts to the suppliers identified below and set out in Part 2 of the agenda (item 21), starting on 11 June 2014.

[The decisions on this item can be called in by the Council Overview and Scrutiny Committee]

- 9 GRANT CRITERIA AND FUNDING OPPORTUNITIES GUIDE** (Pages 105 - 130)
- The Grant Criteria and Funding Opportunities Guide set out how the Council governs allocation of funds by officers via grants. The new procedure formalises the approach to grant awards, reflecting best practice and Council priorities.

[The decisions on this item can be called in by the Council Overview and Scrutiny Committee]

- 10 LIME TREE PRIMARY SCHOOL, REDHILL - NEW TWO FORM PRIMARY SCHOOL** (Pages 131 - 136)
- To approve the Business Case for the provision of a new 2 form of entry primary school in Redhill to help meet the basic need requirements in the Reigate and Banstead area.

N.B. An annex containing exempt information is contained in part 2 of the agenda (item 19)

[The decisions on this item can be called in by either the Council Overview and Scrutiny Committee or the Children and Education Select Committee]

- 11 PURCHASE OF 1 AERIAL LADDER AND 1 TURNTABLE LADDER VEHICLES** (Pages 137 - 142)
- Surrey Fire Authority provides the best equipment possible to support frontline fire and rescue activity. The equipment provided meets the operational assessment of how to provide the best outcomes for the residents of Surrey.

A review of the Working at Height strategy for Surrey Fire and Rescue Service (SF&RS) has identified there is a requirement to replace the existing Aerial Ladder vehicles to ensure that Surrey's fire-fighters have the best possible equipment for the benefit of Surrey residents.

This report provides details of the procurement process to award two separate contracts for one Aerial Ladder Vehicle and one Turntable Ladder Vehicle, including the results of the evaluation process, and in conjunction with the Part 2 report, demonstrates why the recommended contracts offer best value for money.

N.B. An annex containing exempt information is contained in part 2 of the agenda (item 20)

[The decisions on this item can be called in by the Council Overview and Scrutiny Committee]

- 12 ESTABLISHMENT OF A PROPERTY COMPANY** (Pages 143 - 208)
- The Investment Strategy agreed by Cabinet in July 2013 was developed in response to the requirement for the Council to maintain its financial resilience in the longer term. Cabinet approved that the recommended governance arrangements were put in place in order to consider individual investment opportunities and to provide advice to Cabinet on investment decisions.
- Cabinet also approved that work commence on the preparation of a business case to establish a property investment company. This work has now been completed, with the aid of specialist advisors, and this paper sets out the proposed company structure and associated governance arrangements.
- N.B. An annex containing exempt information is contained in part 2 of the agenda (item 18).
- [The decisions on this item can be called in by the Council Overview and Scrutiny Committee]*
- 13 SURREY FIRE & RESCUE: RENEW CONTRACT ARRANGEMENTS FOR SPECIALIST RESCUE AND CONTINGENCY CREWING** (Pages 209 - 230)
- Surrey Fire and Rescue Authority (SFRA) must provide contingency cover for Industrial Action, according to the Fire and Rescue Services Act 2004, National Framework and Civil Contingencies Act 2004.
- In 2012, Surrey Fire and Rescue Service (SFRS) entered into a contract with a private provider for specialist rescue on a day-to-day basis, and contingency crewing, run as a pilot (for proof of an innovative concept). The pilot has been extended until 31 March 2015.
- The pilot contract has worked successfully and Cabinet is asked to consider options on how to proceed. SFRS propose to commence a full tender process for a long term contract for the provision of this service and for the possibility to extend the full use of capabilities to obtain better value for money and to develop new ways of working. The overarching purpose of the proposal is to keep the people of Surrey safe in all foreseeable circumstances.
- N.B. An annex containing exempt information is contained in part 2 of the agenda (item 17).
- [The decisions on this item can be called in by the Communities Select Committee]*
- 14 LEADER / DEPUTY LEADER / CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING** (Pages 231 - 238)
- To note any delegated decisions taken by the Leader, Deputy Leader and Cabinet Members since the last meeting of the Cabinet.
- 15 WOKING MAGISTRATES' COURT CONVERSION TO CORONER'S COURT** (Pages 239 - 246)
- Cabinet approval is requested for additional capital investment to provide

fit and proper accommodation for the Coronial Service by converting and refurbishing Woking Magistrates' Court, purchased by Surrey County Council in December 2013. The additional investment will enable the Coronial Service to carry out the statutory responsibilities arising from the implementation of the Coroners and Justice Act 2009.

N.B. An annex containing exempt information is contained in part 2 of the agenda (item 22).

[The decisions on this item can be called in by either the Council Overview and Scrutiny Committee or the Communities Select Committee]

16 EXCLUSION OF THE PUBLIC

That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information under the relevant paragraphs of Part 1 of Schedule 12A of the Act.

PART TWO - IN PRIVATE

17 SURREY FIRE & RESCUE: RENEW CONTRACT ARRANGEMENTS FOR SPECIALIST RESCUE AND CONTINGENCY CREWING (Pages 247 - 250)

This is a part 2 annex relating to item 13.

Exempt: Not for publication under Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

[The decisions on this item can be called in by the Communities Select Committee]

18 ESTABLISHMENT OF A PROPERTY COMPANY (Pages 251 - 264)

This is a part 2 annex relating to item 12.

Exempt: Not for publication under Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

[The decisions on this item can be called in by the Council Overview and Scrutiny Committee]

19 LIME TREE PRIMARY SCHOOL, REDHILL - NEW 2 FORM PRIMARY SCHOOL (Pages 265 - 270)

This is a part 2 annex relating to item 10.

Exempt: Not for publication under Paragraph 3

Information relating to the financial or business affairs of any particular

person (including the authority holding that information)

[The decisions on this item can be called in by either the Council Overview and Scrutiny Committee or the Children and Education Select Committee]

- 20 SURREY FIRE AND RESCUE SERVICE: AERIAL LADDER AND TURNTABLE LADDER VEHICLES** (Pages 271 - 274)

This is a part 2 annex relating to item 11.

Exempt: Not for publication under Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

[The decisions on this item can be called in by either the Council Overview and Scrutiny Committee or the Communities Select Committee]

- 21 HIGH PERFORMANCE LEADERSHIP DEVELOPMENT PROGRAMME** (Pages 275 - 278)

This is the part 2 annex relating to item 8.

Exempt: Not for publication under Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

[The decisions on this item can be called in by the Council Overview and Scrutiny Committee]

- 22 WOKING MAGISTRATES COURT CONVERSION TO CORONER'S COURT** (Pages 279 - 292)

This is a part 2 annex relating to item 15.

Exempt: Not for publication under Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

[The decisions on this item can be called in by either the Council Overview and Scrutiny Committee or the Communities Select Committee]

- 23 PUBLICITY FOR PART 2 ITEMS**

To consider whether the item considered under Part 2 of the agenda should be made available to the Press and public.

David McNulty
Chief Executive
Friday, 16 May 2014

QUESTIONS, PETITIONS AND PROCEDURAL MATTERS

The Cabinet will consider questions submitted by Members of the Council, members of the public who are electors of the Surrey County Council area and petitions containing 100 or more signatures relating to a matter within its terms of reference, in line with the procedures set out in Surrey County Council's Constitution.

Please note:

1. Members of the public can submit one written question to the meeting. Questions should relate to general policy and not to detail. Questions are asked and answered in public and so cannot relate to "confidential" or "exempt" matters (for example, personal or financial details of an individual – for further advice please contact the committee manager listed on the front page of this agenda).
2. The number of public questions which can be asked at a meeting may not exceed six. Questions which are received after the first six will be held over to the following meeting or dealt with in writing at the Chairman's discretion.
3. Questions will be taken in the order in which they are received.
4. Questions will be asked and answered without discussion. The Chairman or Cabinet Members may decline to answer a question, provide a written reply or nominate another Member to answer the question.
5. Following the initial reply, one supplementary question may be asked by the questioner. The Chairman or Cabinet Members may decline to answer a supplementary question.

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Those attending for the purpose of reporting on the meeting may use social media or mobile devices in silent mode to send electronic messages about the progress of the public parts of the meeting. To support this, County Hall has wifi available for visitors – please ask at reception for details.

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Use of mobile devices, including for the purpose of recording or filming a meeting, is subject to no interruptions, distractions or interference being caused to the PA or Induction Loop systems, or any general disturbance to proceedings. The Chairman may ask for mobile devices to be switched off in these circumstances.

It is requested that if you are not using your mobile device for any of the activities outlined above, it be switched off or placed in silent mode during the meeting to prevent interruptions and interference with PA and Induction Loop systems.

Thank you for your co-operation

SURREY COUNTY COUNCIL

CABINET

DATE: 27 MAY 2014

REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL

LEAD OFFICER: SHEILA LITTLE, CHIEF FINANCE OFFICER AND DEPUTY DIRECTOR FOR BUSINESS SERVICES

SUBJECT: YEAR END FINANCIAL BUDGET OUTTURN 2013/2014



SUMMARY OF ISSUE:

To note the revenue and capital budget outturn for 2013/14 financial year. The annexes present the final revenue and capital outturn for the 2013/14 financial year. This is based upon the final accounts at the end of March 2014. The carry forwards for revenue and capital were indicatively approved last month, but there are some minor changes between the indicative figures and actual. This report requests the minor changes and revenue reserve transfers.

As the outturn impacts upon the 2014 - 19 revenue and capital budget, there is a high level update and two revenue virement requests for allocating and distributing government grants and realigning the children's service contact centre. The capital budget will be reprofiled in July.

RECOMMENDATIONS:

Cabinet is asked to note the following.

1. note the 2013/14 net revenue budget underspend of £6.9m (Annex 1, paragraph 1);
2. approve the final 2013/14 revenue carry forward requests of £5.5m through transfer to the Budget Equalisation Reserve (Annex 1, paragraphs 2 and 36);
3. approve the residual revenue underspend of £1.4m is transferred to General Balances (Annex 1, paragraph 56);
4. note the capital budget outturn of £224.1m and approve the final capital carry forwards of £32.6m (Annex 1, paragraphs 79 to 82);
5. note the reserves movements and year end general balances and reserves (Annex 1, Appendix, Table App5)
6. note the revised revenue 2014/15 budget incorporating the 2013/14 transfers and carry forwards. (Annex 2, paragraph 1); and
7. approve the two 2014/15 revenue virements for SEN Reform Grant distribution and Children Service's contact centre realignment (Annex 2, paragraph 2 and 4).

REASON FOR RECOMMENDATIONS:

To review and manage the budget outturn for the 2013/14 financial year in the context of a multi-year approach to financial management.

To approve final carry forwards to enable on-going projects to continue.

DETAILS:

1. The Council's 2013/14 financial year ended on 31 March 2014. The accounts for the financial year closed on 17 April 2014 and included year-end adjusting transactions such as year end accruals, reconciliations and allocations required for the formal financial statements.
2. At its meeting on 22 April 2014, Cabinet noted an indicative outturn position of -£6.1m underspend. Cabinet approved £4.9m of 2013/14 revenue carry forwards.
3. This is the final and tenth budget monitoring report of 2013/14 (excluding the brief indicative outturn report presented to Cabinet on 22 April 2014). The budget monitoring reports for this financial year have had greater focus on material and significant issues, especially tracking the efficiency and spending reduction targets within the Medium Term Financial Plan (MTFP) 2013-18. The monitoring reports have given greater emphasis to proposed actions to resolve any issues and future impacts on subsequent budgets.
4. Annex 1 to this report sets out the Council's revenue budget outturn as at 31 March 2014. This reports final revenue income and expenditure and notes material variations from the budget, with a focus on staffing and efficiency targets. As a guide, an outturn variance of more than £1m is material and requires a commentary. For some services £1m may be too large or not reflect the service's political significance, so variances over 2.5% may also be material.
5. Annex 1 also provides an update on the capital budget and outlines the changes in the Council's reserves and balances over the year. Additionally, it summarises level of debt owed to the Council after the proposed write-off of irrecoverable debts.
6. Appendix 1 provides details of directorates' efficiencies and revenue and capital budget movements.
7. Annex 2 updates and summarises the impact of 2013/14 carry forwards on the 2014/15 revenue and capital budgets. Overall the carry forwards add £5.5m to the 2014/15 revenue budget and £32.6m to the 2014/15 and subsequent years' capital budgets.
8. MTFP 2013-18 includes two government grants the Council did not distribute fully to services. Annex 2 includes a 2014/15 virement request to allocate the Special Educational Needs and Adoption Reform Grants to Children, Schools & Families. Another virement request reflects the transfer of the Children's Services' contact centre from Customer & Communities to Children, Schools & Families.

9. The outturn position is part of the Statement of Accounts and Annual Report. Both these documents will be audited over the coming months and be presented to Audit & Governance at 31 July 2014 to approve them formally on the Council's behalf.
10. As part of the Council's commitment to openness and transparency, Annex 3 contains details of travel costs, members' expenses and allowances incurred during 2013/14 and the pay transparency statement for 2013/14. These details and will also form part of the Annual Report.

Consultation:

11. All Cabinet Members will have consulted their relevant Strategic Director on the financial positions of their portfolios.

Risk management and implications:

12. Risk implications are stated throughout the report and each Strategic Director has updated their strategic and or service Risk Registers accordingly. In addition, the Leadership risk register continues to reflect the increasing uncertainty of future funding likely to be allocated to the Council by central government. The Leadership Risk Register is regularly updated and reviewed at Audit & Governance committee.

Financial and value for money implications

13. The report considers financial and value for money implications throughout and future budget monitoring reports will continue this focus. The Council continues to have a strong focus on its key objective of providing excellent value for money.

Section 151 Officer commentary

14. The Section 151 Officer confirms that the financial information presented in this report is consistent with the council's general accounting ledger and that forecasts have been based on reasonable assumptions, taking into account all material, financial and business issues and risks.

Legal implications – Monitoring Officer

15. There are no legal issues and risks.

Equalities and Diversity

16. The impact of any actions taken during the year to manage the budget are evaluated by individual services

Climate change/carbon emissions implications

17. The County Council attaches great importance to being environmentally aware and wishes to show leadership in cutting carbon emissions and tackling climate change.

18. Any impacts on climate change and carbon emissions to achieve the Council's aim have been considered by the relevant service.

WHAT HAPPENS NEXT:

The relevant adjustments from the recommendations will be made to the Council's accounts.

The County Council's formal, financial statements for 2013/14 will be presented to the Audit & Governance Committee at its meeting in July 2014, with a formal opinion from the External Auditors. The financial statements will reflect any adjustments arising from the audit of the accounts by the Council's external auditors, who are Grant Thornton. Any material changes made are required to be reported to Audit & Governance Committee. No material changes to either the revenue or capital outturn position as presented in this report and annexes are anticipated to arise from the audit.

The Council has been looking at the corporate external reporting provisions of an integrated annual report. Following this review, the 2013/14 annual report will contain elements include the following additions; Chief Financial Officer Report, abridged audited financial statements, consultancy expenses, energy report, pay banding and gender analysis, high level performance indicators and risk, as well as the efficiencies and member information. This will be presented at the Audit & Governance Committee on 31 July 2014. The annual report will be published shortly after.

Contact Officer:

Sheila Little, Chief Finance Officer and Deputy Director for Business Services
020 8541 7012

Consulted:

Cabinet / Corporate Leadership Team

Annexes:

Annex 1 – Revenue budget, staffing costs, efficiencies and capital programme summary, reserves and balances and debt summary.

Appendix 1 – Directorate financial information (revenue and efficiencies) and revenue and capital budget movements.

Annex 2 - 2014/15 Revenue budget and virement requests

Annex 3 – Annual report information

Sources/background papers:

None

Budget monitoring – Outturn 2013/14

Summary recommendations

Cabinet is asked to:

1. note the 2013/14 net revenue budget underspend of £6.9m (Annex 1, paragraph 1);
2. approve the final 2013/14 revenue carry forward requests of £5.5m through transfer to the Budget Equalisation Reserve (Annex 1, paragraphs 2 and 36);
3. approve the residual revenue underspend of £1.4m is transferred to General Balances (Annex 1, paragraph 2);
4. note the capital budget outturn of £224.1m and approve the final capital carry forwards of £32.6m (Annex 1, paragraphs 79 to 82);
5. note the reserves movements and year end general balances and reserves (Annex 1, Appendix, Table App5).

Financial strategy

The financial strategy has a number of long term drivers to ensure sound governance, effective management of the Council's finances and compliance with best practice.

- Keep any additional call on the council taxpayer to a minimum consistent with the delivery of key services through continuously driving the efficiency agenda.
- Develop a funding strategy to reduce the Council's reliance on council tax and government grant income.
- Balance the Council's 2014/15 budget by maintaining a prudent level of general balances and applying reserves as appropriate.
- Continue to maximise our investment in Surrey to improve services; support business; develop members and staff, and generate income streams

Revenue summary

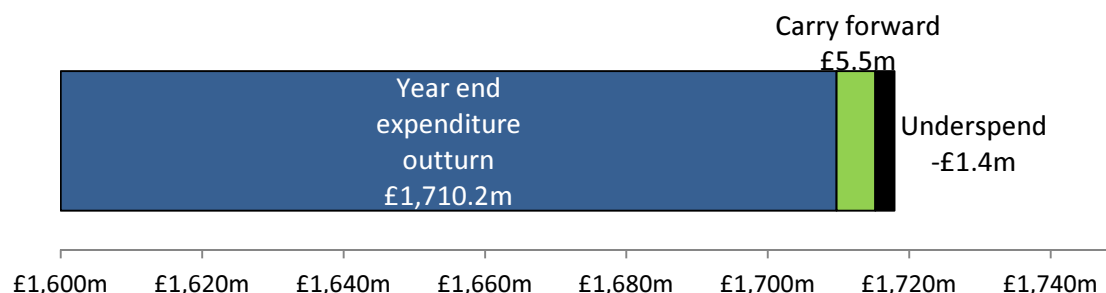
The Council reports a -£6.9m underspend on its 2013/14 revenue budget and has agreed to carry forward £5.5m for use in 2014/15 to complete projects and schemes that were not completed by 31 March 2014. The remaining underspending of -£1.4m will be transferred to General Balances, which will stand at £21.3m

In the face of on-going demand and funding pressures, the Council has to prepare for emergencies, such as the recent severe weather and flooding. Part of this preparedness is holding adequate reserves and balances. At 31 March 2014, the Council held £21.3m in general balances. The estimated cost of the immediate response and temporary repairs required as a result of this flooding and associated stormy weather is £3.2m, including £3m relating to damage sustained to local highways. Over the longer term, the estimated cost of capital and revenue repairs to highways infrastructure is £4.5m. The Council will pursue all available relief funding from central government.

Keeping the call on the council tax payer to a minimum, consistent with the delivery of key services

For the fourth year running the Council will end the year with a small underspend, demonstrating tight financial management. The Council will continue to seek further savings in 2014/15 in line with the corporate strategy of using our resources responsibly to plan for future years of financial uncertainty.

Figure 1: Year end revenue budget outturn



Continuously driving the efficiency agenda

A key objective of MTFP 2013-18 is to increase the Council's overall financial resilience, including reducing long term reliance on government grants. MTFP 2013-18 includes savings and reductions totalling £68.3m in 2013/14 (£167m for 2013-18). At the end of March 2014, services achieved £62.3m efficiencies. This shortfall includes slippage in Adult Social Care's (ASC) innovative Family, Friends & Community Support (FF&C) strategy (+£6.0m), partly offset by Business Services bringing forward 2014/15 efficiencies (-£1.3m).

The total savings from efficiencies includes £10.4m savings ASC re-categorised as one-off measures. As these 2013/14 savings are one-off, the directorate has carried this amount of savings forward to 2014/15.

Capital summary

Maximising our investment in Surrey

A key element of Surrey County Council's corporate vision is to create public value by improving outcomes for Surrey's residents. This vision is at the heart of the capital programme and MTFP 2013-18 set a £699m five year capital programme. Following Cabinet approved re-profiling of 2012/13 carry forward budgets and virements; the revised 2013/14 capital budget was £230.1m. Capital expenditure for 2013/14, including the investment was £224.1m and includes investment of £38.4m in long term capital investment assets as part of its strategy to reduce reliance upon government funding and the council tax payer.

As part of its multi-year approach to financial management, enabling budget equalisation and avoiding arbitrary cut offs to budgets, Cabinet has requests to carry forward £32.6m. This is an adjustment from that approved at the Cabinet meeting on 30 April.

Flooding update

During 2013/14 there was widespread flooding across the county. In December the rivers Wey and Mole burst their banks flooding the centre of the county in areas such as Godalming, Dorking and Leatherhead. Then in February the River Thames caused flooding in the north of the county in Runnymede, Elmbridge, Spelthorne and other locations.

The cost associated with the immediate action taking in the aftermath of the flooding is estimated to be £6.5m. This includes items such as sandbags, tree clearing and support from other fire services.

Local authorities can apply for a grant from the Department for Communities and Local Government (DCLG) to compensate for costs (above a certain threshold) incurred from their immediate actions connected to a disaster or emergency. The grant is defined by the Bellwin scheme. The threshold for the council in relation to the flooding is £1.6m. The Council has registered for the scheme and has till 30 May 2014 to incur eligible expenditure.

The majority of the flooding damage has been to the road network and other highways infrastructure. It is estimated it will cost £22.5m to repair roads and other infrastructure assets that have been damaged over the past two years due to severe weather, with flooding and excessive rainfall this winter and snow and ice last winter. It is very unlikely the council will receive any funding for road repairs under the Bellwin scheme due to additional highways funding provided by the Department for Transport.

The Department for Transport (DfT) made £70m available to local highways authorities under the Severe Weather Recovery Scheme. This grant was distributed based on the miles of road and number of bridges damaged by flooding. The council received £3.4m of revenue funding under this scheme in March 2014.

The Department for Transport (DfT) also made an additional allocation of £103.5m of capital funding to Highways authorities in March 2014 to help repair damaged roads. This funding was distributed based on the total miles of road maintained by each authority and the council received £1.9m under this scheme.

The Department for Transport also has a £168m pothole fund that local highways authorities will need to apply to and bid for funding. The closing date for application is the 22 May 2014 and the council is currently preparing a bid.

Revenue budget

1. The revenue budget for the 2013/14 financial year, including schools, included £23.0m support from earmarked and general reserves and £7.9m revenue carried forward from 2012/13 to fund committed 2013/14 expenditure. The outturn position for services' net revenue budget is -£5.6m underspent and -£6.9m for the Council overall, including -£1.3m on local taxation.
2. At its meeting on 22 April 2014, Cabinet approved £4.9m revenue carry forwards from 2013/14 to 2014/15. Environment & Infrastructure has submitted a further request to carry forward £0.5m (paragraph 36). If Cabinet approves this further carry forward request it would lead to a residual -£1.4m underspend. This would be transferred to General Balances.
3. Table 1 shows the year end net revenue outturn for services and the Council overall. Net revenue position for services is gross expenditure less income from specific grants plus fees, charges and reimbursements.

Table 1: 2013/14 Revenue budget - net outturn by directorate

February forecast variance	Directorate	Full year (revised) budget £m	Full year outturn £m	Full year variance £m	Carry forward £m	Revised variance
5.2	Adult Social Care	337.3	342.5	5.2	0.1	+5.3
-1.6	Children, Schools & Families	180.7	179.0	-1.7	0.7	-1.0
0.0	Schools (gross exp £512.3m)	0.1	0.1	0.0		0.0
-0.7	Customer & Communities	60.0	59.4	-0.6	0.8	+0.2
3.1	Environment & Infrastructure	130.5	132.0	1.5	1.0	+2.5
-6.2	Business Services	83.1	77.0	-6.1	2.0	-4.1
-0.5	Chief Executive's Office	16.4	16.3	-0.1		-0.1
-4.3	Central Income & Expenditure	-196.9	-200.7	-3.8	0.9	-2.9
-5.1	Service net budget	611.2	605.6	-5.6	5.5	-0.1
-1.3	Local taxation	-599.3	-600.6	-1.3		-1.3
-6.4	Overall net budget	11.9	5.0	-6.9	5.5	-1.4

4. The outturn underspend on services is a net result of: Adult Social Care not fully achieving its innovative FF&C strategy (+£5.2m), plus flood repairs, waste management pressure and support for local bus routes (+£1.5m); offset by net underspends in Children, Schools & Families (-£1.7m), Business Services (-£6.1m), Customer & Communities (-£0.6m), Chief Executive's Office (-£0.1m) and Central Income & Expenditure (-£3.8m).
5. Overall funding for schools is from specific government grant (Dedicated Schools Grant (DSG)). A formula agreed under statute determines each schools' funding and expenditure decisions are the responsibility of each school's governing body.

6. Table 2 summarises the main movements between February forecast year end and outturn. The Directorate commentaries provide further information.

Table 2: 2013/14 Revenue budget outturn variance by directorate

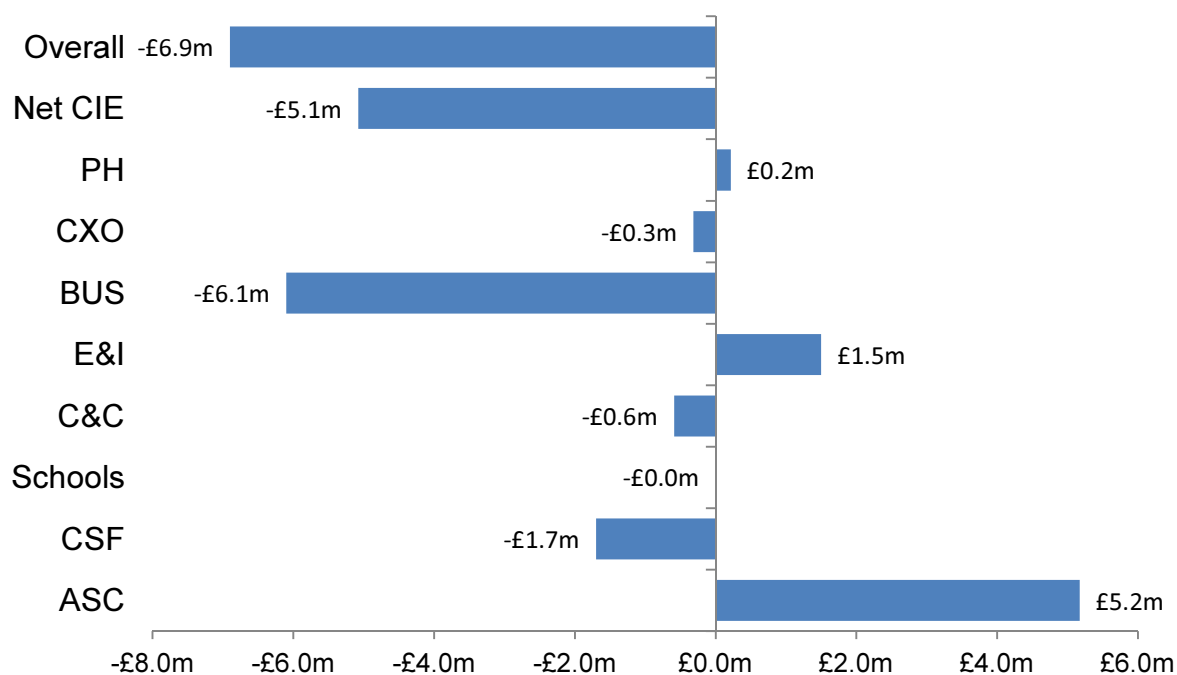
Directorate	Feb YE variance	Movement	Outturn variance
	£m	£m	£m
Adult Social Care (ASC)	5.2	0.0	5.2
Children, Schools & Families (CSF)	-1.6	-0.1	-1.7
Schools	0.0	0.0	0.0
Customer & Communities (C&C)	-0.7	+0.1	-0.6
Environment & Infrastructure (E&I)	3.1	-1.6	1.5
Business Services (BUS)	-6.2	+0.1	-6.1
Chief Executive's Office (CEO) including Public Health (PH)	-0.5	+0.4	-0.1
Central Income & Expenditure (CIE)	-4.3	0.5	-3.8
Service net budget	-5.0	-0.6	-5.6

Significant movements	Movement £m	Directorate
Genito-Urinary Medicine funding under absorption	+0.3	CEO
Reduced flooding costs and slippage	-1.6	E&I
Reserves offset by income	+0.7	CIE
Overall movement	-0.6	

Note: All numbers have been rounded - which might cause a casting error

7. Figure 2 shows services' gross expenditure variances at outturn, exclusive of carry forward amounts. Table App3 in the appendix to this annex shows the overall outturn income and expenditure.

Figure 2: Outturn expenditure variance



8. Below, each directorate summarises its outturn year end income and expenditure position and service and policy financial information. These explain the variances,

their impact and services' actions to mitigate adverse variances. Table App1 in the appendix to this annex shows budget movements during the year.

Adult Social Care

Table 3: Summary of the revenue outturn for the directorate

Adult Social Care	Full year (revised) budget £m	Full year outturn £m	Full year variance £m
Income	-69.0	-81.5	-12.5
Older People	163.4	176.3	12.9
Physical Disabilities	47.4	49.0	1.6
Learning Disabilities	125.5	131.6	6.1
Mental Health	9.1	9.6	0.5
Other Expenditure	60.9	57.5	-3.4
Total by service	337.3	342.5	5.2

Note: All numbers have been rounded - which might cause a casting error

9. The outturn position for Adult Social Care is +£5.2m (1.6%) overspent, which is no change from the interim outturn forecast.
10. A projected overspend was highlighted as a risk during 2013/14 budget planning and should be viewed in the context of ASC's very challenging MTFP savings target of £45.9m plus £2.9m demand pressures arising in year. The Directorate succeeded in achieving £34.4m of savings (excluding sums drawn down) which is the most achieved in any year to date (the appendix gives outline analysis of these savings). However, the Directorate did not achieve the full £48.8m savings required to achieve the budget, due principally to difficulty implementing the Family, Friends & Community Support (FFC) programme, as explained below. To mitigate the impact on the 2013/14 budget, the Directorate obtained permission to draw down £9.2m of balances from previous years as follows:
 - £7.5m of unused 2011/12 Whole System Funding, approved by Cabinet in the September 2013 monitoring cycle and drawn down in October 2013.
 - £1.7m of previous years' Winter Pressures funding, approved by Cabinet in the October 2013 monitoring cycle and drawn down in November 2013.
11. The most significant element of the Directorate's savings plans is FFC. It is a new and innovative strategy designed to provide more personalised community support options to individuals requiring care, while reducing direct costs to the Council. ASC continues to implement the FFC strategy and it has been a key driver in the recent Rapid Improvement Events on the social care and financial assessment processes.
12. The FFC savings target for 2013/14 was £15.5m. To succeed, FFC requires fundamental cultural shift and considerable levels of system changes and community developments. The necessary conditions proved to be harder than expected to put in place, and so the savings were not made in 2013/14. Actions are under way to ensure that 2014/15 is different, and FFC is forecast to deliver £35m of ongoing savings over the 2014-19 MTFP period.

13. The key driver of the underlying pressures ASC faces is individually commissioned care services (also known as spot care). The gross spend in 2013/14 on spot care, excluding Transition (which are clients moving from children's social care to adults social care), was on average £21.6m per month for April to March. That compares with £21.3m in the last quarter of 2012/13, indicating that while ASC is largely containing new in year demand pressures, expenditure has not yet decreased to the budgeted level of £19.9m as planned through the delivery of the FFC savings programme.
14. In light of the specific nature of the following areas, carry forwards have been approved by Cabinet as follows.
- £35k First Point – carry forward of non ring-fence unused grant funding received for set up costs for the Community Interest Company.
 - £39k Employability – funding for the Not in Education, Employment or Training (NEET) and Travel Smart programmes that are continuing into 2014/15.
 - £45k Apprenticeship one-off funding – due to recruitment delays for these posts

Table 4: Summary of Adult Social Care outturn

	£m
ASC MTFP efficiency target	-45.9
Additional demand pressure above those anticipated in MTFP 2013-18	2.9
Revised efficiency target	48.8
Total savings achieved before draw downs	-34.4
Whole Systems Funding 2011/12 draw down	-7.5
Winter Pressure Funding 2011/12 draw down	-1.7
Total forecast savings	-43.6
Under / (over) performance against MTFP target	5.2

Children, Schools & Families

Table 5: Summary of the revenue outturn for the directorate

	Full year (revised) budget	Full year outturn	Full year variance
	£m	£m	£m
Children, Schools & Families			
Income	-139.4	-139.7	-0.3
Strategic Services	5.8	5.4	-0.4
Children's Services	89.0	91.9	2.9
Schools and Learning	199.6	195.2	-4.4
Services for Young People	25.7	26.2	0.5
Total by service	180.7	179.0	-1.7

15. Children, Schools and Families (CSF) outturn position is a -£1.7m underspend, an increase compared to the forecast underspend of -£1.6m.
16. Within CSF the main pressure areas were in Children's Services and increasing demand for transport for children with special education needs (SEN). This was more than offset by an improved trading position for Commercial Services and underspends elsewhere, mainly within Schools & Learning.

Children's Services

17. Children's Services overspent by +£2.9m. The main reasons for this are a combination of rising demand, increased complexity of need and some price increases.
18. Higher demand led to overspends in the following areas.
 - Higher numbers of agency placements earlier in the year generated a +£0.4m overspend. Placement numbers reduced towards the end of the year although additional pressure arose due to remand placements needed at £4,000 a week.
 - Fostering and adoption allowances costs were +£0.6m greater than budgeted. This was mainly due to higher numbers of fostered children, an average of 503, compared to the number the service budgeted for (474). In addition the number of Special Guardianship Orders (SGOs) increased. An additional 65 SGOs were made in 2013/14 compared to an additional 45 in 2012/13.
 - The budgets for leaving care and asylum seekers overspent by +£0.8m as the number of care leavers and asylum seekers with no recourse to public funds is higher than experienced in 2012/13 when an overspend also occurred.
19. Expenditure on area care services was +£0.4m above budget. This was mainly due to an increase in the instances and cost of court proceedings, as well as increasing costs for supervised contact and SGOs and residence orders compared to 2012/13.
20. Difficulties continue recruiting permanent social workers in area teams with a resulting reliance agency staff. This led to a +£0.5m overspend. This is an ongoing problem and CSF is working to improve recruitment and retention of social workers through the career progression framework and the recruitment programme in the North East Area to grow our own skilled workforce. The results of these initiatives will take time to be realised. Overall the staffing budget across Children's Services is in line with the budget due to turnover and careful management of vacancies.
21. The budgets for children with disabilities overspent by +£1.8m due to a combination of rising demand, greater complexity of need and the service being unable to achieve its planned savings in these circumstances. During 2013/14 the service saw an additional 34 cases (+4%) and an increase in unit costs of 4.7% reflecting increasing complexity. The overspend in part relates to the budget reduction for the MTFP efficiency in this service area (£1.5m) which the service has not been able to achieve. Underspends elsewhere in the directorate offset the impact of this overspend
22. Offsetting these overspends within Children's Services were net underspends of -£1.5m across Children's Services planned to alleviate cost pressures.

Schools & Learning

23. Schools & Learning outturn position is a -£4.4m underspend including a -£2.8m underspend on DSG services.
24. The main pressure on the Schools & Learning budget was a +£2.4m overspend on home to school transport. The school transport service already faced a budget pressure of £0.7m reported as an overspend in the 2012/13 outturn report. In addition to this, pupil numbers and costs have continued to rise, particularly around SEN, leading to additional costs of +£1.0m.

25. Offsetting the transport overspend is a -£3m underspend on centrally held budgets. This is mainly against the budget for demographics and inflation. Given its £7m savings requirement, CSF prudently decided to hold this budget centrally to cover pressures arising from demand led budgets where the impact of funding changes would not become clear until the start of the new academic year. In addition resources earmarked for new post 16 responsibilities were not required in full.
26. The financial position of Commercial Services improved over the year resulting in a higher than budgeted contribution to corporate overheads of -£1.5m mainly as a result of additional income.
27. Services funded by DSG underspent by -£3.1. The main reason was lower demand for two, three and four year old nursery provision than the grant funding that underpins the budget (-£2.3m). Overall DSG funded SEN services underspent by -£0.7m, a combination of lower costs for mainstream support and additional recoupment income, offset by growing demand for paediatric therapy services (+£0.8m).

Services for Young people and Strategic Services

28. Services for Young People overspent by +£0.5m although additional income brings this down to +£0.2m. Strategic Services underspent by -£0.4m mainly because resources set aside for one off service initiatives were not required in 2013/14.

Schools (delegated budget)

Table 6: Summary of the revenue outturn for the delegated schools budget

	Full year (revised) budget	Full year outturn	Full year variance
Summary	£m	£m	£m
Income	-513.5	-539.1	-25.6
Expenditure	513.5	539.1	25.6
Net position	0.1	0.1	0.0

Note: All numbers have been rounded - which might cause a casting error

29. The outturn position reflects the other income remitted by schools for school dinners, parent donation and contributions and associated expenditure.

Customer & Communities

Table 7: Summary of the revenue outturn for the directorate

Summary	Full year (revised) budget	Full year projection	Full year variance
	£m	£m	£m
Income	-24.2	-25.1	-0.9
Expenditure	84.1	84.4	0.3
Net position	60.0	59.4	-0.6
Net summary by service			
Cultural Services	10.8	10.6	-0.2
Fire & Rescue	35.7	36.6	0.9
Customer Services	4.0	3.9	-0.1
Trading Standards	2.2	2.1	-0.1
Community Partner & Safety	4.1	3.2	-0.9
County Coroner	1.0	1.2	0.2
C&C Directorate Support	2.2	1.8	-0.4
Total by service	60.0	59.4	-0.6

Note: All numbers have been rounded - which might cause a casting error

30. The directorate underspent by -£0.6m (+£0.1m change since the end of February).
31. Underspends arose predominantly within Community Partnership & Safety against the Community Improvement Fund (£677,000) and Members' allocations (£160,000) for committed projects awaiting grant conditions to be met before funds are released. The carry forwards Cabinet approved will enable payments for these to be made within the new financial year without affecting the 2014/15 budget.
32. Further underspends were achieved within: Directorate Support (£0.4m) by achieving 2014-15 MTFP efficiencies in advance; Registration (£0.2m) from increased income generation; and Customer Services (£0.1m) and Trading Standards (£0.1m) from staffing and miscellaneous savings.
33. These underspends were partly offset by pressures within Fire (£1.0m) mainly due to the cost of responding to the recent flooding, and the Coroner (£0.1m) where legislative changes resulted in the increased cost of inquests. The full year effect of the latter (estimated at £0.2m) has been built into the MTFP.

Environment & Infrastructure

Table 8: Summary of the revenue outturn for the directorate

Summary	Full year (revised) budget £m	Full year projection £m	Full year variance £m
Income	-18.6	-20.0	-1.4
Expenditure	149.1	152.0	2.9
Net	130.5	132.0	1.5
Net summary by service			
Environment	61.0	62.0	1.0
Highways	43.2	45.0	1.8
Economy, Transport & Planning	26.1	24.8	-1.3
Other Directorate Costs	0.2	0.2	0.0
Total by service	130.5	132.0	1.5

34. The final position for Environment & Infrastructure (E&I) is a +£1.5m overspend. The overspend reduced by £1.6m from the position forecast at the end of February. This is primarily associated with flood response works, where costs are lower than expected and some works span financial years and will be completed in 2014/15.
35. The final overspend comprises several offsetting variances. Highway maintenance overspent by +£2m, primarily due to additional costs associated with flooding. Waste management overspent by +£1m primarily due to the need for external specialist advice needed to complete the contract variation successfully. Local bus support overspent by +£0.6m due to difficulty achieving planned contract savings and also several instances where bus routes are no longer commercially viable and need financial support from the Council. These overspends were offset by a number of underspends including: delays to economic development projects and development of major transport schemes (-£0.6m), additional Highways capital recharges (-£0.4m), underspends against project related budgets in the Strategy team (-£0.3m) and concessionary fares (-£0.3m) due to fewer passenger journeys.
36. At its meeting in April, Cabinet approved carry forward of underspends totalling £0.5m. E&I now requests to carry forward a further £0.5m as set out below and the following page.

Carry forward	Amount	Reasoning
Strategy / Surrey Growth Fund	£0.033m	Carry forward of the remaining underspend to complete projects agreed by the Deputy Leader.

Carry forward	Amount	Reasoning
Strategy / New Homes Bonus	£0.288m	Carry forward of the remaining underspend, which relates to NHB grant carried forward from 2012/13 and not spent during 2013/14. This is required to enable development of business cases for major transport schemes. In March both LEPs submitted Strategic Economic Plans to Government setting out schemes to unlock growth potential in a number of key towns in Surrey. Clarity around funding approvals is expected in the Autumn, with SCC required to submit business cases for funding by March 2015. These business cases require scheme design, transport modelling, benefits appraisal and consultation.
Local Sustainable Transport Fund / New Homes Bonus	£0.204m	SCC's match funding contribution to LSTF is funded through the NHB grant. This funding was not required in 2013/14 as grant funding was used first, but it will be required in 2014/15.
Total	£0.525m	

Business Services

Table 9: Summary of the revenue outturn for the directorate

Summary	Full year (revised) budget £m	Full year outturn £m	Full year variance £m
Income	-14.9	-16.3	-1.4
Expenditure	98.0	93.3	-4.7
Net expenditure	83.1	77.0	-6.1
Net summary by service			
Property	32.0	28.2	-3.8
Information Management & Technology	23.3	23.5	0.2
Human Resources & OD	8.4	7.9	-0.5
Finance	8.8	8.3	-0.5
Shared Services	4.2	3.9	-0.3
Procurement & Commissioning	3.3	3.3	0.0
Business Improvement	3.1	1.9	-1.2
Total by service	83.1	77.0	-6.1

37. Business Services' 2013/14 outturn is a -£6.1m underspend. The directorate has delivered 2013/14's efficiency savings (-£3.1m) and has brought forward some of 2014/15's (-£1.3m).

38. The final year end expenditure is £0.2m more than estimated in February and in the flash report to Cabinet in April. This is mainly due to higher demand-led IMT spending. The -£6.1m full year underspend includes achieving 2014/15 efficiencies early (-£1.3m) increased one off income (-£0.6m) and one off savings (-£4.1m).
39. Property's outturn is -£3.8m underspend (the same as estimated in February). The service has achieved -£0.7m 2014/15 efficiencies early. The one off underspend is mainly as a result of delays to the planned maintenance programme due to the adverse weather of -£1.2m. Cabinet has agreed to carry forward £1.0m of this. There was also a -£0.8m saving on utilities as the weather was not as cold as expected. The service received -£0.4m one off rate rebates and also exceeded income targets by -£0.3m.
40. The Making a Difference programme is on track to deliver savings of £6.6m each year from the office portfolio and has supported staff to work more flexibly with the benefits of new technology and changes in the way we work. The programme started in 2010 and includes implementing Electronic Data & Record Management (EDRM) across the council. EDRM solutions have been implemented for social care activity and will be implemented for the rest of the organisation by IMT alongside a Lotus Notes upgrade, resulting in a Making a Difference saving of -£1.2m. The service plans to roll this project out by the end of the 2014 calendar year.
41. HR and Organisational Development's outturn is a -£0.5m underspend, the same as estimated in February. The service achieved -£0.3m of 2014/15 efficiencies early and the one off underspend is mainly due to staffing vacancies. Cabinet approved a £0.3m carry forward to meet the Council's internal target of 100 apprentices in 2014/15.
42. Finance's outturn is a -£0.5m underspend. As well as delivering -£0.2m 2014/15 efficiencies early, the service had one off savings mainly as a result of staffing vacancies.
43. Shared Services' outturn is a -£0.3m underspend, the same as forecast at the end of February. The service has achieved -£0.2m of 2014/15 efficiencies. A new earmarked reserve will be created and to which this £0.5m will be transferred for use in future years.
44. IMT's outturn is a +£0.2m overspend. This includes a +£1.2m overspend from user volume increases, offset by savings in other areas such as the Unicorn contract and hardware and software applications. MTFP 2014-19 addresses the volume related pressures.

Chief Executive's Office

Table 10: Summary of the revenue outturn for the directorate

	Full year (revised) budget	Full year outturn	Full year variance
Summary	£m	£m	£m
Income	-27.8	-24.9	2.9
Expenditure	44.2	41.2	-3.0
Net	16.4	16.3	-0.1
Net summary by service			
Strategic Leadership	0.4	0.4	0.0
Legacy	0.6	0.6	0.0
Emergency Management	0.5	0.8	0.3
Communications	2.0	1.9	-0.1
Legal & Democratic Services	9.7	9.4	-0.3
Policy & Performance	3.2	3.0	-0.2
Public Health	0.0	0.2	0.2
Total by service	16.4	16.3	-0.1
<u>Public health analysis</u>			
Public Health - Income	-26.5	-23.6	2.9
Public Health - expenditure	26.5	23.8	-2.7
Public Health - net expenditure	0.0	0.2	0.2

45. The directorate outturn is a -£0.1m underspend against a £16.4m total revenue budget.
46. The -£0.1m underspend is predominantly due to one-off savings against the Local Elections budget (-£0.2m) establishment staff vacancies (-£0.3m) and service savings (-£0.1m) across the directorate. These underspends were partly offset by an Emergency management overspend (+£0.3m) due to the costs of responding to the recent flooding. The costs incurred include staff overtime payments, the provision of sandbags, emergency transport and other responsive costs. There is also an overspend in Public Health (+£0.2m)
47. In determining the Public Health grant allocation to SCC, the Department of Health (DH) misallocated £3.3m of the Genito-Urinary Medicine (GUM) funds, which instead were transferred to the NHS Clinical Commissioning Groups (CCGs). DH accepted this was an error, but asked for it be resolved locally. However, only £0.2m has been received from the CCGs, which is reflected in these accounts.
48. The other ongoing budget issue which is being investigated is the cost of prescribing drugs related to the Public Health Agreements. It has come to light nationally that local authorities may be recharged for such costs by the NHS Business Services Authority and that this amount had not been included in councils' baseline allocations. Initial estimates show Surrey's liability could be in the region of £1.9m. As this is a national issue the Director of Public Health (DPH) is working with other DPHs to progress this matter nationally with DH. No accruals have been made in respect of this activity in 2013/14, but it is considered a contingent liability in the final accounts.

49. Miscellaneous income included the remaining funds of a transition grant, dental trainee salary grant and small one off funds and reimbursements.
50. Due to the fact that a number of staff did not transfer to the council from NHS Surrey as part of the changes to the NHS from 1 April 2013, Public Health have had several vacancies during 2013/14, including many at senior level. PH took the opportunity to recruit in a measured way given the budget shortfall. All vacancies in the agreed structure were filled by January and all staff have now started.
51. Despite needing to monitor contract payments closely, as a result of the GUM funding misallocation, Public Health delivered a strong service during the year through the full range of services including: sexual health, substance misuse (including alcohol), school nursing, obesity, physical activity, smoking and health checks.
52. Specific achievements include delivering health checks for the first time in the county, reducing the alcohol hospital admissions rate, reducing teenage conception rate, assisting with the emergency relief efforts for the Surrey floods.
53. There was a particularly high demand (£3.7m) for GUM services across the country. This is one of the 5 mandatory requirements from the Health and Social Care Act 2012. This area will be closely monitored in 2014/15 and contracts reviewed to contain the cost impact where possible.

Central Income & Expenditure

Table 11: Summary of the revenue outturn for the directorate

	Full year (revised) budget	Full year projection	Full year variance
Summary	£m	£m	£m
Income	-257.3	-259.4	-2.1
Expenditure	60.4	58.7	-1.7
Net	-196.9	-200.3	-3.8
Local Taxation	-599.3	-600.6	-1.3
Net position	-796.2	-801.3	-5.1

54. Central Income & Expenditure's outturn for 2013/14 is -£5.1m underspend. It differs from the -£5.6m underspend forecast at the end of February for the following reasons.
- The final quarter receipt of Education Support Grant was less than anticipated by £0.6m.
 - During March 2014, the Council approved a number of redundancies. However, the number and the value was not as large as forecast, leading to an underspending of £0.8m.
 - the 2012/13 external audit report recommended the Council review its provision for potential claims in respect of closed landfill waste sites. This assessment is now complete and a £0.7m transfer to the provision has been charged against this budget.

55. The Medium Term Financial Plan included a business rates top up grant of £2.4m, this grant was not received by the Council in 2013/14. In addition, the Education Support Grant has also been reduced by £0.8m, due to schools attaining academy status. However, this is offset in 2013/14 by additional grant income which was not included in the MTFP which was greater than the shortfall. These include;
- Local Authority Central Spend Efficiency Grant (£1.4m),
 - Adoption Reform (£2.0m)
 - Small Business & Empty Property Rate Relief Grant (£0.7m)
 - Council Tax Transition Grant (£0.3m),
 - HM Courts Service (£0.2m).
56. In addition, in 2013/14 local business rates collection yielded £1.3m more revenue than expected and the Small Business & Empty Property Rate Relief Grant of £0.7m more.
57. The final quarter receipt of the Adoption Reform Grant of £0.5m has been carried forward on the Balance Sheet and will be vired to Children, Schools and Families during 2014/15.
58. Capital financing costs are lower than budget, made up of:
- Interest payable -£2m – In setting the budget, the council assumed that it would use its cash balances to fund capital expenditure in place of borrowing externally. However, a provision was made against any external borrowing being undertaken. The Council has been able to maintain its internal borrowing strategy throughout 2013/14 and therefore this budget is forecast to underspend by -£0.5m. In addition, there is a further -£1.6m of unspent New Homes Bonus within the interest payable budget, of which £0.7m has been approved to be carried forward.
 - Interest receivable was over-recovered by around -£1.2m due to higher cash balances held at the beginning of the year as a result of the up-front payment of a number of Government Grants.
 - The Minimum Revenue Provision (MRP) is money set aside to repay debt and is calculated on the audited balance sheet at 31 March 2013. Following the unqualified audit of the statement of accounts in September, this budget is -£0.5m underspent, and will remain at that level at year end.
59. During January 2014 the Council agreed to sell the outstanding debt relating to the Icelandic bank Landsbanki. The income from this sale was received during February and included the interest due on the initial investment of £0.5m. This has been included in both the year to date and full year variance for interest receivable. Offsetting this is the impairment of the initial investment for the amounts not being recovered which is included against the interest payable budget.
60. During March a number of redundancies were approved, this has enabled the redundancy outturn to be adjusted, and there will now be an underspend on this budget of £0.8m.
61. In April 2013 the Council was required to auto-enrol its staff into the relevant pension scheme. The MTFP made a provision for additional cost of this, based on the nine months year to date position at the time, the actual underspend is -£1m.

Revolving Infrastructure & Investment Fund

Table 12: Summary of the revenue outturn for the fund

Summary 2013/14	February 2014 forecast £m	Full year outturn £m
Income	-2.4	-3.0
Expenditure	0.3	0.8
Funding	1.4	1.5
<hr/>		
Net revenue position	-0.7	-0.7
Capital spend (including investments as well as property)	40.3	40.2

62. The Revolving Infrastructure & Investment Fund was established in MTFP 2013-18 to provide the revenue costs of funding initiatives that will deliver savings and enhance income in the longer term. The mechanics of the fund is to transfer the net revenue position to the Revolving Infrastructure and Investment reserve at year end. Therefore the year end transfer to the reserve is +£0.7m and the revenue position does not impact on the outturn.
63. The infrastructure and investment portfolio now includes a total of seven properties (acquired for future service delivery), loans to the Woking Bandstand Joint Venture company and a small investment in FutureGov. The portfolio has generated income of £0.7m in 2013/14, after the deduction of expenses and capital funding costs.
64. Funding costs are charged to the Revolving Infrastructure & Investment Fund to reflect the opportunity cost of using internal capital resources. As additional borrowing has not yet been needed, the assets noted above have actually delivered net income of £2.2m for the year, with the additional income of £1.5m being recorded against the Central Income & Expenditure offsetting interest payable.
65. Capital expenditure of £40.2m has been incurred this financial year, in addition to £9.5m incurred in 2012/13, bringing the total investment made to date to £49.7m.

Staffing costs

66. The council employs three categories of staff.
- Contracted staff are employed on a permanent or fixed term basis and paid through the council's payroll. These staff are contracted to work full time, or part time.
 - Bank staff are contracted to the Council and paid through the payroll but have no guaranteed hours.
 - Agency staff are employed through agencies the Council contracts with.
67. Bank and agency staff enable managers to manage short term variations in demand for services or vacancies for contracted staff. This is particularly so in social care.
68. A sensible degree of flexibility in the staffing budget is good, as it allows the Council to keep a portion of establishment costs variable. In 2013/14 approximately 92% of costs were due to contracted staff.
69. The Council sets its staffing budget based upon the estimated labour required to deliver its services. This is expressed as budgeted full time equivalent staff (FTEs) and is converted to a monetary amount for the budget. This budget includes spending on all three categories of staff and is the key control in managing staffing expenditure.
70. The Council's total staffing budget for 2013/14 was £313.0m based on 8,025 budgeted FTEs.
71. Table 12 shows the staffing expenditure and FTEs for the full year against budget, analysed among the three staff categories for each directorate. The table includes staff costs and FTEs that are recharged to other public services for example: other councils, NHS Trusts, outsourced to South East of England Councils or capital funded (super fast broadband). The funding for the recharges is within other income.

Table 12: Staffing costs and FTEs 2013/14

	Staffing budget to		Staffing spend by category				2013/14	
	Mar 2014 £m	Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m	Budget FTE	occupied contracted FTE
Adult Social Care	71.8	62.7	3.6	2.0	68.2	-3.6	2,187	1,865
Children Schools & Families	104.6	95.0	5.0	4.1	104.1	-0.5	2,690	2,486
Customer and Communities	57.3	51.2	1.1	4.8	57.0	-0.2	1,507	1,413
Environment & Infrastructure	23.1	21.9	0.9	0.5	23.3	0.2	524	514
Business Services and Central Income & Expenditure	42.1	38.6	3.1	0.1	41.8	-0.2	892	839
Chief Executive's Office	13.4	11.8	0.2	0.2	12.2	-1.2	225	240
Total	312.2	281.1	13.8	11.7	306.6	-5.6	8,025	7,357

Note: All numbers have been rounded - which might cause a casting error

72. The most material variance is a -£3.6 underspend in ASC due to recruitment delays, mainly in reablement and front line teams. However, such staffing savings are counterproductive as they reduce the directorate's ability to implement key strategic savings plans such as FF&C and in most cases are outweighed by additional spend on care ASC might otherwise have avoided.

73. Table 13 shows there are 668 “live” vacancies, for which active recruitment is currently taking place, with 500 of these in social care. Many vacancies are covered on a temporary basis by either agency or bank staff, the costs of which are shown in Table 13. The number of temporary staff does not translate easily into an FTE number as these may be for a few hours only, part time etc. The easiest way to measure this is to look at the actual expenditure as shown in Table 13 (agency and bank staff).

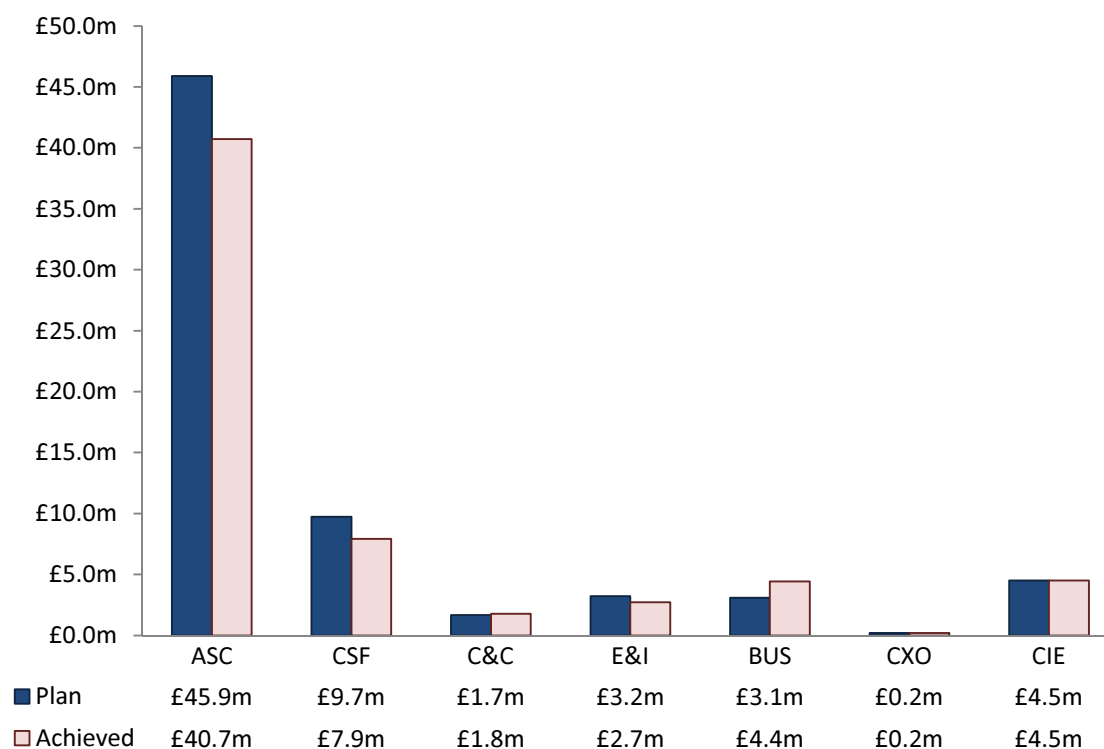
Table 13: full time equivalents in post and vacancies

	March FTE
Budget	8,025
Occupied contracted FTE	7,357
“Live” vacancies (i.e. actively recruiting)	668

Efficiencies

74. MTFP 2013-18 incorporates £68.3m of expenditure efficiencies. Overall, the Council achieved £62.3m by year end, an under achievement of -£6.0m.
75. The appendix to this annex includes each directorate's efficiencies and a brief commentary on progress. Directorates have evaluated efficiencies on the following risk rating basis:
- RED – significant or high risk of saving not being achieved, as there are barriers preventing the necessary actions to achieve the saving taking place.
 - AMBER - a risk of saving not being achieved as there are potential barriers preventing the necessary actions to achieve the saving taking place
 - GREEN – Plans in place to take the actions to achieve the saving
 - BLUE – the action has been taken to achieve the saving.

Figure 3: 2013/14 achieved against 2013/14 budgeted overall efficiencies



76. The bulk of the -£6.2m variance is from ASC (-£5.2m), largely due to slippage in the innovative FF&C strategy as outlined above in the directorate's revenue budget commentary.
77. Under achievements in CSF (-£1.8m) and E&I (-£0.5m) remain as reported for December. CSF has experienced delays in achieving the efficiencies planned in services for children with disabilities together with increasing demand for care packages and pressures on the transport budget. E&I had an underachievement of -£0.4m on the bus service contract savings. This is offset through Business Services overachievement by bring forward (+£1.3m) 2014/15 efficiencies. The appendix to this annex provides further details of the directorates progress in achieving the 2013/14 efficiencies.

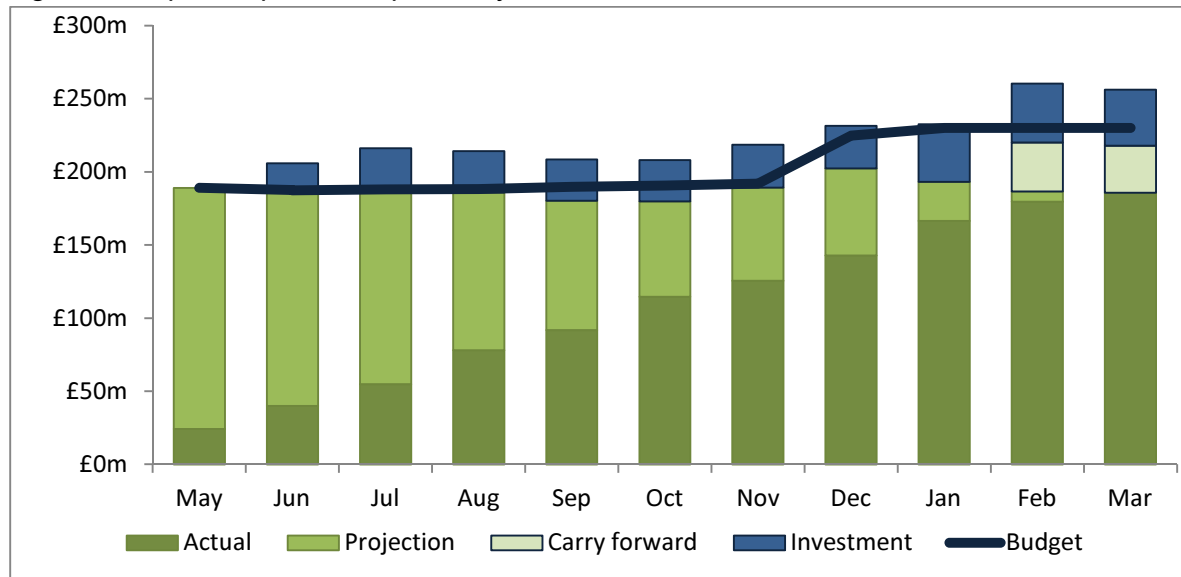
Capital

78. By planning significant capital investment as part of MTFP 2013-18, the Council demonstrated its firm long term commitment to supporting Surrey's economy.
79. Table 15 shows outturn expenditure for the service capital programme and long term investments of £224.1m against a budget of £230.1m. The material variances are summarised below.
- the school basic need programme (-£12.2m);
 - acquiring land for waste schemes (-£6.3m);
 - contract and adverse weather impeded site access to corporate projects (-£11.7m);
 - from archaeological finds at Guildford Fire Station (-£2.9m);
 - deliveries for the fire vehicle and equipment replacement programme and mobilisation control (-£2.6m);
 - safe cycle bid and economic regeneration projects, Local Sustainable Transport Fund and Redhill Balanced Network (-£4.4m);
 - obtaining planning permission to improve a travellers' site (-£1.4m);
 - Superfast broadband project (-£1.7m); and
 - long term investments (£37.7m)
80. There are other smaller variances in the capital programme within Adult Social Care (-£0.4m) and Children Schools and Families (-£0.7m).

Table 15: 2013/14 Capital expenditure position

	Revised full year budget £m	Actual £m	Full year variance £m	Flash carry forward approved £000s	Movement in carry forward £000s	Revised carry forwards £000s	Full year variance £000s
Adult Social Care	2.0	1.6	-0.4	0.1		0.1	-0.3
Children, Schools & Families	11.0	10.3	-0.7	0.5		0.5	-0.2
Customer & Communities	4.8	2.2	-2.6	2.5	0.1	2.6	0.0
Environment & Infrastructure	71.3	65.8	-5.5	6.0	-0.5	5.5	0.0
School Basic Need	54.3	42.1	-12.2	9.3	-8.9	0.4	-11.8
Business Services	75.3	54.0	-21.3	19.2	2.6	21.8	+0.5
Chief Executive Office	11.4	9.7	-1.7	1.8	-0.1	1.7	0.0
Total service programme	230.1	185.7	-44.4	39.4	-6.8	32.6	-11.8
Central investment assets	0.0	38.4	+38.4				+38.4
Total Overall	230.1	224.1	-6.0	39.4	-6.8	32.6	+26.6

Figure 4: Capital expenditure profile by month 2013/14



81. At its meeting of 22 April 2014, Cabinet approved a provisional amount of £39.4m to carry forward. Due to the final capital position changing for some of the carry forward amounts, Cabinet is asked to approve an amendment to the amount carried forward by -£6.8m. The main reasons for this include:
- the budget for schools basic need, where the 2014-2019 MTFP had included the amount of £8.9m re-profiled from 2013/14;
 - reductions for cycling schemes, Local Sustainable Transport Fund and Superfast Broadband totalling £0.9m; and
 - additional carry forward requests for Unicorn project (£1.224m), recurring property maintenance (£1.026m), property projects (£0.334m), completion of Walton Bridge (£0.323m), fire vehicles and equipment (£0.066m), member allocations (£0.002m)
82. The carry forwards relate to project duration rather than spending savings. Therefore the overall capital programme will spend the same and funding is unaltered.
83. The Council initially approved the 2013/14 capital expenditure budget at £187.3m. Cabinet subsequently reprofiled the capital budget for 2013/14 by -£2.5m, which reduced it to £184.8m. Up to 28 February 2014 the capital budget was updated for: new approved schemes; re-profiling requests and new grant funded schemes (+£2.7m); drawing down capital grants for Walton Bridge (£0.6m); wellbeing centres (£0.1m); purchasing Woking Magistrates Court (£0.9m); purchasing Quadrant Court (£21.3m); and reprofiling highway maintenance (£11.1m) and external funding from sources such as schools' parent teacher associations of £4.1m.
84. In March, the Council updated the capital budget for: further funding of £0.1m from local schemes, £2.1m external funding from sources such as schools' parent teacher associations and £1.1m for IMT replacement reserve and £1.9m for assorted highway schemes and Basingstoke canal. The revised capital budget for 2013/14 is £230.8m.
85. Table App4 in the appendix to this annex summarises the capital budget changes.

Appendix to Annex

The contents of the Appendix include these below items. Page numbers have not been supplied due to the document page numbers would be different to the Cabinet papers publication page numbers

Corporate performance scorecard – finance

Efficiencies & service reductions

Updated revenue budget

Updated capital budget

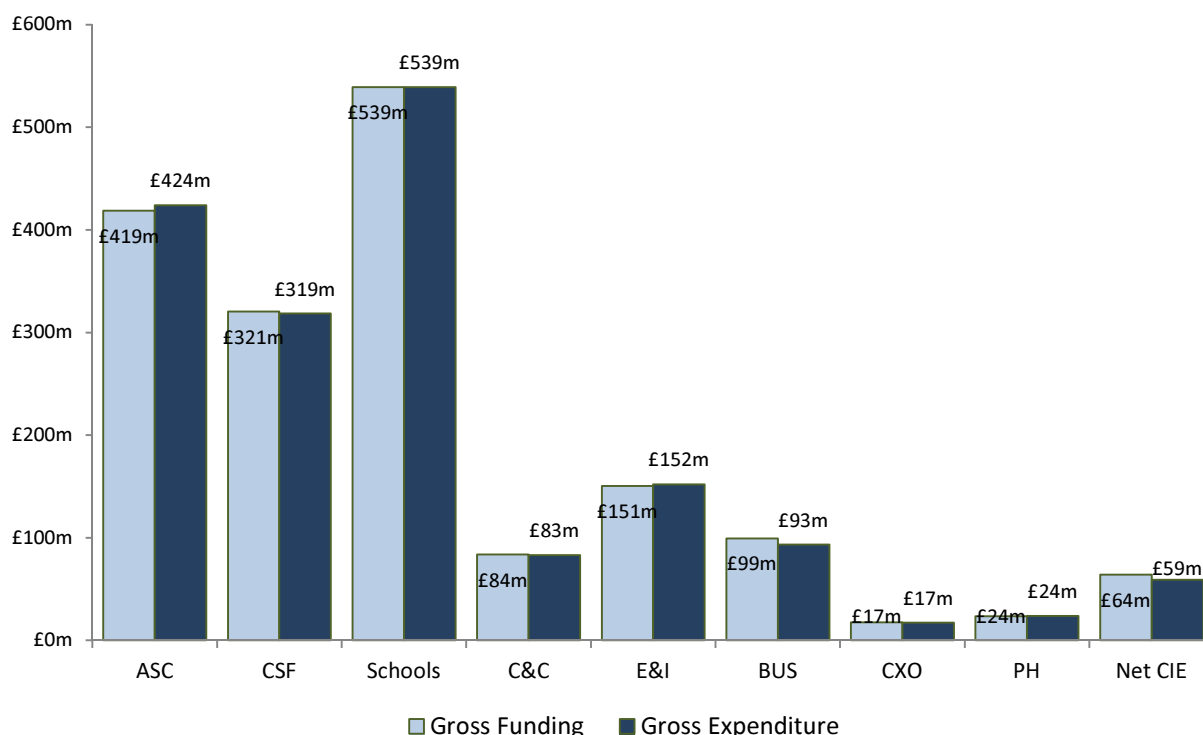
Earmarked reserves

Debt

Corporate performance scorecard – finance

- App 1. Figure App1 shows the gross funding and expenditure for the Council at outturn (as included in the quarterly corporate performance scorecard). Gross funding for a service is its receivable income plus its budgeted share of funding from the council's overall resources. The difference between gross funding and gross expenditure is the net budgetary variance. The amounts are by directorate and relate to the outturn position. Net CIE includes Central Income & Expenditure, local taxation and the Revolving Infrastructure & Investment Fund.
- App 2. The corporate performance scorecard also includes the year end outturn revenue position shown above in Figure 1.

Figure App1: 2013/14 Year end outturn revenue position

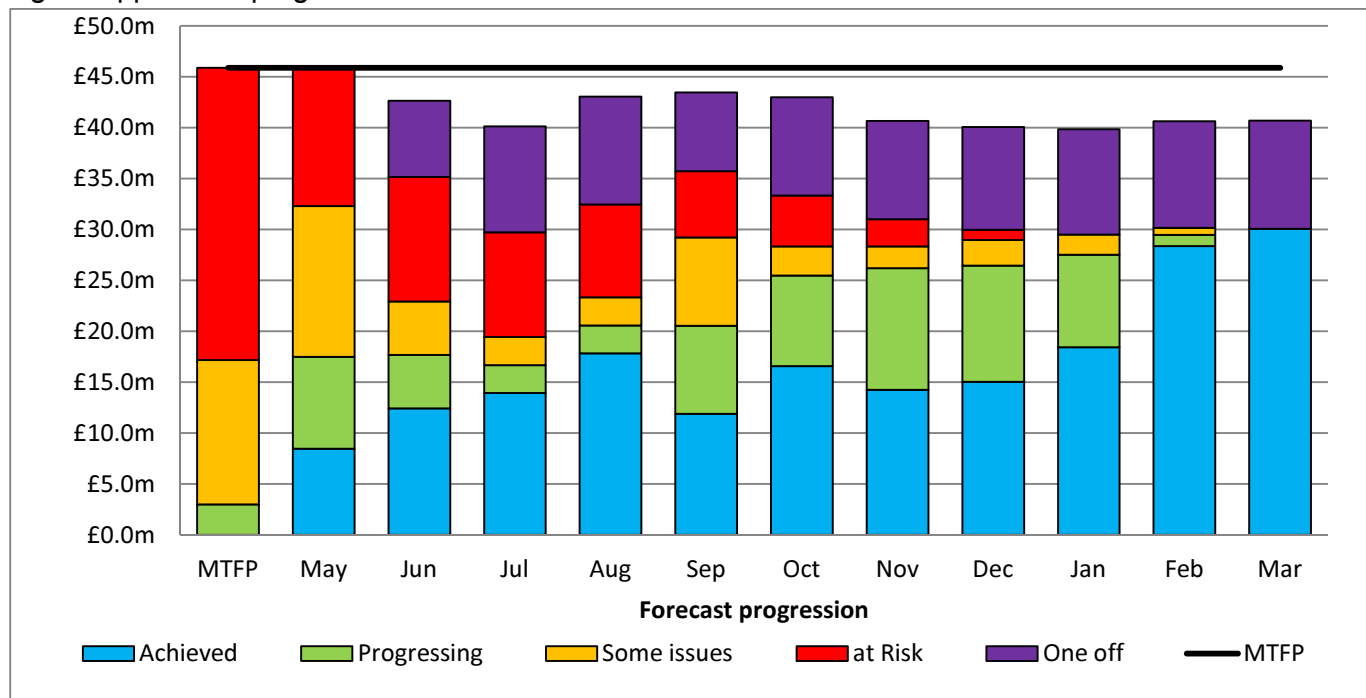


Efficiencies & service reductions

- App 3. The graphs below track progress against directorates' MTFP 2013-18 ragged expenditure efficiencies & service reductions.
- App 4. All the graphs use the same legend:
- Red – At risk,
 - Amber – Some issues,
 - Green – Progressing and
 - Blue – Achieved.
- App 5. Each graph is based on the appropriate scale and so they are not directly comparable one against another.

Adult Social Care

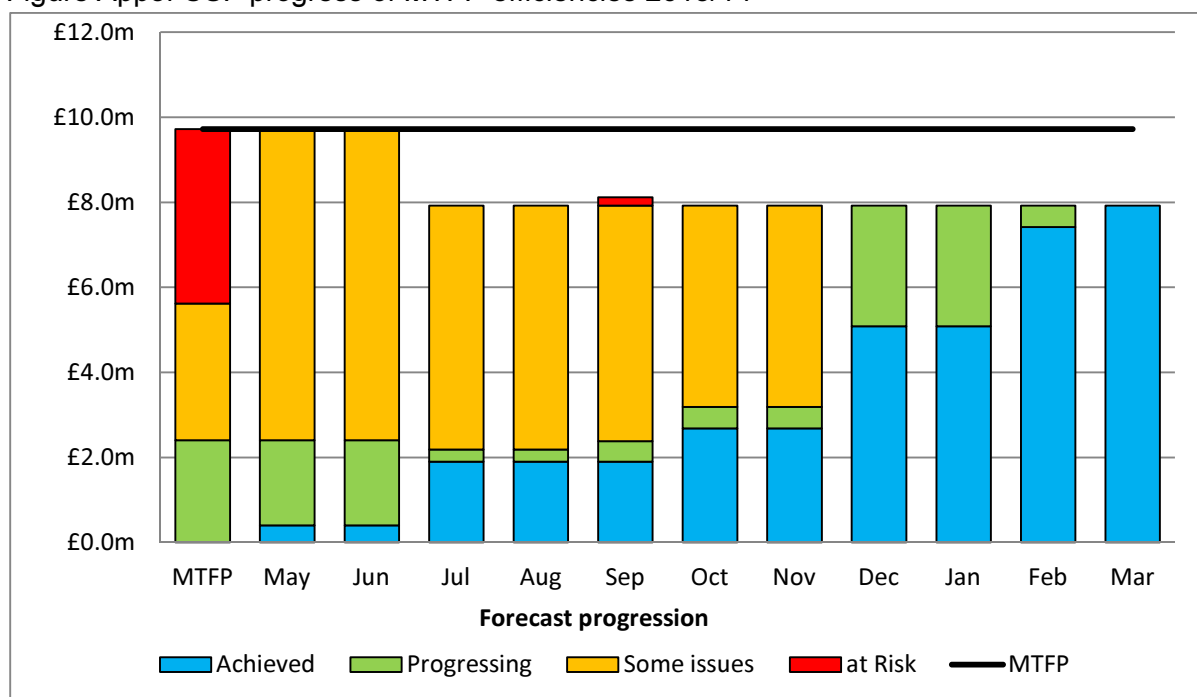
Figure App2: ASC progress of MTFP efficiencies 2013/14



App 6. Adult Social Care's MTFP savings target for 2013/14 was £45.9m. £2.9m of additional demand pressures arose during the year meaning ASC needed £48.8m of savings to balance the budget. The Directorate performed well in achieving total savings of £43.6m in 2013/14, 89% of the revised target, but this included £10.6m of unplanned one-off savings which also have to be found in the 2014/15 budget. The most significant element of ASC's savings plans in 2013/14 is the Family, Friends and Community (FFC) support strategy, which originally had a £15.5m savings target. Given the scale of the challenge and that this was the first year of these ambitious plans, it was flagged as a significant risk during the budget planning process and although considerable work is ongoing to fully embed this new approach no savings were achieved in 2013/14. Therefore this will impact on 2014/15's budget. The under-achievement on the FFC programme combined with less significant shortfalls against other some savings plans was partially offset by £10.6m of unplanned one-off savings. The main one-off savings measures were draw downs of £7.5m of unused Whole Systems 2011/12 funds and £1.7m of previous years' Winter Pressures Funding. The Whole Systems funding was set aside by the Directorate as a contingency for the 2013/14 budget in light of the very challenging savings target. The Winter Pressures money was carried forward to offset anticipated increased demand over the 2013/14 winter period.

Children, Schools & Families

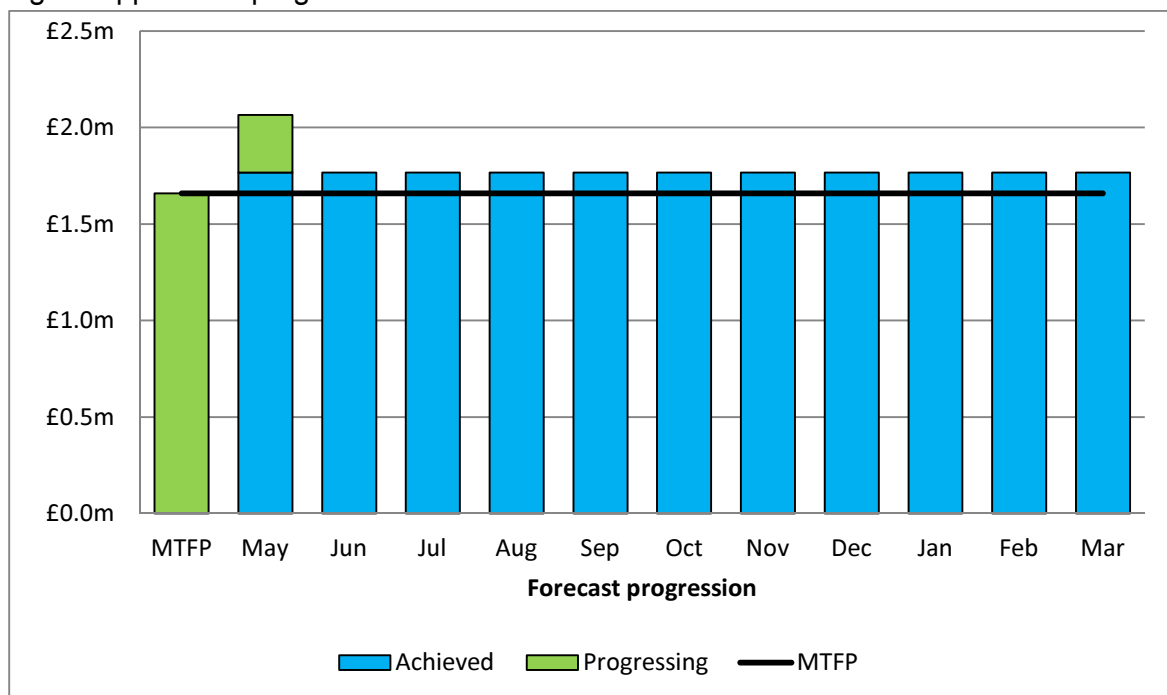
Figure App3: CSF progress of MTFP efficiencies 2013/14



- App 7. Two of the planned efficiencies were not achieved in 2013/14. Delays occurred in achieving the efficiencies planned in services for children with disabilities which together with the increasing demand for more complex care packages described above, meant the planned saving of £1.5m was not possible. Also, given the pressure on the transport budget the planned efficiency of £0.3m was not achieved.
- App 8. The £1.8m unachieved efficiency savings in 2013/14 have been reallocated in 2014/15 and are expected to be achieved along with the 2014/15 efficiency savings.
- App 9. The Directorate recognises the increasing financial pressures from 2015/16 in particular and through the Public Value Programme (PVP) will transform to deliver within a reducing funding base.

Customer & Communities

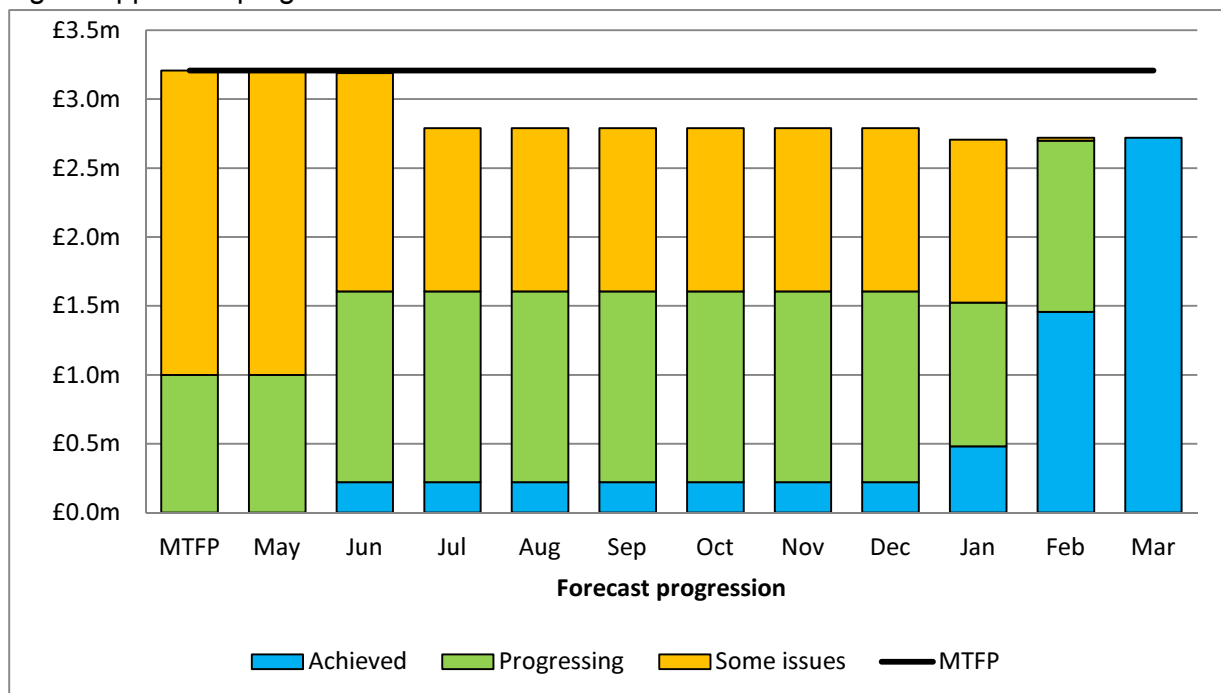
Figure App4: C&C progress of MTFP efficiencies 2013/14



App 10. The efficiencies summary shows an over-achievement of +£0.1m against the 2013/14 target of £1.7m. This is due to the early achievement of the 2014/15 Directorate Support staff saving.

Environment & Infrastructure

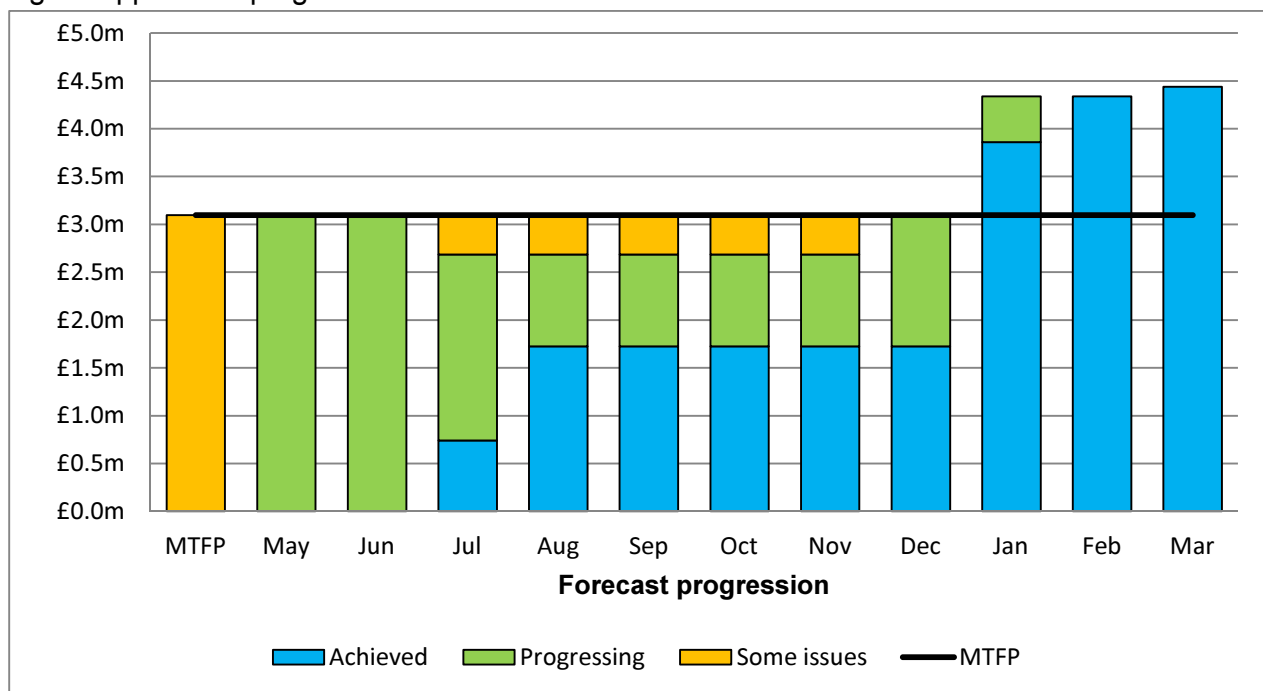
Figure App5: E&I progress of MTFP efficiencies



App 11. The final position for E&I is a shortfall of £0.5m, as expected earlier in the financial year, primarily bus service contract savings (£0.4m) which have been superseded by the wider Transport Review.

Business Services

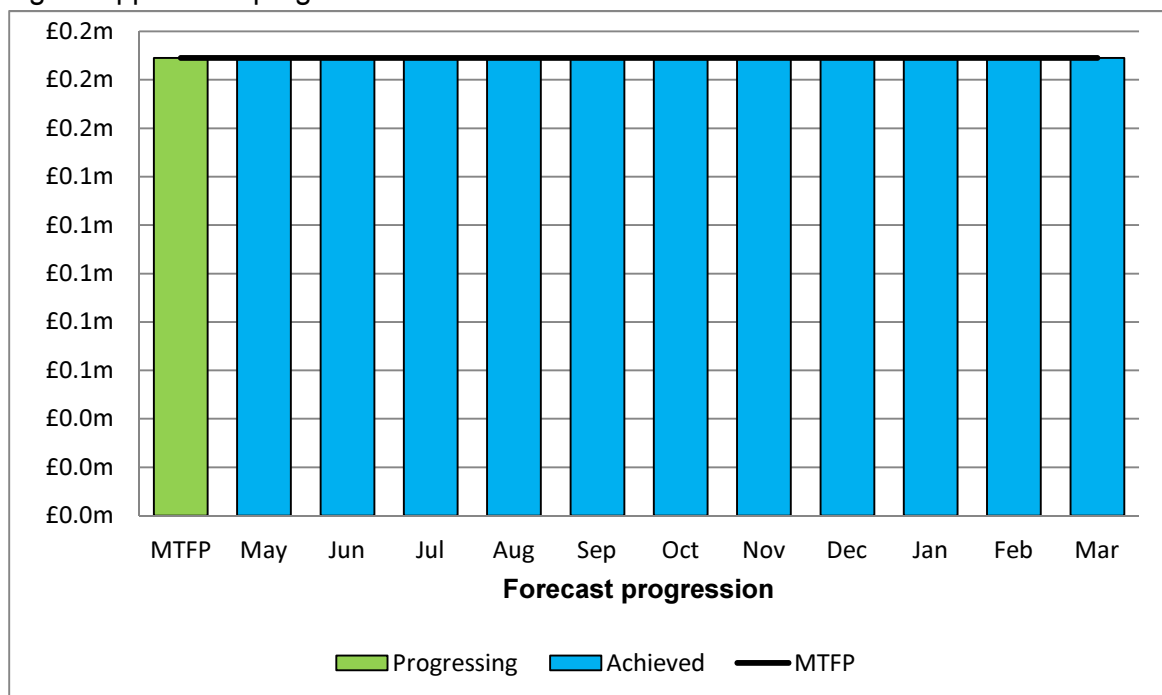
Figure App6: BUS progress of MTFP efficiencies 2013/14



App 12. The budget for the directorate includes efficiency savings and increased income targets of £3.1m. These have been delivered and +£1.3m of 2014/15 efficiencies early.

Chief Executive's Office

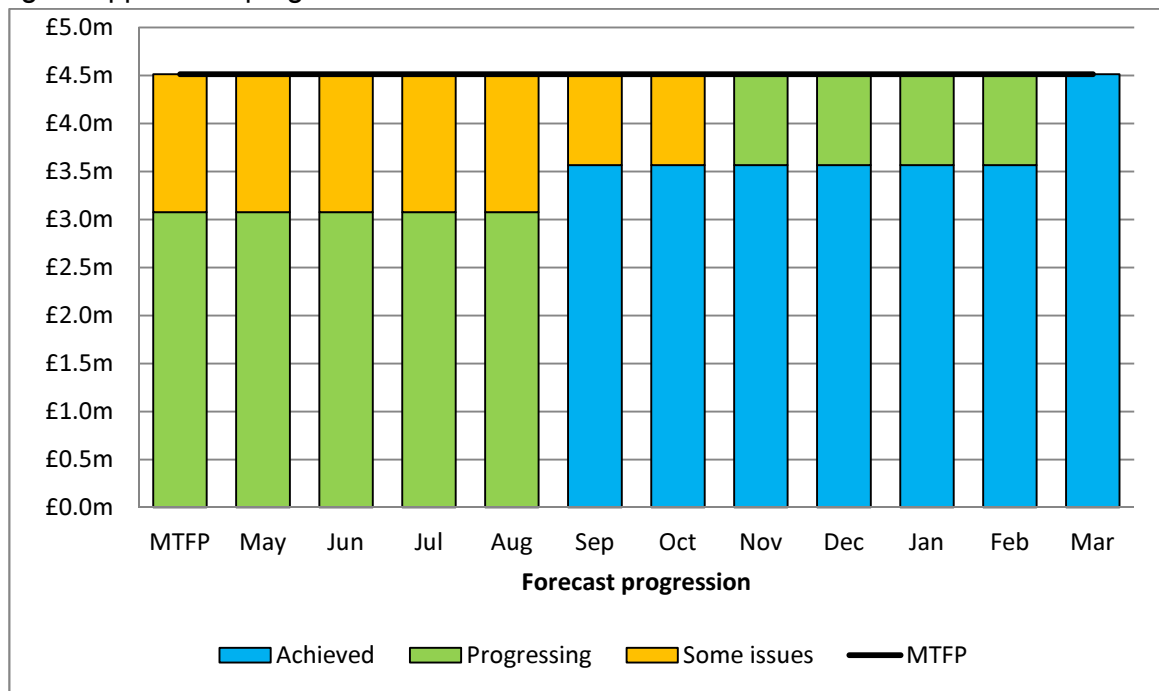
Figure App7: CEO progress of MTFP efficiencies 2013/14



App 13. The planned 2013/14 efficiencies have been achieved. The Directorate is currently holding vacancies within Policy & Performance in preparation for achieving efficiency savings for 2014/15.

Central Income & Expenditure

Figure App8: CEO progress of MTFP efficiencies 2013/14



App 14. The efficiencies identified in MTFP 2013-18 from changes to the Council's treasury management strategy and redundancy have been achieved.

Updated revenue budget

App 15. The Council's 2013/14 revenue expenditure budget was initially approved at £1,685.3m. Subsequently Cabinet approved the use of reserves built up in 2012/13 to augment this. Adding virement changes approved between May and February increased the expenditure budget at the end of February to £1,687.7m. In March, there was a transfer from reserves of £4m in respect of the approved increase in the budget equalisation reserve, a budget adjustment of -£1.5m for earmarked school grants, a transfer of funding of £1.1m of DSG for academies, a transfer back to the Department for Education for academy status conversions (£0.4m), and a number of virements reprofiled the income & expenditure budgets, increasing the overall expenditure budget by £5.5m. Table App 1 summarises these changes.

Table App 1: Movement of 2013/14 revenue expenditure budget

	Income £m	Expenditure £m	Earmarked reserves £m	General balances £m	Total £m	Number of Virements £m
Original MTFP	-1,662.3	1,685.2	-11.0	-11.9	0.0	
Q1 changes	-2.3	11.1	-8.8		0.0	72
Q2 changes	7.7	-2.7	-5		0.0	114
Q3 changes	-3.6	-3.8	7.4			90
Jan & Feb changes	2.1	-2.1				34
Previous changes	-1,658.4	1,687.7	-17.4	-11.9	0.0	310
March changes						
Transfer from reserves	-4.0	4.0				1
DSG funding for Summer	-1.1	1.1				1
Term 2013 school action plus academies						
Schools earmarked grants adjustment	1.5	-1.5				1
Academy conversion Mar 14 – budget and grant reduction	0.4	-0.4			0.0	1
Transfer of income and expenditure	-2.3	2.3			0.0	34
March changes	-5.5	5.5	0.0	0.0	0.0	38
Updated budget - Mar 2014	-1,663.9	1,693.2	-17.4	-11.9	0.0	348

App 16. When the Council agreed MTFP 2013-2018 in February 2013, some government departments had not determined the final amount for some grants. Services therefore estimated their likely grant. The general principle Cabinet agreed was any changes in the final amounts, whether higher or lower, would be represented in the service's income and expenditure budget. For example, there were a number of changes in September for the notification of schools transferring to Academy status.

App 17. In controlling the budget during the year, budget managers occasionally need to transfer, or vire, budgets from one area to another. In most cases these are administrative or technical in nature, or of a value that is approved by the Chief Finance Officer.

App 18. Virements above £250,000 require the approval of the relevant Cabinet Member. There were six virements above £250,000 in March:

- a transfer from reserves of £3,959,273 in respect of the approved increase in the budget equalisation reserve;
- a budget adjustment of -£1,491,534 in respect of earmarked school grants;
- a transfer of £1,088,424 in respect of a transfer of funds from the DSG for academies School Action Plus;
- a grant reduction of £440,432 in respect of academy conversions;
- a budget adjustment of £345,201 in respect of an Education Services grant reduction against the Babcock 4S contract; and
- a transfer to ASC from CIE of £295,063 for work with Districts & Boroughs.

App 19. Table App 2 shows the updated revenue budget that includes the changes in government grants and virements since the beginning of the year.

Table App 2: 2013/14 updated revenue budget – March 2014

	Income £m	Expenditure £m	Net budget £m
Adult Social Care	-69.0	406.3	337.3
Children, Schools & Families	-139.4	320.2	180.7
Schools	-513.5	513.5	0.1
Customers and Communities	-24.2	84.1	60.0
Environment & Infrastructure	-18.6	149.1	130.6
Business Services	-14.9	98.0	83.1
Chief Executive's Office	-27.8	44.2	16.4
Central Income & Expenditure	-856.6	45.7	-809.3
Service total	1,663.9	1,662.8	-1.1
Risk Contingency		13.0	13.0
Total	-1,663.9	1,675.8	11.9

Note: All numbers have been rounded - which might cause a casting error

App 20. Table App 3 shows the year to date and forecast year end gross revenue position supported by general balances.

Table App 3: 2013/14 Revenue outturn budget position as at end of March 2014

	Full Year Budget £m	Outturn Forecast £m	Forecast Variance £m
Income:			
Local taxation	-599.3	-600.6	-1.3
Government grants	-910.1	-901.0	9.1
Other income	-154.5	-203.7	-49.2
Income	-1,663.9	-1,705.3	-41.4
Staffing	311.9	306.6	-5.3
Service provision	850.4	864.5	14.1
Non schools sub-total	1,162.3	1,171.1	8.8
Schools expenditure	513.5	539.1	25.6
Total expenditure	1,675.8	1,710.2	34.4
Movement in balances	11.9	5.0	-6.9

Note: All numbers have been rounded - which might cause a casting error

Updated capital budget

App 21. The Council initially approved the 2013/14 capital expenditure budget at £187.3m. Subsequently, Cabinet amended the budget by approving reprofiling and carry forwards (-£32.6m in total, -£2.5m for 2013/14) from 2012/13. This decreased 2013/14's capital budget to £184.8m.

App 22. New virements and reprofiling approved between May 2013 and February 2014 added £42.6m to the capital budget. There are changes to the capital budget totalling £5.1m, increasing the capital budget to £230.1m. There were 3 changes over £0.25m: - £2.1m external funding from sources such as schools' parent teacher associations, £1.1m transfer from reserves for information technology and -£1.9m for developer contributions for transport local schemes and Basingstoke canal. Table App 4 summarises these changes.

Table App 4: Movement of 2013/14 capital expenditure budget

2013/14 Monitoring	MTFP Budget £m	C/fwd and reprofiled budget £m	Budget virement £m	Revised full year budget £m
Adult Social Care	1.3	0.4	0.3	2.0
Children, Schools & Families	2.8	1.6	6.6	11.0
Customer & Communities	2.0	3.1	-0.3	4.8
Environment & Infrastructure	50.1	4.3	16.9	71.3
Business Services	50.4	0.6	24.2	75.2
Schools Basic Need	69.2	-14.9	0.0	54.3
Chief Executive's Office	11.5	0.0	0.0	11.5
Total service overall	187.3	-4.9	47.7	230.1

Note: All numbers have been rounded - which might cause a casting error

Earmarked reserves

App 23. Table App5 shows outturn position for earmarked reserves and general balances at 1 April 2014 after applying the reserves used to support the 2014/15 budget.

Table App5: Earmarked reserves

	Balance at 31/3/2013 £m	Transfers in £m	Transfers out £m	Balance at 31/3/2014 £m	Support for 2014/15 budget £m	Carry forwards £m	Balance at 1/4/2014 £m
Revolving Infrastructure	0.0	20.2		20.2			20.2
Investment & Renewal Reserve	13.3	0.6	-0.9	13.0			13.0
Eco Park	8.0	6.6		14.6			14.6
Budget Equalisation Reserve	25.0	28.5	-18.9	34.6	-29.7	-5.5	0.9
Street Lighting	5.8	0.4		6.2			6.2
Severe Weather	5.0		-5.0	0.0			0.0
Economic Downturn	4.4	2.1	-0.5	6.0	-4.3		1.7
Child Protection	3.6	0.4	-0.9	3.1			3.1
Interest Rate	3.2	1.5		4.7	-3.7		1.0
Insurance	7.4	1.4		8.8			8.8
Vehicle Replacement Reserve	5.1	0.4	-0.1	5.4			5.4
Waste	0.3			0.3	-0.3		0.0
Investment	4.9		-4.9	0.0			0.0
Equipment Replacement Reserve	3.1	2.4	-2.2	3.3	-1.8		1.5
Local Assistance Scheme	0.0	0.5		0.5			0.5
General Capital	7.6			7.6			7.6
Fin Invest	11.1		-9.5	1.6	-1.0		0.6
Earmarked Reserves	107.8	65.0	-42.9	129.9	-40.8	-5.5	83.6
General balances	31.8	1.4	-11.9	21.3			21.3

App 24. In February, the Council set its budget for 2014-19; at this time £25.9m of reserves were identified to support the 2014/15 budget. In addition, in March, Cabinet approved a further £14m of support after the requirement to re-profile the ASC savings. At the time, the amounts identified were in relation to the reduction of the Council's potential loss on its investment in two Icelandic banks and the settlement of the Council's Mutual Municipal Insurance liability. In addition, balances from the Economic Downturn Reserve and the Budget Equalisation Reserve were identified as available. Since this decision, a number of uncertainties have arisen and it is considered prudent to maintain the previous levels of the insurance reserve. These uncertainties arise in relation to an increased number of insurance claims due to the recent flooding in the county, alongside a recent rise in insurance premium costs and a decision to increase the excesses payable by the Council. As a result, the release of £3.3m from the Insurance Reserve planned in March will be replaced by a draw-down from the Budget Equalisation Reserve.

App 25. The level of earmarked reserves have been increased over the past five years to provide funds for what the Council knew would be a difficult financial climate, especially with the reduction in government funding. The use of the £39.8m reserves to support the 2014/15 budget smoothes these pressures across years and brings the total level of reserves down towards the historic level. The level of general balances at the year end is marginally above the range approved when setting the 2014/19 MTFP of £16m - £20m.

Debt

App 26. At the end of 2013/14 the Accounts Payable team had raised invoices totalling £196.6m.

App 27. Table App6 shows the age profile of the council's care, and non-care related debt.

Table App6: Further information on debts

Account Group	<1	2-12	1-2	+2	Total	Overdue debt
	month	months	years	years		
	£m	£m	£m	£m	£m	£m
Care debt – unsecured	3.9	2.1	1.6	2.8	10.4	6.5
Care debt - secured	0.2	1.8	1.7	2.8	6.5	
Total Care	4.1	3.9	3.3	5.6	16.9	6.5
General debt	20.3	2.6	0.2	0.1	23.2	2.9
Property	0.2	0.1	0.0	0.1	0.4	0.2
Total Non-care Debt	20.5	2.7	0.2	0.2	23.6	3.1
Total Debt	24.6	6.6	3.5	5.8	40.5	9.6

App 28. The amount still outstanding of these invoices was £40.5m of gross debt at 31 March 2014, an increase of £7.8m from the same point in 2013. The gross debt was adjusted to take into account those balances not immediately due (i.e. less than 30 days old), or collectable (i.e. secured on property). This produced the figures for net debt, which are shown in Table App7.

Table App7 –Overdue debt summary as at 31 March 2014

	2013/14 Q4	2012/13 Q4	2011/12 Q4	2010/11 Q4
	£m	£m	£m	£m
Care Related Debt	6.5	7.6	6.1	6.8
Non Care related debt	3.1	3.8	3.0	3.9
Total	9.6	11.4	9.1	10.7

App 29. The increase in care debt outstanding was a concern and is being addressed by a Rapid Improvement Event. Systems, restructure and overall economic factors may have played a part in this, and more specifically during the last quarter of the year the SWIFT reconciliation process identified new income for the council that was previously uncharged. From a debt recovery perspective clients were reluctant to pay high value retrospective bills resulting in an increase in the value of outstanding debt. The top 20 high value backdated bills for the last six months raised £1.73m worth of debt.

App 30. The Council's debt policy includes a target of 30 days to collect non-care debt. The average number of debtor days for March was 27 days.

App 31. The Chief Finance Officer has delegated authority to write off irrecoverable debts in line with financial regulations. This quarter (Q4 2013/14), 68 such debts have been written off with a total value of £117,411, of which £114,287 was care related and £3,124 was non care debt related.

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Annex 2**2014/15 revenue budget****Summary recommendations**

Cabinet is asked to:

1. note the revised revenue 2014/15 budget incorporating the 2013/14 transfers and carry forwards. (Annex 2, paragraph 1); and
2. approve the two 2014/15 revenue virements for SEN Reform Grant distribution and Children Service's contact centre realignment (Annex 2, paragraph 2 and 4).

Revenue 2014/15 budget

1. Surrey County Council has now set its budget for the 2014/15 financial year. Cabinet approved the budget on 25th March 2014. Table A2.1 shows the directorate MTFP 2014/15 revenue budget incorporating the carry forwards from 2013/14 approved in April and May. Table A2.1 also highlights the funding from reserves that supports the revenue budget.

Table A2.1: Revenue 2014/15 budget

	Income £m	Expenditure £m	Original net budget £m	Carry forward £m	Updated net budget £m
Adult Social Care	-72.3	412.3	340.0	0.1	340.1
Children, Schools & Families	-151.5	334.0	182.5	0.7	183.2
Schools	-468.3	468.3	0.0		0.0
Customers & Communities	-24.8	82.3	57.5	0.9	58.4
Environment & Infrastructure	-17.9	146.9	129.0	1.0	130.0
Business Services	-15.3	98.0	82.7	1.8	84.5
Chief Executive's Office	-30.1	44.5	14.4	0.0	14.4
Central Income & Expenditure	-845.7	65.5	-780.2	0.9	-779.3
Service total	-1,625.9	1,651.8			
Funding from reserves:			25.9	5.5	31.4
Budget Equalisation Reserve			20.1	5.5	25.6
Waste Site Contingency			0.3		0.3
Equipment Renewal Reserve			1.8		1.8
Interest Rate Reserve			3.7		3.7
Reserves			25.9	5.5	31.4

Note: Adult Social Care's 2014/15 budget includes a £14m one-off contribution from reserves.

Virement request

2. At the time the budget for 2014/15 and the MTFP 2014-19 were agreed, the Council had only recently been notified of the allocation of additional grant funding by central

government - the Adoption Reform Grant (£0.983m) and a Special Educational Needs (SEN) Reform Grant (£1.224m). For budget setting purposes the grants were held in the central income and expenditure account. Although these grants are not specifically ring fenced, their purpose is to support the implementation of government reforms and legislative change in relation to adoption and SEN. Since being notified of the additional grant monies the service has worked on business plans to establish how they can be used most effectively.

3. The request is to transfer the expenditure and grant income budgets to Children Schools & Families from Central Income & Expenditure.
4. Children's Services have redesigned the referral service including creation of a Multi Agency Safeguarding Hub with the aim of increasing partnership working with the police and other agencies. This is one of the changes arising in response to the most recent OFSTED inspection. It has included moving staff located in the contact centre within the Customer & Communities directorate to the public facing central referral and area teams. Therefore approval is sought to vire the £0.517m budget for those staff from Customer & Communities to Children, Schools & Families.

Transparency information in the 2013/14 Annual report

The information below is as part of the Council's commitment to openness and transparency and is published part of the annual report.

The Council has been looking at the corporate external reporting provisions of the integrated report. This year the annual report will encompass some of the items raised within the integrated report. Therefore the 2013/14 annual report will contain elements like Chief Financial Officer Report, abridged audited financial statements, consultancy expenses, energy report, pay banding and gender analysis, high level performance indicators and risk, as well as the efficiencies and member information. This will be presented at the Audit & Governance Committee on 31 July 2014. The formal report will be published shortly after.

Council travel expenses 2013/14 – 2010/11

Travel expenses are incurred through staff and members' journeys on council business. Included within travel expenses are the costs for some employees, who due to extensive travel (over 1,500 miles per year), have a lump sum travel allowance as well as mileage expenses. The current system does not distinguish between travel expenses for training or service delivery. Toward the end of 2011/12, the council choose to relinquish a lease to a key office building and use other office space across the county. The increase in travel expenses is due to the increased travel of staff across the county to satellite offices.

Table A3.1: Travel expenses by directorate

	2013/14	2012/13	2011/12	2010/11
Adult Social Care	£1.5m	£1.5m	£1.3m	£1.4m
Children, Schools & Families	£2.3m	£2.2m	£2.2m	£1.9m
Schools	£0.0m	£0.0m	£0.0m	£0.0m
Customer & Communities	£0.3m	£0.3m	£0.3m	£0.3m
Environment & Infrastructure	£0.3m	£0.3m	£0.2m	£0.2m
Business Services	£0.2m	£0.2m	£0.2m	£0.2m
Chief Executive Office	£0.1m	£0.1m	£0.1m	£0.1m
	£4.7m	£4.6m	£4.3m	£4.1m
Surrey CC gross expenditure	£1,710.2m	£1,695.7m	£1,670.3m	£1,702.9m
Travel expenses as a proportion of gross expenditure	0.3%	0.3%	0.3%	0.2%

Salary transparency

Every year the Council publishes information on the external website information on salary policy and transparency. This can be found at:

Your council > Council Tax & Finance > Localism and transparency.

The People, Performance and Development Committee (PPDC) acts as the Council's Remuneration Committee under delegated powers, in accordance with the Council's constitution. All Surrey Pay and terms and conditions are determined by the PPDC, including chief officers' remuneration and specific appointments to posts with salaries of £100,000 or more.

The Council is committed to being at the forefront of openness and transparency to demonstrate to its residents and local taxpayers that it delivers value for money. As part of the national and local government transparency agenda, it already publishes information on its external website

detailing Surrey Pay ranges, expenditure over £500 and contracts with a value of £50,000 or more.

To continue that progress and in line with the Code of Recommended Practice for Local Authorities on Data Transparency 2011, the Council has published details of salaries paid to senior staff on-line, with effect from 30 March 2012. This information is updated on a regular basis and covers all positions with annual salaries of £58,200 and above.

This is a summary of the bandings from the information on the website. This is different to the statutory accounts bandings. The information below is a point in time (1 March 2014) of the number of officers on what band where as the statutory accounts are banding the annual salary paid for the year 2013/14 including schools and leavers. This information is also on a headcount basis i.e.: what an individual is paid rather than a full time equivalent. The staffing figures are presented in Annex 1. The council had 7,357 full time equivalent posts at the end of March 2014 (7,361 - March 2013).

Table A3.2: Senior officers' pay by salary band

Salary (£)	1 March 2013 Number	1 March 2014		
		Number	Male	Female
58,200-59,999	13	15	73%	27%
60,000-64,999	62	56	38%	63%
65,000-69,999	36	45	78%	22%
70,000-74,999	6	8	63%	38%
75,000-79,999	39	41	61%	39%
80,000-84,999	6	9	67%	33%
85,000-89,999	9	9	56%	44%
90,000-94,999	6	7	43%	57%
95,000-99,999	4	4	75%	25%
100,000-104,999	5	4	25%	75%
105,000-109,999	3	2	50%	50%
110,000-114,999	1	1	100%	0%
115,000-119,999	1	2	0%	100%
120,000-124,999	0	1	100%	0%
125,000-129,999	1	1	0%	100%
130,000-134,999	1	1	0%	100%
135,000- 139,999	1	0		
140,000-144,999	2	2	100%	0%
210,000-214,999	1	1	100%	0%
Total	197	209	58%	42%

Note: 80% costs of one director is recharged to Mole Valley District Council.

Members' allowances and travel expenses (2013/14 and 2012/13)

Members receive an allowance rather than a salary for services carried out by them on behalf of the Council. Members spend significant time on council business outside of formal committee meeting. This includes constituency business, parish council and resident groups, meetings with other public agencies and partners and charity and community groups.

Under statute, if a member has not attended a meeting for a period of six consecutive months, unless the failure to attend was due to a reason approved by the authority during those six months, the member ceases to hold office. On the external website, current year attendance can be accessed by the following menu selections:

Your council > Councillors and committees > Surrey County Councillors > Member attendance summary.

Table A3.4 summarises members' allowances and expenses. Table A3.5 shows members' allowances and expenses for current county councillor members as at 31 March 2014.

Table A3.4: Summary Member allowances and travel & subsistence expenses

	2013/14	2012/13	2013/14	2012/13
	Allowances	Allowances	Travel & subsistence expenses	Travel & subsistence expenses
Member allowances	£	£	£	£
Current members	1,325,267	1,021,863	87,654	75,520
Stood down members	31,251	308,815	1,679	10,112
Independent persons / Standards Committee		833	463	0
Employer NI & pension contributions	226,317	233,353		
Total expenditure	1,582,834	1,564,864	89,795	85,632

Table A3.5: Members' allowances and travel & subsistence expenses

Member	District	Elected	2013/14	2012/13	2013/14	2012/13
			Allowances £	Allowances £	Travel & subsistence expenses £	Travel & subsistence expenses £
Mrs Mary Angell	Runnymede	2005	28,291	28,291	1,604	2,752
Mr William Barker	Guildford	1997	14,791	14,791	1,161	835
Mrs Nikki Barton	Waverley	2013	10,618		383	
Mr Ian Beardsmore	Spelthorne	2001	11,791	11,791	130	198
Mr John Beckett	Epsom & Ewell	2013	10,618		90	
Mr Mike Bennison	Elmbridge	2005	15,202	17,791	340	552
Mrs Elizabeth Bowes	Woking	2009	18,202	20,541	289	221
Mrs Natalie Bramhall	Reigate & Banstead	2013	10,618		445	
Mr Mark Brett Warburton	Guildford	2009	18,202	20,791	1,023	563
Mr Ben Carasco	Woking	2009	14,380	11,791	88	0
Mr William Chapman	Surrey Heath	2009	20,420	11,791	1,930	842
Mrs Helyn Clack	Mole Valley	2001	28,291	28,291	3,456	4,500
Mrs Carol Coleman	Spelthorne	2005	11,791	11,791	708	476
Mr Stephen Cooksey	Mole Valley	2005	11,791	11,791	673	929
Mr Stephen Cosser	Waverley	2009	18,189	21,791	2,170	1,895
Mrs Clare Curran	Mole Valley	2009	24,162	27,076	1,265	942
Mr Graham Ellwood	Guildford	2009	11,791	11,791	0	14
Mr Jonathan Essex	Reigate & Banstead	2013	10,618		567	
Dr. Robert Evans	Spelthorne	2013	10,618		622	
Mr Timothy Evans	Spelthorne	2013	10,618		95	
Mr Melville Few	Runnymede	2009	27,400	22,017	2,819	1,671
Mr William Forster Warner	Woking	2009	11,791	11,791	243	303
Mrs Patricia Frost	Waverley	2005	17,791	17,791	1,137	2,043
Mr Denis Fuller	Surrey Heath	2009	14,791	14,199	1,922	1,255
Mr John Furey	Runnymede	2009	28,291	28,291	2,257	107
Mr Robert Gardner	Reigate & Banstead	2013	10,618		623	
Mr Michael Goodman	Surrey Heath	2013	12,960		1,408	
Mr David Goodwin	Guildford	2005	11,664	11,791	209	284
Mr Michael Gosling	Reigate & Banstead	2005	28,791	28,791	3,196	3,515
Dr. Zulema Grant Duff	Reigate & Banstead	2009	21,654	20,791	1,204	960
Mr Ken Gulati	Reigate & Banstead	2013	10,618		184	
Mr Timothy Hall	Mole Valley	2005	14,380	14,541	0	0
Mrs Kay Hammond	Reigate & Banstead	1997	19,097	28,291	2,823	4,091
Mr David Harmer	Waverley	2005	20,831	14,888	3,384	2,151
Mr Nick Harrison	Reigate & Banstead	2005	20,791	20,791	527	763
Miss Marisa Heath	Runnymede	2006	15,154	21,791	1,368	1,131
Mr Peter Hickman	Elmbridge	2005	11,791	11,791	240	246
Mrs Margaret Hicks	Elmbridge	1989	19,557	11,791	1,562	1,051
Mr David Hodge	Tandridge	2005	42,291	42,291	2,880	3,502
Mr Saj Hussain	Woking	2013	10,618		0	
Mr David Ivison	Surrey Heath	2005	18,291	18,291	2,139	2,355

Member	District	Elected	2013/14	2012/13	2013/14	2012/13
			Allowances £	Allowances £	Travel & subsistence expenses £	Travel & subsistence expenses £
Mr Daniel Jenkins	Spelthorne	2013	10,365		0	
Mr George Johnson	Guildford	2013	11,058		1,400	
Mrs Linda Kemeny	Woking	2011	28,291	25,638	1,898	2,271
Mr Colin Kemp	Woking	2013	10,618		383	
Mr Eber Kington	Epsom & Ewell	2009	19,557	12,404	340	191
Rachael I Lake	Elmbridge	2013	10,618		332	
Mrs Stella Lallement	Epsom & Ewell	2013	10,618		0	
Mrs Yvonna Lay	Runnymede	2005	12,210	14,199	0	1,645
Ms Denise Le Gal	Waverley	2009	28,291	28,291	4,558	4,078
Mrs Mary Lewis	Elmbridge	2013	10,618		644	
Mr Christian Mahne	Elmbridge	2013	10,618		112	
Mr Ernest Mallett	Elmbridge	2005	13,344	13,491	304	0
Mrs Sally Marks	Tandridge	2001	17,476	22,017	2,435	1,773
Mr Peter Martin	Waverley	2005	34,291	34,291	4,887	4,578
Mrs Janet Mason	Epsom & Ewell	2001	11,791	11,791	0	0
Mrs Marsha Moseley	Guildford	2006	11,791	11,791	0	0
Mrs Tina Mountain	Epsom & Ewell	2013	10,618		0	
Mr David Munro	Waverley	1997	25,420	16,791	4,747	4,050
Mr Christopher Norman	Runnymede	2009	20,791	20,791	1,015	1,114
Mr John Orrick	Tandridge	2009	11,791	11,791	725	696
Mr Adrian Page	Surrey Heath	2013	10,618		401	
Mr Chris Pitt	Surrey Heath	2005	11,791	11,791	0	0
Mrs Dorothy Ross-Tomlin	Reigate & Banstead	2001	17,968	13,760	860	988
Mrs Denise Saliagopoulos	Spelthorne	2001	20,420	11,909	93	0
Mr Tony Samuels	Elmbridge	2010	28,291	28,291	2,342	2,863
Mrs Pauline Searle	Guildford	2005	11,791	11,791	60	23
Mr Stuart Selleck	Elmbridge	2013	10,618		0	
Mr Nicholas Skellett	Tandridge	1993	21,791	21,791	1,791	2,580
Mr Michael Sydney	Tandridge	2009	17,791	17,791	2,208	2,217
Mr Keith Taylor	Guildford	2009	20,831	14,791	1,361	1,128
Ms Barbara Thomson	Reigate & Banstead	2013	10,618		591	
Mr Christopher Townsend	Mole Valley	2009	11,791	11,791	474	657
Mr Richard Walsh	Spelthorne	2009	21,484	16,506	700	758
Mrs Hazel Watson	Mole Valley	1993	13,414	14,001	1,164	787
Mrs Fiona White	Guildford	2005	11,791	11,791	1,890	1,806
Mr Richard Wilson	Woking	2013	10,618		859	
Mrs Helena Windsor	Tandridge	2013	10,618		0	
Mr Keith Witham	Guildford	2012	20,420	10,745	832	574
Mr Alan Young	Waverley	2011	11,728	11,791	513	596
Mrs Victoria Young	Waverley	2013	10,523		572	
Stood down members			31,251	308,815	1,679	10,112
Total			1,356,518	1,330,678	89,333	85,632

SURREY COUNTY COUNCIL

CABINET

DATE: 27 MAY 2014

**REPORT OF: MR JOHN FUREY, CABINET MEMBER FOR HIGHWAYS,
TRANSPORT AND FLOODING RECOVERY**

**LEAD OFFICER: TREVOR PUGH, STRATEGIC DIRECTOR, ENVIRONMENT AND
INFRASTRUCTURE**

**SUBJECT: HIGHWAY ASSET MANAGEMENT POLICY, STRATEGY &
PRIORITISATION POLICY AND CRITERIA**



7

SUMMARY OF ISSUE:

Surrey's Transport Asset Management Plan (STAMP) was published nearly 10 years ago. STAMP's aim was to describe how the County Council would maintain all of Surrey's Highways and Transport infrastructure. New national guidance for developing Asset Management Plans for Highway Infrastructure was published in 2013. In line with this new guidance, the County Council has produced Asset Management Policy and Strategy documents and revised the prioritisation criteria for the five key Highway Assets; Roads, Footways, Structures, Safety Barriers and Drainage.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. approves the Asset Management Policy for publication
2. approves the Asset Management Strategy for publication
3. approves the Prioritisation Policy and criteria for the development of capital programmes for the five key Highway assets; Roads, Footways, Structures, Safety Barriers and Drainage
4. agrees that minor future amendments to the above will be approved by the Strategic Director of Environment and Infrastructure in consultation with the Cabinet Member for Highways, Transport and Flooding Recovery (Annex 3)

REASON FOR RECOMMENDATIONS:

All recommendations were informed through close working of officers with the Environment and Transport Select Committee (ETSC)

Background

1. The Department for Transport (DfT) sponsored Highway Maintenance Efficiency Programme (HMEP) is a sector led transformation programme designed to maximise returns from highway investment and deliver efficient and effective services. Surrey is one of the authorities which is leading and shaping the programme through representation on the project board and on various working groups.
2. Asset Management has been widely accepted by central and local government as a means to deliver a more efficient and effective approach to management of highway infrastructure assets with expected savings of between 5 and 15% having been reported by other sectors who have adopted this approach.
3. To assist local authorities in carrying out effective Asset Management, HMEP have produced the "Highway Infrastructure Asset Management Guidance" (HIAMG) document. The Asset Management approach that SCC is following is based on this guidance and the policies, strategy and criteria contained in this report all follow recommendations within this guidance and other local and national best practice.
4. This documents contained in this report are considered the first stage of moving to a new longer term approach to managing highway infrastructure assets which will use the lessons learnt from the successful "Operation Horizon" programme to develop long term plans for a holistic approach to the management of all highway infrastructure assets.

Asset Management Policy and Strategy Documents

5. Surrey has developed Asset Management Policy (see Annex 1) and Strategy (see Annex 2) documents in line with the new guidance.
6. The development of the policy and strategy documents has been based on recommendation 5 of the HIAMG:

"An asset management policy and a strategy should be developed and published. These should align with the corporate vision and demonstrate the contribution asset management makes towards achieving this vision."
7. The Asset Management Policy seeks to demonstrate that the management of Surrey's key Highway Assets aligns with SCC's corporate vision and with the objectives of our Transport Plan. The policy therefore demonstrates how Highway and Transport Assets will be managed in future to ensure best value is provided for Surrey's residents together with an effective, reliable, safe and sustainable transport network.
8. The Asset Management Strategy provides information about how the Asset Management Policy will be achieved, by including information on;
 - the scale of the highway assets managed by SCC
 - the organisational structure that will be in place to manage the assets
 - the tools that will be used to carry out asset planning, such as lifecycle planning, levels of service, data collection, IT systems and financial planning.

Prioritisation Policy and Criteria

9. In 2012 an ETSC working group was formed to review the prioritisation criteria for capital roads schemes. During the course of the working groups discussions, it was agreed to produce a prioritisation policy which would eventually cover all highway assets and as an interim measure to also develop criteria for the development of Footways, Drainage, Structures and Safety Barrier capital programmes.
10. The benefit of a single policy to cover all highway assets is that it ensures consistency of approach across the range of main highway assets.
11. A review of best practice guidance documents and discussion with peer authorities identified the following five key areas in the development of prioritised programmes:
 - **Highway Maintenance/Improvement Issues** – we will analyse condition data available for each asset to identify those schemes in need of maintenance and improvement.
 - **Network Hierarchy** - we will ensure that greater priority is given to roads and key assets on roads that have the greatest usage or need by utilising the recently updated Surrey Priority Network.
 - **Risk** – we will give a higher priority to schemes that pose a risk to public safety.
 - **Value for Money** – we will use the right treatments at the right time in order to produce cost effective solutions and programmes of work.
 - **Network Management** - we will ensure works are programmed to minimise disruption to users and maximise benefits to the community by combining schemes for different assets together.
12. Details of the prioritisation criteria for each of the five key assets can be found in Annex 3 which also includes information about how and why the new criteria have changed.

Reasons why the 3 new documents are required

13. These three key pieces of documentation will join other documents already existing on our public website, which will form our Asset Management Framework. The framework will ensure that highways staff, Members and the public have clarity around how we manage our Highways and Transport assets.
14. Documents already existing as part of our Asset Management Framework include; SCC Inspection Policy; SCC Winter Maintenance Policy and Plan; SCC Flood Risk Management Strategy; budgetary information and information about planned programmes of work on the highway.

CONSULTATION:

15. The Asset Management Policy and Strategy Documents were developed in consultation with all Highways Group Managers; the Assistant Director for Highways and the Cabinet Member for Highways, Transport and Flood recovery.
16. The Prioritisation Policy and Criteria were developed by a joint Member/officer task group led by the previous chairman of the ETSC. During the course of this task

group both Hampshire Country Council and Transport for London also provided challenge to the process.

RISK MANAGEMENT AND IMPLICATIONS:

17. In order to manage the Highways and Transport assets in Surrey, valued at approximately £7billion, it is essential that the proposed Asset Management Framework is approved by Cabinet.
18. The risk of the Highways Service not following approved policies and strategies is that development of programmes could become fragmented and may not follow best practice guidance to provide best value. This could result in financial, operational and reputational risks to Surrey County Council.

Financial and Value for Money Implications

19. The Policy and Strategy documents and prioritisation criteria aim to ensure the most cost effective use of available funding through the identification and completion of programmes of work that follow recognised Asset Management principles.

Climate Change/Carbon Emissions Implications

20. The report recommendations will provide a positive impact on the County Council's commitment to sustainability. The programmes of works that are developed using the Policy and Strategy documents and prioritisation criteria will allow optimised planned maintenance activities over the lifecycle of all highway infrastructure assets and coordination of works to reduce road closures. Achieving long term performance of the assets is also a key feature that will reduce the frequency of treatments and volumes of materials required.

Section 151 Officer Commentary

21. The Section 151 Officer confirms that all material financial and business issues and risks have been considered and addressed. The recommendations are aimed at improving Highway asset management. The strategy and prioritisation criteria will be used alongside other information, including cost, to ensure value for money outcomes.

Legal Implications – Monitoring Officer

22. No legal implications have been identified.

Equalities and Diversity

23. An Equalities Impact Assessment has been carried out on the Prioritisation Policy and Criteria.(see Annex 4)
24. The Prioritisation Policy will ensure consistent, structured prioritisation of Roads, Footways, Drainage, Safety Barrier and Structures capital maintenance programmes to provide best value schemes.

WHAT HAPPENS NEXT:

25. Next Steps – all areas relating to Highway and Transport Asset Management are currently under review as part of the “Highways for the Future” Programme, including the longer term Asset Management Strategy Project. This project will provide an Asset Management approach to influence future longer term capital programmes, but in the interim, the Asset Management Policy, Strategy and Prioritisation criteria will be used to develop programmes of work.

Contact Officer:

Peter Agent, Asset Planning Group Manager, 01483 517540

Consulted:

Jason Russell, Assistant Director, Highways
Steve Renshaw, Prioritisation Task Group Chairman and former County Councillor
David Goodwin, Prioritisation Task Group Member
Pat Frost, Prioritisation Task Group Member
David Harmer, ETSC Chairman
E&I Highways and Transport lead officers
Clive Griffiths, Asset Manager, Hampshire County Council
Dr Gary Sterritt, Asset Investment Manager, Roads Directorate, TfL
Chris Capps, Atkins Consultants

Annexes:

ANNEX 1 – Highway Asset Management Policy
ANNEX 2 – Highway Asset Management Strategy
ANNEX 3 – Highway Asset Prioritisation Policy and Criteria
ANNEX 4 – Equality Impact Assessment for Highway Asset Prioritisation Policy and Criteria

Sources/background papers:

Well Maintained Highways – Code of Practice for Highway Maintenance Management - UKRLG
Management of Highway Structures – A Code of Practice – UKRLG
National Code of Practice for “Provision of Vehicle Restraint Systems for Local Authorities”
Code of Practice on Transport Infrastructure Assets - CIPFA
Highway Infrastructure Asset Management Guidance - HMEP/UKRLG
Surrey Transport Plan – Vision and Objectives.

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Highway Asset Management Policy

May 2014 - Version 2

Surrey County Council Policy for Asset Management

- 1 Surrey County Council is committed to adopting an asset management approach for the highway network in order to support the Council's vision:

'To be delivering great value for Surrey's residents'

- 2 The Council recognises that highway infrastructure plays a huge part in facilitating a high quality of life by meeting the needs of individuals, businesses and the local economy.
- 3 The Council's transport vision has been defined as 'To help people to meet their transport and travel needs effectively, reliably, safely and sustainably within Surrey; in order to promote economic vibrancy, protect and enhance the environment and improve the quality of life'.
- 4 In order to meet the objectives of the Corporate Strategy and Transport Plan, the Council's Asset Management Policy will seek to assist with the provision of:

Effective transport: To facilitate end-to-end journeys for residents, business and visitors by maintaining the road network, delivering public transport services and, where appropriate, providing enhancements

The Council's approach to asset management has ensured that highway infrastructure assets will be maintained to support delivery of services, and the local economy taking into consideration the long term performance of the asset. The MTFP (to 2017) provides additional capital funding for each year from 2013 to provide enhancements to highway assets.

Reliable transport: To improve the journey time reliability of travel in Surrey

Adopting an asset management approach will allow optimised planned maintenance activities over the lifecycle of all highway infrastructure assets and coordination of works to reduce road closures allowing for maximum network availability. This will also provide the local economy with an improving highway network.

Safe transport: To improve road safety and the security of the travelling public in Surrey.

Adopting an asset management approach ensures that the condition and performance of highway and transport assets is continuously monitored and all criteria, including safety data, is used to optimise the planned maintenance programmes.

Sustainable transport: To provide an integrated transport system that protects the environment, keeps people healthy and provides for lower carbon transport choices.

The adoption of an asset management approach will take a long term view in making maintenance and investment decisions, particularly making the most of the funding available. This is demonstrated with "Operation Horizon" which is providing additional funding over a 5 year period to allow timely interventions on roads.

Highway Asset Management Strategy

May 2014 - Version 2

Surrey County Council Asset Management Strategy

7

1 Priorities, Vision and Objectives

- 1.1 Surrey County Council (SCC) recognises the importance of transport in delivering the Council's strategic priorities for economic growth and closer working with partner organisations and to engage with and listen to residents.
- 1.2 The Council's vision is:

'To be delivering great value for Surrey's residents'.

The Council's Transport Plan, describes a set of objectives that underpin this vision.

- 1.3 In support of this, "Operation Horizon", is providing additional capital funding for roads over a 5-year period from 2013. The Surrey Priority Network is an ongoing review of road categories to ensure all roads and footways have the most appropriate maintenance and inspection regimes for their present usage. The county council has devolved significant funds to Local Area Committees to spend on local roads priorities and is also working successfully with parishes to increase their involvement.
- 1.4 An Asset Management Policy has been developed that defines how the implementation of asset management will support SCC in delivering its Corporate vision. This Asset Management Strategy describes how the Asset Management Policy is to be delivered, sits within the wider Asset Management Framework, and is one of the key strategic documents related to the delivery of the Council's highway services.

2 The Highway Asset

- 2.1 Surrey's highway network comprises just over 4,800 kms of carriageway. The unclassified network accounts for around 66% of the asset. The footway and cycleway network is over 5,000kms, of which just under 200kms is shared cycleway/footway. The highway asset also includes over 10,000 traffic signs, around 600 traffic signals, about 113 kms of safety fencing and approximately 89,000 lighting columns. In terms of structures, the Council is responsible for approximately 1,650 road bridges, footbridges, underpasses, subways, culverts, and retaining walls. The highway assets also includes drainage, street furniture, road markings and soft estate.
- 2.2 The Council has calculated the asset value in accordance with the requirements for Whole of Government Accounts. In July 2013 the gross replacement cost was estimated to be £7.8 billion, and the depreciated replacement cost was £7.3 billion.
- 2.3 Tackling transport problems in Surrey relies on successful partnership working and shared responsibility involving many organisations, businesses, transport operators, and individuals, together with the County Council.

3 Managing the Highway Asset

3.1 Responsibility for managing the highway asset rests with SCC. The proposed structure for the Environment and Infrastructure Directorate, which is being consulted on during 2014, reflects the responsibilities for policy development and delivery of maintenance activities. This Proposed structure is summarised in Figure 1 Organisational Structure.

E&I Proposed Structure

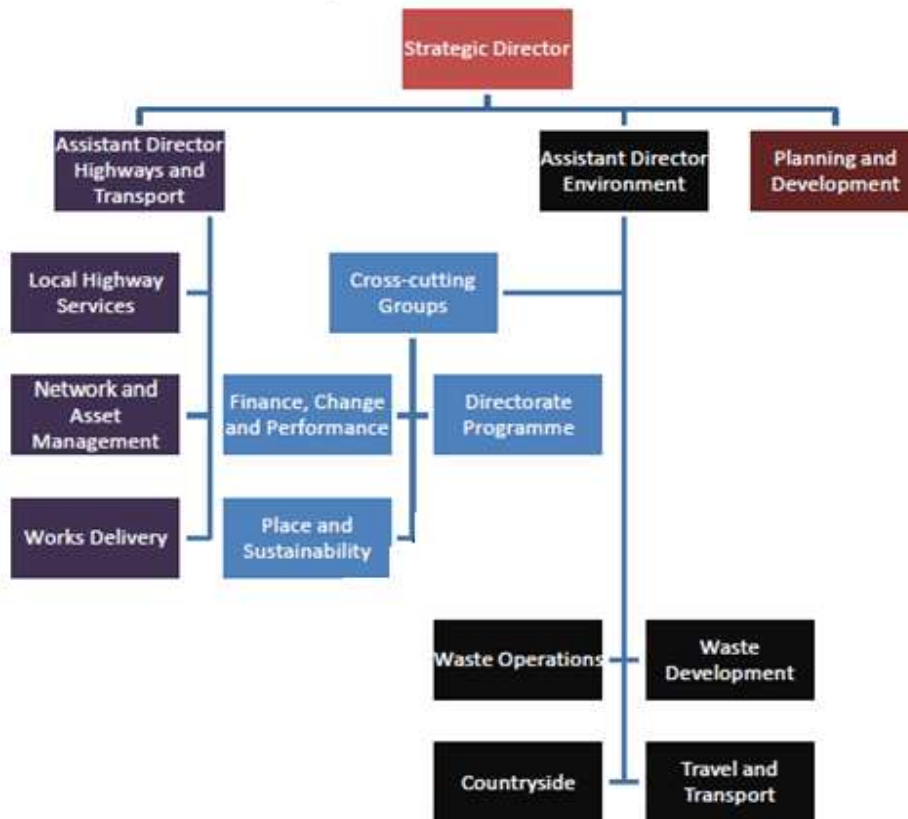


Figure 1: Organisational Structure

3.2 This Asset Management Strategy provides describes the initiatives and processes that enable the implementation of asset management. It also makes reference to the enablers, both tools and information, necessary for delivering the highway service effectively and efficiently.

3.3 One of the Environment and Infrastructure Directorate’s priorities for 2013 to 2018 is “Operation Horizon” which aims to improve Surrey’s roads by developing a five-year capital investment programme (which began in 2013).

3.4 Surrey has implemented asset management principles for a number of years. This approach is further demonstrated by “Operation Horizon” which will is providing

additional capital funding to support the road asset and demonstrates the council's objective to enhance the highway network, providing residents and the economy with a better place to live and do business in.

4 Asset Management

4.1 Asset management is defined as

“A systematic approach to meeting the strategic need for the management and maintenance of highway infrastructure assets through long term planning and optimal allocation of resources in order to manage risk and meet the performance requirements of the authority in the most efficient and sustainable manner”

[Highway Infrastructure Asset Management Guidance – UKRLG/HMEP, May 2013]

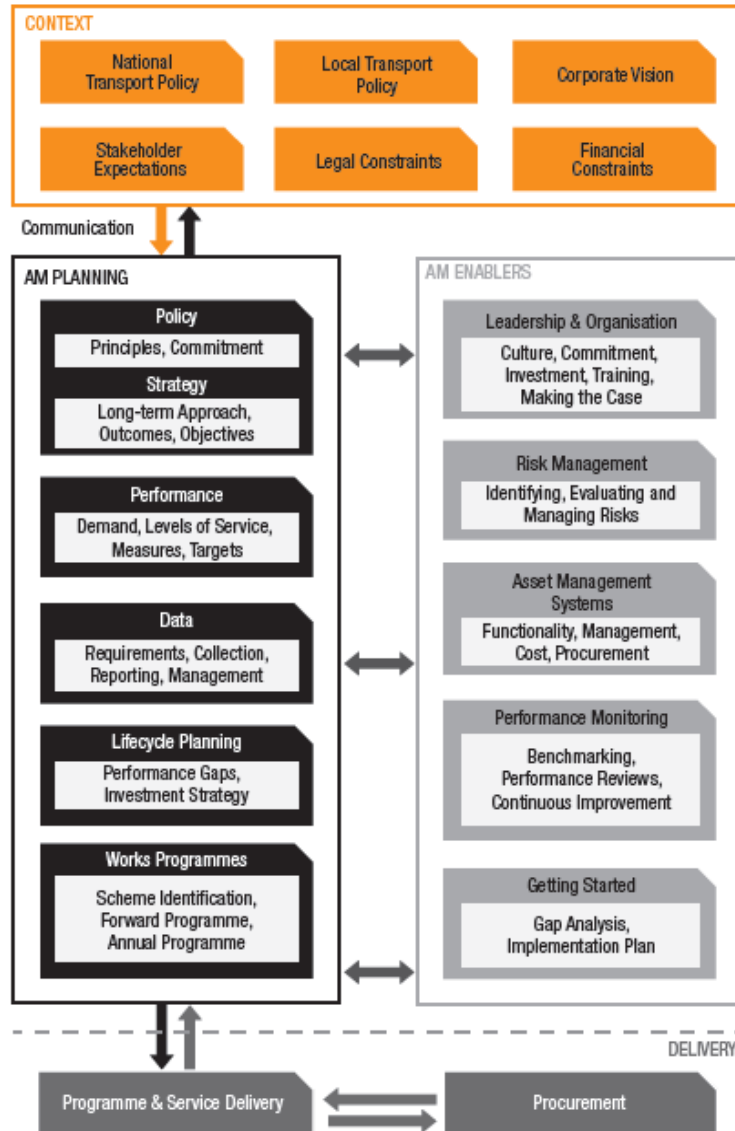
4.2 This definition puts emphasis on the systematic approach that asset management plays in managing the strategic needs of highway assets within an organisation and highlights the need for optimal allocation of resources and long term planning.

4.3 The adoption and implementation of asset management principles, strategies and plans provides a means for SCC to face the challenges of managing the highway asset, through the development of a systematic approach. The aim is to deliver the most efficient and effective maintenance regime over the lifecycle of the asset, ensuring that the performance of that asset reflects the requirements of the Council.

4.4 In addition, the adoption of asset management is seen as a tool to enable the Council to establish appropriate budget allocations by demonstrating the effects of under-investment and the implications of not meeting safety and serviceability requirements of the customers using the network. “Operation Horizon” is a good example of how asset management has demonstrated the case for additional capital funding.

5 Asset Management Framework

5.1 This Asset Management Strategy is based on the framework shown schematically in Figure 2, and outlined in the following sections. The elements of this strategy will support continual improvement in the management of the various highway assets.



[Highway Infrastructure Asset Management Guidance – UKRLG/HMEP, May 2013]
 Figure 2: Asset Management Framework

This Strategy explains how individual asset groups and components fit in the framework, describes how the asset management planning process is implemented and refers to tools currently employed, as well as links to other key documents.

- 5.1 Finally, the strategy describes how the council will embed a continuous improvement approach to highway asset management, including how national developments and good practice are taken into consideration, as well as how the work carried out in Surrey can influence the national asset management agenda.
- 5.2 The development of the asset management framework described in Figure 2 follows national guidance and recognised good practice. It is also based on the council’s approach to delivering services and alligns with the corporate policies on performance management and risk management.

- 5.3 The framework refers to a number of key policies and documents. The Surrey Asset Management Framework will support the implementation of this Strategy. The Surrey Highway Maintenance Management Plan (SHMMP) describes the operational activities and procedures related to highway maintenance, together with the annual maintenance management plan(s).

6 Implementation of Asset Management

- 6.1 In accordance with good practice, priority has been placed on certain elements of the asset management framework, in order to facilitate full implementation of asset management in due course.

Data Collection

- 6.2 Effective management of the highway asset can only be achieved through reliable, current and robust data.
- 6.3 Surrey has a robust data collection methodology which ensures it meets national government survey requirements regarding road condition data collection on the principal and non principal network and in addition it also carries out inspections and surveys on assets including, unclassified roads, footways, safety barriers and structures.

In 2014 we will be carrying out a video survey of our entire road network and this will be used to update our inventory data for all of our Highway Assets.

Levels of Service

- 6.4 A key function of the asset management process is to understand the spending needs of each asset group against performance, aims and objectives. This means understanding how funding needs to meet:
- Transport Plan objectives;
 - Delivery Planning
 - Performance Targets.
- 6.5 Currently Surrey's Levels of Service are largely based on established performance measures, e.g. National Indicators (NI's), where available. Revised levels of service will be developed as part of Surrey's 15 year Asset Management Strategy.

Lifecycle Planning

- 6.6 Inherent to the asset management process is a need to understand the influence of budget decisions on customer satisfaction and delivery of corporate priorities. Furthermore, the impact of investing in one asset component may have on the overall performance of other asset components, as well as the whole asset, is examined. To this end, a lifecycle planning approach has been developed and is being used.
- 6.7 In line with national guidance and good practice SCC is developing a lifecycle approach to managing its highway maintenance activities. Understanding how long specific maintenance treatments last, the relative cost of these treatments and the

levels of service provided are essential pre-requisites to good asset management. Successful implementation of the lifecycle approach relies on good understanding of the asset, its current performance, expenditure and customer feedback, as well as an understanding of the various service levels that may be achieved for the different funding options.

- 6.8 Surrey is developing an asset model that combines established treatment strategies and local knowledge of asset performance with current condition and inventory information to assess the impact of varying maintenance scenarios on the whole life performance and funding requirements of the highway asset. Initial work has demonstrated its value in supporting the MTFP and long term planning for the highway network and further development of the model will be carried out during 2014 following the implementation of a new visualised Asset Management System described in section 8.

7 Financial Planning

One of the key benefits of asset management is that it provides the platform for robust and transparent financial planning. This has been used to provide evidence to support the need for additional capital funding for roads initially for a period of 5 years from 2013.

Gross Replacement Cost and Depreciated Replacement Cost

Whole of Government Accounts (WGA) have set new requirements for the way the value of the highway asset is reported to the HM Treasury in the Authority's audited accounts. Currently information for Highway Infrastructure Assets is not audited in the accounts, but a provisional date of 2016/17 has been suggested as the date when Highway Infrastructure Assets will be fully reported within the Authorities accounts. For this to be achieved, there is clear need for accurate and detailed inventory information and performance data. This requirement supports asset management implementation by providing an improved understanding of network deterioration and combining that with affordable Levels of Service.

SCC has adopted this approach and calculated the value of highway assets in accordance with WGA requirements. Further development and implementation of the asset management approach will allow the calculation of asset value to be refined and hence support the process of financial planning.

8 Data Management and Information Systems

Surrey Highways operates a number of a highway maintenance and management systems each leading products for effectively managing different highway assets.

In 2014 Surrey Highways will be implementing a new visualised asset management system which will enable highway engineers to view and analyse data on all assets in a single system. This system will enable us to make more informed maintenance decisions.

9 Good Practice

SCC is committed to the development of good practice and benefits from lessons learnt at National, Regional and Local levels. Officers from Surrey have played a

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7 leading role in the development of the national and regional agenda on highway asset management, carrying the responsibility of representing the interests of smaller highway authorities. This is done through attendance at:-

- The UK Roads Board;
- The Programme Board for the Highway Efficiency Maintenance Programme (HMEP)
- South East 7 Alliance
- SEASIG (South Eastern Authorities Service Improvement Group)

10 **Review Process**

The Surrey Asset Management Framework is a series of 'live' documents and will be subject to regular review as the highway network evolves over time.

11 **References**

Well Maintained Highways – Code of Practice for Highway Maintenance Management. UKRLG
Well-Lit Highways – Code of Practice for Road Lighting Management. UKRLG
Management of Highway Structures – A Code of Practice. UKRLG
Management of Electronic Traffic Equipment – A Code of Practice. UKRLG
CIPFA Transport Infrastructure Assets Code
Maintaining a Vital Asset
UKRB Quick Start Guidance
HMEP/UKRLG Highway Infrastructure Asset Management Guidance
Surrey Transport Plan – Vision and Objectives.
Surrey County Council – Highway Maintenance Management Plan

Capital Prioritisation Policy for Highway Assets; Roads, Footways, Structures, Drainage & Safety Barriers

January 2013 - Version 2

**Capital Prioritisation Policy for Highway Assets
Roads, Footways, Structures, Drainage & Safety Barriers**

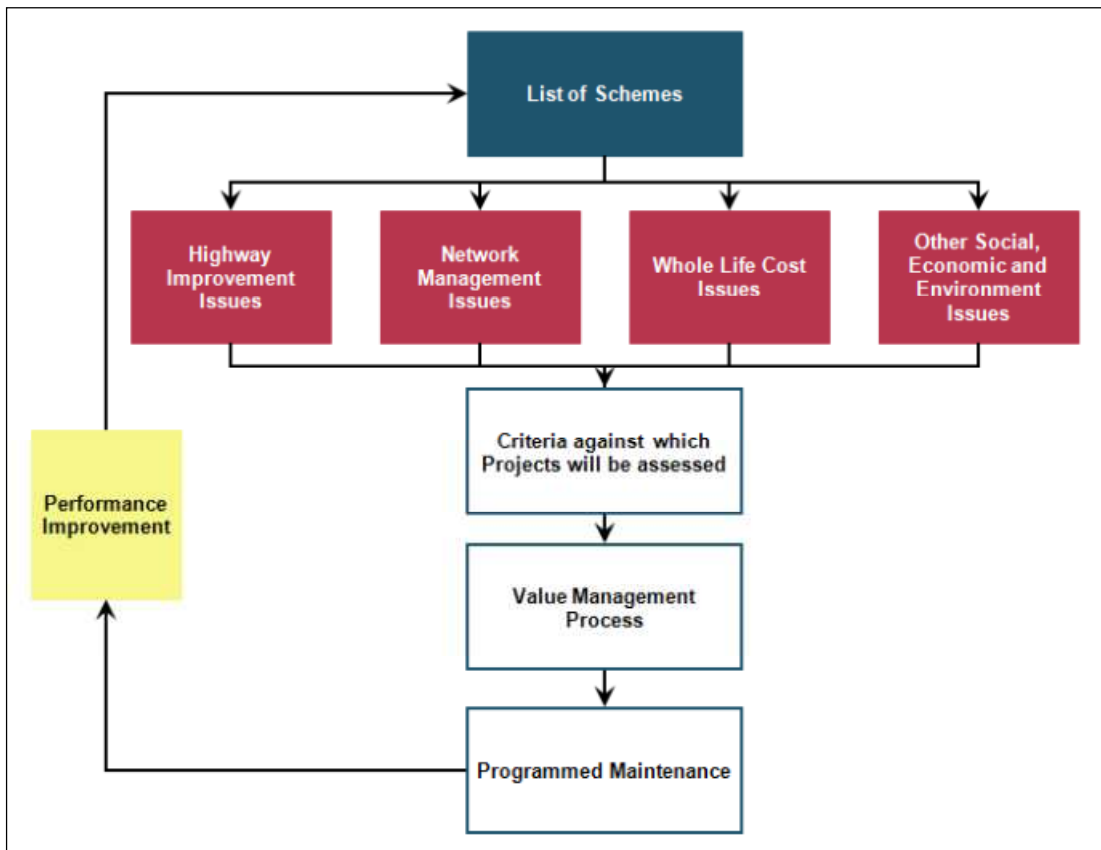
Surrey Roads have among the highest levels of road use in the UK and are used to provide access to jobs, schools, services and businesses. It is essential that we spend our Capital funds in the most cost effective way possible in the current economic climate so that the highway network can be used to help make Surrey's economy strong and effective and can help to fulfill the Council's purpose;

To ensure good quality public services for the residents of Surrey so they remain healthy, safe and confident about the future.

Despite the reductions in overall council funding in recent years, Surrey has maintained its highways maintenance budgets at historic levels and increased it recently to meet additional costs from severe weather. However current funding is not at a level to properly address the £600m maintenance backlog for our whole highways asset (£400m for roads and £200m for bridges, footways, drainage and safety barriers).

It is necessary that whatever funds are available are spent on the right schemes at the right time and that schemes are prioritised using value management to maximise risk reduction and minimise whole life costs.

The Code of Practice for Highway Maintenance Management, "Well Maintained Highways" uses the Figure below to describe the Value Management Process.



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The areas that we will use to value manage our programmes have been developed from best practice methods found in "Well Maintained Highways", Well Maintained Structures and through discussions within National Forums and with other Local Highway Authorities,

- **Highway Maintenance/Improvement Issues** – we will analyse condition data available for each asset to identify those schemes in need of maintenance and improvement.
- **Network Hierarchy** - we will ensure that greater priority is given to roads and key assets on roads that have the greatest usage or need by utilising the recently updated Surrey Priority Network.
- **Risk** – we will give a higher priority to schemes that pose a risk to public safety.
- **Value for Money** – we will use the right treatments at the right time in order to produce cost effective solutions and programmes of work.
- **Network Management** - we will ensure works are programmed to minimise disruption to users and maximise benefits to the community by combining schemes for different assets together.

Each asset has its own set of prioritisation criteria and weighting sets based on the principles above which take into account the unique attributes and requirements of each asset. These criteria will be reviewed and approved annually by the Cabinet Member for Highways, Transport and Flooding recovery so that they can take account of changing requirements and priorities.

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Prioritisation Glossary

BCI	Bridge Condition Index
	This is the industry standard measurement of bridge condition derived from inspections carried out by trained bridge inspectors, in accordance with the Management of Highway Structures Code of Practice 2006, and The Inspection Manual for Highway Structures 2007. General Inspections are carried out every 2 years, principal inspections every 6 years and at risk structures are inspected at a frequency determined based on the level of risk.
BMS	Bridge Management System
	A System use to store, manipulate, manage and retrieve data and information related to Bridges.
CIPFA	Chartered Institute of Public Finance and Accountancy
	The CIPFA code of Transport and Infrastructure Assets provides details of how Local Authorities should value their Highway Assets in order to provide information required by HM Treasury for Whole of Government Accounting.
CVI	Course Visual Survey
	This is the industry standard survey used to measure road condition on the unclassified road network. The data is derived from a visual inspection carried out by trained inspectors.
-	Embankment
	A bank formed above the natural ground level that creates the approach to a bridge. The purpose of an approach embankment is to raise the road level to align with the bridge deck level.
-	Engineers Visual Assessment
	Engineers from Asset Planning Group make a visual assessment of a site and score the site based on a list of defined criteria.
-	Parapet
	A wall/rail/fence that runs along the outside edges of the bridge deck, or retaining wall, parallel to the direction of traffic flow. The purpose of the parapet is to prevent users from accidentally falling off the bridge.
FDC	Flow Duration Curve
	Graph that shows the proportion of time during which discharges of water equal or exceed a specified measure
FNS	Footway Network Survey
	An industry standard survey used to measure footway (pavement) condition. Data is collected by trained survey technicians.
HSI	Highway Safety Inspector
	Inspections of the highway are carried out at specified intervals based on the road hierarchy to identify safety defects and order works that fit into the inspection matrix.
LoBEG	London Bridges Engineering Group
-	Lifecycle Planning
	By considering an asset over its whole lifecycle, it is possible to select the optimum point to intervene with the optimum treatment. Surrey County Council is using tools newly developed by the Highway Industry to carry out this work on key highway assets to better inform future programmes of work.
-	Major Maintenance
	Significant structural work to an asset. For roads or pavements this generally involves removing one or more layers of the existing surface and replacing them, for bridges, safety barriers or drainage assets this could involve replacing all or significant parts of the structure.
-	Planned Maintenance
	Programmes of work that make permanent long term improvements to highway assets. This type of work is more cost effective than reactive maintenance as it allows time for the most appropriate and cost effective treatments to be identified and allows for co-ordination

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	of works on different highway assets.
-	Preventative Maintenance
	Preventative Maintenance treatments are used in a similar way as varnish is used to preserve and prolong the life of a window frame. Unlike Major Maintenance they generally don't involve removing and replacing, but instead are applied on top of what is existing to preserve where the underlying structure is still intact. On roads treatments such as surface dressing are used to reinstate skid resistance and seal against the ingress of water to the lower layers of the road structure. Although it may not seem like an obviously sensible use of resources to treat a road that is still in fairly good condition when other worse roads are left untreated, spending money on preventative maintenance improves the resilience of the highway network and prolongs the life of highway assets in a cost efficient way, leading to an overall long term improvement.
-	Project Horizon/Operation Horizon
	A project to seek solutions to enable increased volume of schemes to tackle Surrey County Council's historic 17% of roads requiring maintenance backlog. In 2013 Project Horizon will move into its 5 year operational phase to deliver the identified schemes using the identified solutions. At this point it will become Operation Horizon.
RCI	Road Condition Indicator
	This is the industry standard measure of road condition used. It is derived from machine surveys carried out on the Principal Road Network (A, B & C roads).
-	Reactive Maintenance
	Maintenance that is carried out due to an imminent safety risk. This could include pothole repair on roads, pavements (footways) or cycleways, replacement of regulatory white lines, replacement of broken or missing ironwork, repair of bent or out of shape rails, barriers, road signs or traffic signals, and trees or vegetation with an obvious danger of falling. Although the intent is to make permanent first time fixes this is not always possible and temporary fixes are sometimes required with a permanent fix to follow. Reactive Maintenance costs more in the long term than Planned Maintenance.
RRRAP	Road Restraint Risk Assessment Process
	Tool to estimate risk at a particular site based on accident records in order to enable the correct vehicle restraint (safety barrier) for the situation to be identified.
SCRIM	Sideway-force Coefficient Routine Investigation Machine
	Vehicle that measures the Skid Resistance of the road surface.
-	Scour
	Erosion of earth around a bridge, generally affecting the foundations of structures built in watercourses.
SPN	Surrey Priority Network
	The network by which Surrey manages and maintains the public highway within the county. The SPN defines hierarchies for all elements of the highway network including roads, pavements and cycleways. It reflects the needs, priorities and actual use of each element of the network and is used to identify needs based provision of services and identify appropriate levels of service.
-	Wetspot
	"Wetspot" is a term used by the lead local flood authority (Surrey County Council) to describe the location of a flood incident that has been reported.

Roads Prioritisation Value Management Scoring**1. Highway Maintenance/Improvement Issues**

Condition	Score
Road Condition Index (RCI) [A,B,C Network]	Max 200
Coarse Visual Inspection (CVI) [Unclassified Network]	Max 200
Engineers Visual Assessment	Max 278

2. Network Hierarchy

Hierarchy of road	Score
SPN1	100
SPN2	100
SPN3	50
SPN4a	25
SPN4b	10

3. Risk

Prioritise potential risk to public and take account of varying rates of deterioration between HSI visits

Risk	Score
SCRIM	100
Skid Accidents	40
Claims history	100
Number of reactive gang visits to repair pothole defects	Max 100*

4. Value for Money

Budget will ideally be split at a ratio of 30/70 for preventative maintenance schemes and needs based schemes in order to achieve a cost effective balance of preserving roads that have not yet fully deteriorated and fixing those that have.

Value for money cost savings are achieved under project horizon for programme efficiency and volume discounting requiring some deviation from priority order.

Innovative solutions for may require some schemes to be deferred e.g. moving all concrete road surfacing to a single year of Operation Horizon will enable a specialist supplier to be identified and works programmed in the most efficient manner.

5. Network Management

No score is currently proposed and the value will be determined during the work's programming phase on scheme by scheme basis.

Differences Between Existing and New Roads Prioritisation

The original 2008 headings were: Public & Member Criteria; Engineering Criteria; Type of Road and Usage. These have been changed to the 5 headings shown in the Draft Prioritisation Policy which have been developed taking account of industry best practice.

1. Highway Maintenance/Improvement Issues

The 3 condition ratings scores remain unchanged from the 2008 criteria.

2. Network Hierarchy

Bus Route & HGV have been removed as they are included in the assessment of SPN and a multiplier is included in the visual condition rating score for roads subject to higher Heavy Goods Vehicle (HGV) usage.

The scoring has changed to reflect the new hierarchy. The rationale for keeping SPN1&2 points the same reflects the equal importance of SPN 2 to strategic routes for local commerce. 4b has been kept as a low score as it may be more beneficial to maintain these through local devolved budgets.

3. Risk

SCRIM; Skid accidents; Claims history all remain unchanged from the original 2008 prioritisation. Member priority and Public view have been removed as the Maintenance Priority Task Group concluded that these inputs can be met locally through devolved budgets.

HSI inspector rating has not been applied in practice due to inconsistent data. It is proposed that this be removed completely as there are already two separate condition scores.

4. Value for Money

Change is considered a big risk to suppliers in achieving discounts when securing advanced bulk orders. Confirming year 1 and 2 programmes shows client commitment to removing change risk and should be guaranteed only where demonstrable cashable saving are realised through schemes position on programme.

5. Network Management

This is a new criterion and while it will does not currently receive a score the value will be gained from better programming of works. When a better understanding of the lifecycle of each asset is understood, better planning of works can take place.

Footway Prioritisation Value Management Scoring

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1. Highway Maintenance/Improvement Issues

Condition	Score
Footway Network Survey (FNS)	Max 200
Engineers Visual Assessment	Max 200

2. Network Hierarchy

Hierarchy of footway	Score
Footway Cat 1	100
Footway Cat 2	50
Footway Cat 3	25
Footway Cat 4	10

3. Risk

1. Prioritise potential risk to public and take account of varying rates of deterioration between HSI visits

Risk	Score
Claims history	100
Footway construction defects recorded 1-5	10
Footway construction defects recorded 6-20	25
Footway construction defects recorded 21-50	50
Footway construction defects recorded 51-100	100

4. Value for Money

Budget will ideally be split at a ratio of 40/60 for preventative maintenance schemes and needs based schemes in order to achieve a cost effective balance of preserving Footways that have not yet fully deteriorated and fixing those that have.

Value for money cost savings may be achieved under Operation Horizon during a later phase of the five year programme which could require some deviation from priority order.

5. Network Management

No score is currently proposed and the value will be determined during the work's programming phase on scheme by scheme basis.

Footway Scoring Criteria Changes

The original 2009 criteria outlined in Annexe 2 of the Transport Select Committee report have now been changed to the 5 headings shown in the Prioritisation Policy which have been developed taking account of industry best practice.

1. Highway Maintenance/Improvement Issues

Visual Assessment points will be calibrated to achieve Max 200 in line with values similar to carriageway criteria.

Footway Network Survey (FNS) data will be available for the entire county from July 2014. It is proposed that the generation of schemes align with the carriageway process by using this data. The likely FNS score is unknown so the outcome Maximum cannot be determined however this report suggests the option to include immediately it is available be provided for, in the approved process.

2. Network Hierarchy

Previously usage with community facilities such as schools, shops etc were scored separately. These facilities are already taken account of when determining network hierarchy so it is proposed they be removed.

3. Risk

HSI inspector condition rating has not been applied in practice due to inconsistent data. It is proposed that this be removed in line with carriageway criteria for consistency. High volumes of defects recorded during HSI inspection are a good indication of deterioration rate and in line with carriageway criteria it is proposed to interrogate the defect data collection system in the same way. This will identify defects including potholes, surface heave caused by tree roots and other areas of footway failure.

4. Value for Money

Change is considered a big risk to suppliers in achieving discounts when securing advanced bulk orders. It is the intention of Operation Horizon that the Footway programme will be incorporated into Operation Horizon at a later stage.

5. Network Management

This is a new criterion and while it will does not currently receive a score the value will be gained from better programming of works. When a better understanding of the lifecycle of each asset is understood, better planning of works can take place.

Structures Prioritisation Value Management Scoring

1. Highway Maintenance/Improvement Issues

The Bridge Condition Index is determined from a detailed Inspection, in accordance with the Management of Highway Structures Code of Practice 2006, and The Inspection Manual for Highway Structures 2007.

Structures with a Bridge Condition Index of an element less than 65 would have high priority reactive maintenance carried out. Structures with a Bridge Condition Index of an element less than 65 would have high priority reactive maintenance carried out. When a structural assessment identifies that all or part of a structure is considered to be, or is about to become, structurally inadequate or unsafe it would be prioritised for major maintenance.

BCI Range	Average Stock Condition	Critical Stock Condition
100 → 90 Very Good	Bridge stock is in a very good condition.	Represents very low risk to public safety.
90 → 80 Good	Bridge stock is in a good condition.	Represents a low risk to public safety.
80 → 65 Fair	Bridge stock is in a fair condition.	Some structures may represent a moderate risk to public safety.
65 → 40 Poor	Bridge stock is in a poor/substandard condition.	Some structures may represent a significant risk to public safety.
40 → 0 Very Poor	Bridge stock is in a very poor/substandard condition.	Some structures may represent a high risk to public safety.

Condition	Score
Red - Very Poor – BCI score less than 40. High risk to public safety, immediate reactive maintenance followed by priority scoring on re-scored BCI	Immediate reactive maintenance
Amber – Fair/ Poor – BCI score between 40 and 80. Moderate risk	250
Good – BCI score above 80. All elements satisfactory, low risk	50

Assessment of load carrying capacity must be carried out with a maximum spacing between assessments of 20 years.

Bridges:

Assessment result	Score
3T or less	100
7.5T	60
Above 7.5, but less than 38T	50
40T/38T	20

Other Structures:

Assessment of fit for purpose	Score
Low risk	60
Medium risk	100
High risk – immediate reactive maintenance to be carried out	Immediate reactive

	maintenance.
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2. Network Hierarchy

The network hierarchy reflects the impact of disruption caused by lane or road closures for construction work.

Hierarchy of road	Score
SPN 1	100
SPN2	100
SPN3	50
SPN4a	25
SPN4b	10
High community need, eg only means of access	100

3. Risk

This section includes project risk, due to programming issues and the interests of third parties.

Risk	Score
Parapets not to current standards	50
Carriageway height clearance not to current standards	50
Structure on Close Monitoring List for more than 12 months	100
Weight restriction in place	100
Width restriction in place	80
Height restriction in place	80
Embankment failure	100
Scour	100
Foundation movement	100
Ecologically sensitive area – restrictions on when work can be carried out	25
Abnormal load route	50
Road over rail incursion site	100
Traffic management has been in place as an interim measure for more than 12 months	100
Bridge is owned by third party	25
Statutory undertakers plant requires diversion or supporting	25
Work requires FDC from the Environment Agency	25
Scheme requires land purchase	25
Scheme requires planning permission	25
Scheme contributes to other strategies or programmes	100

4. Value for Money

There is a national requirement to submit the value of bridge stock using the CIPFA Structures Toolkit. The project will be completed in 2013.

The web based version of the Bridge Management System (Bridgestation) will enable lifecycle planning to indicate if intervention maintenance will reduce costs over the life a structure.

5. Network Management

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No score is currently proposed and the value will be determined during the work's programming phase on scheme by scheme basis.

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Structures Scoring Criteria Changes

There have been no changes to previous prioritisation criteria.

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Drainage Prioritisation Value Management Scoring

S = Single: one time score per Wetspot

C = Cumulative: multiple scores allowed per wetspot

Estimated Max score = 200

1. Highways Maintenance/Improvement Issues

N/A for Wetspots – Drainage Assets often unknown

2. Network Hierarchy

Hierarchy of Road	Points	Score Type
SPN 1	40	S
SPN 2	20	S
SPN 3	10	S
SPN 4a	5	S
SPN 4b	5	S

3. Risk (Applies to all wetspots)

Safety*	Points	Score Type
Confirmed injury due to/exacerbated by wetspot	150	S
Confirmed accident due to/exacerbated by wetspot	30	S
High Risk of Accident	15	S

Property flood	Points	Score Type
Internal Property Flood	35	C
Recurring Internal Property Flood	50	C
Single External Property Flood	5	S
Multiple External Property Floods	10	S
Involvement of vulnerable person(s) with internal property flood	30	S

Social & Economic impact	Points	Score Type
Affects Access to/Functionality of Critical Services or Infrastructure	60	S
Major Economic or Social Impact (State Reason)	40	S
Causes major congestion and/or restricts access to schools	20	S
Complete flooding of footways	10	S

Miscellaneous	Points	Score Type
Foul Sewage Surcharge	30	S
Report of Safety Issue from Emergency Services	30	S
Flooding persists for a significant time after rainfall has stopped (Y/N)	30/1	S
Claims/Excessive cost on callouts	20	S
Exceptionally Frequent Flooding (To be agreed at annual meetings)	Total score X 1.5	Multiplier

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7

* Safety scores allocated during the desktop exercise used to produce the wetspot list will be validated by site safety assessments on each site by drainage engineers. They will use an agreed checklist to ensure that subjectivity is not a factor in the scoring system to ensure consistency of scores across the county. If an engineer carrying out a site safety assessment identifies that a site poses a significant and immediate safety risk they will seek approval from the Drainage Asset Team Leader to allocate additional points to “boost” the scheme to the current years’ programme.

4. Value for Money

The budget will be split at a ratio of 4:1 for prioritised needs based schemes and more minor schemes that could prevent more significant work being required later on. Typically the minor schemes would have a total value of less than £25,000.

Value for money cost savings may be achieved under Operation Horizon during the later phases of the five year programme which could require some deviation from priority order.

5. Network Management

No score is currently proposed and the value will be determined during the works’ programming phase on scheme by scheme basis.

Differences between Existing and New Drainage Prioritisation

2. Network Hierarchy

SPN incorporates safety, economic and traffic use factors, so the scores are significant. SPN1 was set at 20% of the approx maximum score from Risk, and the other SPN categories scaled down accordingly.

3. Risk

Given the low number of wetspots with confirmed accidents, and the importance of issues with a threat to life, the “Confirmed injury due to/exacerbated by wetspot” score is set high enough to ensure that these wetspots sit at the top of the list or thereabouts. The “Risk” element of schemes with no accident history or specific perceived risk, will be reflected in the SPN score.

Due to the importance of acknowledging safety concerns from emergency services, an official report on safety risk from one of these agencies will be acknowledged via a score in the miscellaneous section.

Internal property flood scores will be cumulative, so multiple property scores can be applied to a single wetspot where multiple properties are affected. This will better represent the extent of flooding problems, whilst still factoring in vulnerable people where appropriate.

The Social Impact and Miscellaneous sections have been streamlined, as many factors are now reflected in other categories.

Major economic impacts and frequency are now included, with duration now set as a single value.

Safety Barrier Prioritisation Value Management Scoring**1. Highway Maintenance/Improvement Issues**

Condition	Score
Red - Very Poor - Unlikely to perform as designed/known accident site	Priority 1 programme
High Amber - Poor - Might perform as intended	Priority 2 programme
Low Amber – Isolated minor defects – sufficient integrity and likely to perform as intended	Priority 3 programme
Good - All elements satisfactory, expected to perform	None

2. Network Hierarchy

Hierarchy of road	Score
SPN 1	3
SPN2	3
SPN3	2
SPN4a	1
SPN4b	1
High speed roads (70 mph)	Score x 1.5

3. Risk

Prioritise risk to public - E.g. Railway protection prioritised over country bend NB (if barrier is protecting from more than one hazard then the most aggressive is taken into account)

Risk	Score
Bridge or retaining wall above 3m without parapet protection	7
Bridge – Rail	7
Bridge – Motorway	5
Known Accident Location (*New Safety Barrier Scheme)	5
Central Reservation	4
Structure	4
Bridge – Road/River/Canal/Subway	3
Slipway road	2
Parallel Carriageway (not central reservation)	2
Junction Box/Electrics	1
Hazard other	1
Verge	1
Embankment	1
Bridge – Stream	1
Road Sign/post	1
Private Property/Access	1

4. Value for Money

Current budgets are not sufficient to deliver any new infrastructure. New schemes identified through the prioritisation scoring will be held on a separate prioritisation list.

Value for money cost savings may be achieved under Operation Horizon during a later phase of the five year programme which could require some deviation from priority order.

5. Network Management

No score is currently proposed and the value will be determined during the works programming phase on scheme by scheme basis.

Differences between Existing and New Safety Barrier Prioritisation

7

1. Highway Maintenance/Improvement Issues

Safety barrier in red condition are to be treated ahead of safety barrier in amber condition. Red schemes will be programmed first in descending order (max score 31.5), followed by amber schemes programmed second in descending order.

$\text{Asset Priority Index} = \text{Network Hierarchy} \times \text{Risk} + \text{Value for Money}$
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2. Network Hierarchy

The likelihood of the risk occurring is indicated by the SPN of the road. SPN takes into account road priority, traffic flow and speed and these factors will therefore be included by factoring the score using SPN.

3. Risk

The most important factor taken into consideration by the updated Safety Barrier prioritisation is the safety of road users and those who may be impacted upon by errant vehicles - both motorists and those being protected such as railway or motorway users. For this reason the risk factor score is based on the type of accident that is being protected against. The hierarchy of risk is taken from the Roads Boards "Provision of Road Restraint Systems for Local Authorities" and the Road Restraint Risk Assessment Process part of standard TD 19/06.

4. De-cluttering of the Highway

Whilst it is recognised that the safety barriers provide an additional protection historically a number of safety barriers have been erected that under current assessment would not meet with the criteria for new infrastructure (priority risk factor of 12 plus).

In prioritising the safety barrier there are many disparate factors that need to be consider in choosing to renew or omit a safety barrier. Generally lower frequency at which vehicles leave the carriageway will make provision of a safety barrier less likely than in the high speed/high flow scenarios on dual carriageways. This lower frequency of occurrence means that risk is less of a direct factor in determining provision and a more balanced appraisal is appropriate. An additional consideration is whether the asset has a sufficient high priority when measured against other competing funding pressures to justify expenditure.

Given the maintenance backlog and the need to maintain those barriers with the highest priority risk factor existing safety barriers that have a low priority risk factor of less than 3 will continue to remain in situ, until they come to the end of their serviceable life and then subject to a risk reduction review will either be replaced with a new safety barrier, alternative solution or removed all together.

EQUALITY IMPACT ASSESSMENT



Highway Asset Prioritisation for Capital Maintenance Schemes

1. Topic of assessment

EIA title:	Highway Asset Prioritisation for Capital Maintenance Schemes
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EIA author:	Amanda Richards, Asset Systems and Strategy Team Manager
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2. Approval

	Name	Date approved
<u>Approved by</u>¹	Jan Haunton	31/3/13

3. Quality control

Version number	2	EIA completed	31/3/13
Date saved	31/3/13	EIA published	TBA

4. EIA team

Name	Job title (if applicable)	<u>Organisation</u>	Role
Amanda Richards	Asset Systems and Strategy Team Manager	E & I	Lead Officer
Peter Agent	Asset Planning Group Manager	E & I	Group Manager
Samantha Cunningham	Highway Transformation Team	E& I	Project Coordinator – Delivering Road Maintenance a New Approach
Jan Haunton	Equalities Group (DEG)	E& I	Support, acting as critical friend and EAI approver

5. Explaining the matter being assessed

What policy, function or service is being introduced or reviewed?	<p>The policy for prioritising schemes for the capital maintenance programmes for Roads, Footways, Drainage, Safety Barriers and Structures has until this point been dealt with in isolation by the individual strategy teams dealing with each asset.</p> <p>This policy will be an overarching policy for these five highway assets which will in time cover the prioritisation of works on other highway assets. The Policy aims to;</p> <ul style="list-style-type: none"> • Provide clarity to officers, members and the public on how capital schemes are prioritised.
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¹ Refer to earlier guidance for details on getting approval for your EIA.

	<ul style="list-style-type: none"> • Provide a consistent mechanism for prioritising of capital maintenance works • Ensure that best practice and national guidance are used to prioritise works on all of these assets.
<p>What proposals are you assessing?</p>	<p>Rather than having disparate methods of prioritisation, the policy proposes 5 broad areas of value management that prioritisation criteria for roads, footways, drainage, safety barriers and structures should be classified under.</p> <ol style="list-style-type: none"> 1. Highway Maintenance/Improvement Issues 2. Network Hierarchy 3. Risk 4. Value for Money 5. Network Management <p>Value management is a process of assessing schemes against each other using defined, consistent criteria.</p> <p>Benchmarking with other local authorities indicates that they are increasingly using consistent methods of managing their assets rather than managing each asset independently as was the case in the past.</p>
<p>Who is affected by the proposals outlined above?</p>	<p><i>The proposals will affect the Surrey Highways staff that carry out or input into the prioritisation process as the policy will require a change in the way they create programmes of schemes, however this is being seen as an opportunity to streamline processes and make better use of available technology.</i></p> <p><i>The proposals will affect county council members who under the previous policy were able to nominate 3 roads for maintenance which were each given points. In line with criteria for other assets, this is no longer included as a criterion; however local committees have instead been given an allocation which they can spend on capital works on any of the 5 main highway assets which will allow them to be more reactive to priorities in their areas.</i></p> <p><i>All users of the highway will be affected by the changes which will see value for money and network management being added to the more traditional criteria like condition, usage and safety considerations. While these traditional criterion are still important and therefore are still included, the new criteria aim to help us make best use of available funds and to programme works more effectively in order to cause less disruption to the public.</i></p> <p>By revising the lists of schemes using the requirements of the new policy, previously published prioritised lists will change. This could have a negative effect on people who use or are affected by the poor quality of specific assets as they may find that schemes that were previously near the top of a maintenance list are not going to be treated during the timescales they expected based on the new priority policy. However conversely people may be positively affected when schemes they were not expecting to be carried</p>

out feature on the programme or are brought forward. Overall it is envisaged that more schemes will be carried out.

Influences on other policies and strategies

Introduction of the proposed Highway Asset Prioritisation Policy will impact on other Highway functions and activities.

Reactive Maintenance Review

Development of priority lists for Roads, Footways, Drainage, Safety Barriers and Structures will enable reactive maintenance to be planned more proactively. By knowing if and when capital maintenance will be taking place on an asset, the level of reactive maintenance required can be planned accordingly

Operation Horizon

1. The development of programmes of work will provide Operation Horizon with the required 5 year scheme lists which will enable more efficient and effective planning and programming of schemes.

6. Sources of information

Engagement carried out
<p>The development of the project has included the following consultation:</p> <ul style="list-style-type: none"> • Review of previous reviews/documentation • Review of available data • Desktop study with Maintenance and Operations and Project Engineers • Identification of existing policy shortcomings • Identification of solutions in consultation with Member task group • Benchmarking with highway authorities including Hampshire, East Sussex and TfL • Report to ETSC Meeting, March 2012 • Draft documentation for Cabinet Member/Assistant Director Review July 2012 • Review with Maintenance Prioritisation Task Group (MPTG) December 2012 • Addition of glossary of terms following (MPTG)
Data used
<ul style="list-style-type: none"> • National Code of Practice for “Well Maintained Highways” • National Code of Practice for “Well Maintained Structures” • National Code of Practice for “Provision of Vehicle Restraint Systems for Local Authorities” • Benchmarking with other Highway Authorities • Asset valuation and deterioration data produced for HM Treasury Whole of Government Accounts

7. Impact of the new/amended policy, service or function

7a. Impact of the proposals on residents and service users with protected characteristics

Protected characteristic ²	POTENTIAL POSITIVE IMPACTS	POTENTIAL NEGATIVE IMPACTS	EVIDENCE
<p>Age</p>	<p>The policy will promote the improvement of assets over time (providing adequate budget is provided.)</p> <p>Better condition of assets will improve access for residents and businesses and will enhance quality of life for Surrey residents.</p> <p>The Highway Prioritisation Policy is high level and aimed at providing a positive benefit to everyone in Surrey.</p>	<p>A negative impact can be identified on those assets that are not part of the prioritised lists.</p> <p>By prioritising on criteria other than just condition, some assets in poor condition could stay in poor condition for longer periods of time.</p>	<p>An asset management strategy that includes value management – the process of prioritising the competing needs of highway schemes – provides a structured, consistent, quality approach for assessing the benefits of undertaking maintenance and the risks of not undertaking maintenance.</p>
<p>Disability</p>	<p>The policy will promote the improvement of assets over time (providing adequate budget is provided.)</p> <p>Better condition of assets will improve access for residents and businesses and will enhance quality of life for Surrey residents.</p> <p>The Highway Prioritisation Policy is high level and aimed at providing a positive benefit to everyone in Surrey.</p>	<p>A negative impact can be identified on those assets that are not part of the prioritised lists.</p> <p>By prioritising on criteria other than just condition, some assets in poor condition could stay in poor condition for longer periods of time.</p>	<p>An asset management strategy that includes value management – the process of prioritising the competing needs of highway schemes – provides a structured, consistent, quality approach for assessing the benefits of undertaking maintenance and the risks of not undertaking maintenance.</p>

² More information on the definitions of these groups can be found [here](#).

ANNEX 4

<p>Gender reassignment</p>	<p>none</p>	<p>none</p>	<p>The project covers a materials asset which would not have an impact on gender reassignment</p>
<p>Pregnancy and maternity</p>	<p>The policy will promote the improvement of assets over time (providing adequate budget is provided.) Better condition of assets will improve access for residents and businesses and will enhance quality of life for Surrey residents. The Highway Prioritisation Policy is high level and aimed at providing a positive benefit to everyone in Surrey.</p>	<p>A negative impact can be identified on those assets that are not part of the prioritised lists. By prioritising on criteria other than just condition, some assets in poor condition could stay in poor condition for longer periods of time.</p>	<p>An asset management strategy that includes value management – the process of prioritising the competing needs of highway schemes – provides a structured, consistent, quality approach for assessing the benefits of undertaking maintenance and the risks of not undertaking maintenance.</p>
<p>Race</p>	<p>none</p>	<p>none</p>	<p>The project covers a material assets which would not have an impact on race</p>
<p>Religion and belief</p>	<p>none</p>	<p>none</p>	<p>The project covers a material assets which would not have an impact on religion and belief</p>
<p>Sex</p>	<p>none</p>	<p>none</p>	<p>The project covers a material assets which would not have an impact on sex</p>
<p>Sexual orientation</p>	<p>none</p>	<p>none</p>	<p>The project covers a material assets which would not have an impact on sexual orientation</p>
<p>Marriage and civil partnerships</p>	<p>none</p>	<p>none</p>	<p>The project covers a material assets which would not have an impact on marriage and civil partnership</p>

ANNEX 4

7b. Impact of the proposals on staff with protected characteristics

Protected characteristic	POTENTIAL POSITIVE IMPACTS	POTENTIAL NEGATIVE IMPACTS	EVIDENCE
Age	none	none	The project covers a material asset which would not have an impact on age
Disability	none	none	The project covers a material asset which would not have an impact on disability
Gender reassignment	none	none	The project covers a material asset which would not have an impact on gender reassignment
Pregnancy and maternity	none	none	The project covers a material asset which would not have an impact on pregnancy and maternity
Race	none	none	The project covers a material asset which would not have an impact on race
Religion and belief	none	none	The project covers a material asset which would not have an impact on religion and belief
Sex	none	none	The project covers a material asset which would not have an impact on sex
Sexual orientation	none	none	The project covers a material asset which would not have an impact on sexual orientation
Marriage and civil partnerships	none	none	The project covers a material asset which would not have an impact on marriage and civil partnership

8. Amendments to the proposals

Change	Reason for change

9. Action plan

Potential impact (positive or negative)	Action needed to maximise positive impact or mitigate negative impact	By when	Owner
Asset Condition can change due to effects such as weather, damage through road traffic accidents, changes to traffic levels	1. Update the lists of schemes annually so that newly deteriorated assets are assessed for addition to the maintenance programmes	Annual	APG
Prioritising using criteria other than condition can lead to some assets staying in a poor condition for a long period of time.	2. Although an assets condition may be poor, safety will be maintained via the Safety Inspection regime.	Ongoing	Operations Group

10. Potential negative impacts that cannot be mitigated

Potential negative impact	Protected characteristic(s) that could be affected
n/a	n/a

11. Summary of key impacts and actions

Information and engagement underpinning equalities analysis	We are changing our classification of the network to reflect the current Code of Practice. This will lead to changes in a number of maintenance activities to reflect the new network (inspections and safety defects, winter service, replacement of markings etc.) The anticipated benefits are; improved risk management; improved safety; reduced insurance claims.
Key impacts (positive and/or negative) on people with protected characteristics	The Prioritisation Policy will ensure consistent, structured prioritisation of Roads, Footways, Drainage, Safety Barrier and Structures capital maintenance programmes to provide best value schemes.

ANNEX 4

Changes you have made to the proposal as a result of the EIA	The EIA review has reaffirmed the approach taken by the Maintenance Prioritisation task group. No changes are proposed.
Key mitigating actions planned to address any outstanding negative impacts	<p>Asset Condition can change due to effects such as weather, damage through road traffic accidents, changes to traffic levels so it is important that the prioritised list produced using this policy are reviewed annually.</p> <p>Good communication of the prioritisation criteria and programmes are key to giving the members and the public understanding of why things happen as they do. All information relating to how Highway Assets are managed will be available on the public website under an "Asset Management" webpage which will form part of Surreys' third "Local Transport Plan" (LTP).</p>
Potential negative impacts that cannot be mitigated	n/a

7

SURREY COUNTY COUNCIL

CABINET

DATE: 27 MAY 2014



REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES

LEAD OFFICER: JULIE FISHER, STRATEGIC DIRECTOR, BUSINESS SERVICES

SUBJECT: HIGH PERFORMANCE LEADERSHIP DEVELOPMENT PROGRAMME

SUMMARY OF ISSUE:

The County Council is performing strongly. We are working as “one team” with our partners to ensure Surrey residents receive high quality and value for money services. We are making positive differences to people’s lives every day. A large part of this success has been the growth in good leaders with exemplary leadership skills and behaviours. This has a direct impact on the morale and well-being of staff who, in turn, become happier at work and can give an excellent service to residents. A Coaching Programme took place between 2009 and 2013. 1,545 people went through the programme and it has played a key role in building good leadership at Surrey. This was Phase 1 of the Leadership Development Pathway. We have now developed Phase 2 - the new High Performance Development Programme (HPDP) – which will take performance to another level. It will be focused on enabling leaders and managers to address the most difficult issues they face at work; the issues which challenge them the most.

After a successful pilot of the new HPDP, carried out between November 2013 and April 2014, a procurement exercise has been completed to enable us to secure a supplier to deliver the full programme. We are now in a position to recommend the award of contracts to the suppliers identified below and set out in the Part 2 report (item 21), starting on 11 June 2014.

RECOMMENDATIONS:

It is recommended that contracts be awarded to the preferred bidders of WillisClare Ltd and Penna Plc as agreed on the basis set out in the Part 2 report.

REASON FOR RECOMMENDATIONS:

Leaders and managers are going through one of the most difficult phases ever to face the public sector. Surrey has to find £260m savings over the next three years and leaders and managers need to have the resilience to be able to lead and implement unprecedented transformation and still keep services performing well. The previous coaching programme has started to deliver real benefits for residents and the High Performance Development Programme is designed to take performance to another level.

There is a strong attraction now to working at Surrey. The coaching programme has enabled us to excel and improve our practice and performance both individually and as an organisation. We have significantly improved in terms of our service to residents - how we

communicate, how we understand residents and listen and engage in discussion with them. The objective of this investment in leadership development is all about quality of service for residents. We want people to be proud to work here so they can give the best service they can. To do this we are growing leaders who excel at upholding the council's values at all times. Our staff tell us they come to work because they want to make a difference to people's lives; they are motivated by sense of public service. It is in turn important for us as a council to invest in our people.

The HPDP will be delivered to all those who have line management and leadership responsibility. This will directly impact over 1,000 staff, and will deliver a pathway of development and training from an entry level coaching programme to a senior and director level development programme. The intention is that as managers progress through the organisation, they will acquire the right level of skills, support, training and development to enable them to be high performing leaders and managers and to progress further through the organisation.

DETAILS:

1. This report recommends that a contract for the provision of HPDP, to commence on 11 June 2014, is awarded to the suppliers named in this report. This report demonstrates why the recommended contract awards deliver best value for money for Surrey residents.
2. The Council's People Strategy for 2010 – 2014 has identified a need for a high performance development programme to further develop the leadership capabilities within the organisation. Between 2009 and 2013, coaching has helped the County Council shape a workplace where people thrive and grow, as well as being pivotal in culture and performance improvements. The coaching outcomes, over the last four years, have positively affected the quality of the service residents receive in whatever way they come into contact with our staff. During this time Surrey has seen:
 - 55% increase in resident perception of SCC employees attempting to understand their needs
 - 5% improvement in how employees view workload, supervision and change
 - perception from 80% of coaching programme delegates that their own performance has improved as a result of the coaching
 - 60% of delegates believe SCC's performance has improved as a direct result of the coaching programme
 - Sickness absence has significantly improved from 13.2 days per FTE in Oct 2008 to 6.49 days per FTE in March 2014
3. Staff who feel happy at work convey this to their customers. The coaching has also helped generate a strong learning culture where people are encouraged to take responsibility for their own learning and development and avail themselves of the training and development on offer at Surrey. This is an important part of quality control in service delivery.
4. In reviewing and consulting on the future needs for the next phase of leadership development across the council, the HPDP programme is helping to bring about the vision of the Leader of the Council to work together as **One Team**. The level of performance the Council aspires to will be more an outcome of culture, relationships and mindset than it will be of structure. The HPDP will be key in helping build a more

networked organisation where everyone is working together to deliver the strategic priorities for residents.

5. The HPDP is designed to build resilient leaders who can:
 - a. Challenge unacceptable behaviour and address conflict and poor performance
 - b. Create a no blame culture
 - c. Seek feedback on their own performance and be open to constructive challenge
 - d. Be aware of how their mood can impact on others: emotional intelligence
 - e. Lead teams inspirationally, in particular in difficult times
 - f. Involve and empower people through inclusion in decision making

6. A pilot of the HPDP took place between November 2013 and April 2014 and 68 senior leaders attended. There has been good feedback and people talk about being better able now to:
 - Engage in more open and straight conversations around performance
 - Have greater awareness of their impact as a leader
 - Put into effect skills and knowledge to make appropriate changes in their leadership approach

So that they can:

- Build their resilience
 - Support their teams and colleagues through difficult times
 - Have more courageous, honest conversations in the most challenging of circumstances
 - manage the challenges they will encounter in leading transformation whilst maintaining the delivery of consistent and high performing services
7. Our experience with the pilot has led to the formation of a leadership development pathway. This will enable managers to acquire the right skills and support at every level, as they move up through the organisation, starting at induction. The pathway model is set out at Figure 1. Details of each programme can be found at Annex A.

Figure 1 below shows the leadership development pathway model.



8. There will be an emphasis on practising these new skills to enable people to address difficult issues immediately after returning to work following the programme. Through the extended coaching support, peer-buddying and practice tool kits, leaders and managers will be well supported back at work to be able to raise the performance of their service.

Members

9. Members have a specific leadership role to play for Surrey. Member support and development, needs to be tailored to the specific nature of that role.
10. Member leadership development needs to be designed to support Members' community leadership role as well as their role in decision making and policy making at the council. Coaching as a skill can be a support and resilience tool for Members to help them, for example:
- Engage in more effective conversations with challenging people
 - Have greater awareness of their impact as community leaders
 - Put into effect skills and knowledge to make appropriate changes in their approach, so that they can:
 - Build their own resilience
 - Be supported and support others through difficult times
 - Have more courageous, honest conversations in the most challenging of circumstances
11. A programme of coaching tailored specifically with Members, for Members, will be developed to offer a continuous development opportunity for members by providing high quality executive one-to-one coaching sessions; coaching opportunities to help people understand their personal impact as well as 360° feedback and equipping people with tools, ideas and approaches to enhance their strategic influence.
12. This will be available on a voluntary basis for Members. We will progress the development of this offer with Members via the Members' Development Steering Group.

Procurement Strategy

13. There is no existing or comparable contract for the provision of a HPDP (Programmes A – D), therefore a full tender process, compliant with the European Public Procurement Regulations and Procurement Standing Orders has been undertaken
14. After a full and detailed options analysis it was decided to invite tenders / award a contract as this demonstrated best value for money from the options appraisal completed.
15. These tenders were then evaluated against the criteria and weightings in the part 2 report.

Use of e-Tendering and market management activities

16. In order to open the tender process to a wider range of suppliers than have previously been involved, an electronic tendering platform was used.
17. The tender was advertised through the electronic tendering system, via Contracts Finder and directly with a number of known suppliers that would be interested in

delivering this contract, including those currently providing training services to Surrey County Council.

Key Implications

18. This is a key programme for the council to develop future leaders to deal with the challenges facing local government, as well as support and empower their staff to deal with uncertainty and deliver high quality services.

19. By awarding a contract to the suppliers detailed above and recommended in the Part 2 report for the provision of the HPDP to commence on 11 June 2014, the Council will ensure that leaders and managers are equipped with the skills, tools and techniques required to lead the organisation. The key purpose of this programme is to support leaders:

- a. To perform to their best, by increasing their own awareness of their impact as a leader
- b. Develop a strategic mindset to help them better navigate through the uncertainties and challenges ahead
- c. To develop the way they lead and manage others

20. Performance will be monitored through a series of Key Performance Indicators as detailed in the contract and reviewed at monthly operations meetings. The top performance indicators and targets for each are as follows:

KPI Ref	Service level agreement	KPI	Target / measurement
1	Formal Complaints	<ol style="list-style-type: none"> a) All complaints acknowledged within one working day of receipt. b) Written response to complaint within five working days. c) Written response to escalated complaints within a further 5 working days 	<ol style="list-style-type: none"> a) Complaint report b) Data to be included in Management reports. c) 100% of responses received within 5 working days
2	Evaluation	<ol style="list-style-type: none"> a) Delegate satisfaction survey after each activity/cohort. b) Client satisfaction survey at end of regular intervals throughout the programme – line managers, stakeholder group, delegates. c) Survey of workplace impact. d) Feedback forms returned within 5 day. e) Joint review of programme content after the delivery of 4 cohorts 	<ol style="list-style-type: none"> a) Quarterly summary report at 90% satisfaction. b) Close of programme report 90% satisfaction. c) Improvement in annual staff satisfaction survey in areas related to HPDP. d) 100% of forms returned within 5 days. e) Within in 10 working days the end of the 4th cohort
3	Course Feedback	90% success rating on feedback or	90%

	scores.	equivalent	
4	Staff Survey	Increase in pride in working for Surrey	5% increase
5	Developing Staff	Increase in the number of appraisals completed	30% increase
6	Absence rates	Decrease in the rate of absenteeism	2% decrease

27. The management responsibility for the contract lies with the HR training and administration team and will be managed in line with the Contract Management Strategy and plan as laid out in the contract documentation.

28. The contract documentation provides for the potential of delivering the programme to other clients.

CONSULTATION:

29. Extensive consultation took place over 2013 across the organisation at all levels and in all services. This feedback informed the development of the pathway model, the shape and design of the HPDP and the commissioning and procurement process.

30. The proposal for this leadership development programme has been submitted to and was approved by the People, Performance and Development Committee (PPDC) on 19 March 2014. The report is available through Democratic Services.

RISK MANAGEMENT AND IMPLICATIONS:

31. The contract includes a termination for convenience clause. This will allow the Council to terminate the contract with 3 months notice should priorities change or funding no longer be available.

32. All short listed bidders successfully completed satisfactory financial checks as well as checks on competency in delivery of similar contracts at the qualification stage.

33. The following key risks associated with the contract and contract award have been identified, along with mitigation activities:

Category	Risk Description	Mitigation Activity
Financial	Sufficient budget not be available for the duration of the contract	<ul style="list-style-type: none"> • Ensure close working relations with finance to monitor and agree suitable yearly budget for this programme. • This programme will surpass other currently supplied courses, and so cancelling them will release budget to be used on this programme. • Purchase the cohorts in batches as opposed to entire programme in full to allow for better control of budget year on year. • Early termination clause in place
Reputational	Inconsistency of message or delivery in courses by using 2 suppliers	Close working with all parties to ensure that the programmes are developed jointly. Supplier representatives will be expected to attend each other's courses as a 'mystery shopper' to assess and feed back any differences between the delivery messages, styles and approaches.
	Programme does not deliver expected culture change.	Close working with all parties to ensure that the skills, training and development is being embedded with the delegates, and that they are actively using the tools learnt in day-to-day work. This will be measured as part of the 360 review process and also measured by way of supplier appraisals.

Section 151 Officer Commentary

34. The cost of approving the recommended suppliers is provided for in the current MTFP Human Resources budget.

Legal Implications – Monitoring Officer

35. Following approval by the Procurement Review Group, a full competitive tendering process has been undertaken using the open procedure in accordance with the Public Contracts Regulations 2006 and the Council's Procurement Standing Orders and Legal Services have advised on the conditions of contract.

Equalities and Diversity

36. The following results are the main points from the Equalities Impact Assessment.

Information and engagement underpinning equalities analysis	<p>During the development of the HPDP engagement was carried out with:</p> <ul style="list-style-type: none"> • The HR community • HR leadership teams • Business Services directorate leadership team • Manager/staff focus groups • Corporate Leadership Team - CLT • Council Performance Team - CPT • Leader, Deputy Leader and Members of PPDC
Key impacts (positive and/or negative) on people with protected characteristics	There is potential positive impact on all employed staff through the aims and activities of HPDP through inclusion in training, development and enhanced values based conversations and activities
Changes you have made to the proposal as a result of the EIA	No changes required
Key mitigating actions planned to address any outstanding negative impacts	<ul style="list-style-type: none"> • Update SAP records of all Leaders and Managers who have attended People Management Pathway equality programmes • Target Leaders and Managers who have not attended any programmes
Potential negative impacts that cannot be mitigated	N/A

Other Implications:

37. All training and coaching sessions will be conducted in Surrey offices which will reduce travelling to external venues.

38. The successful suppliers will have use of Surrey County Council rooms and venues in order to deliver the training and coaching programmes.

WHAT HAPPENS NEXT:

39. The timetable for implementation is as follows:

Action	Date
Cabinet decision to award (including 'call-in' period)	27 May 2014
Standstill Period	2 - 11 June 2014
Contract Signature	11 June 2014
Contract Commencement Date	11 June 2014

40. The Council has an obligation to allow unsuccessful suppliers the opportunity to receive a debrief and have the opportunity to challenge the proposed contract award before the contract is entered into. This period is referred to as the standstill period.

Contact Officer:
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020 8541 9476

Carmel Millar, Head of HR & Organisational Development

020 8541 9824

Consulted:

Details of who has been consulted on the issue (including officers, members, public, stakeholders, partners, etc).

David McNulty – Chief Executive

Julie Fisher – Strategic Director of Business Services

Carmel Millar – Head of HR and OD

Laura Langstaff – Head of Procurement and Commissioning

Sheila Little – Chief Finance Officer

Alison Braithwaite – Head of Transformation

Carol Camiss – Smarter Working Delivery Manager

Louise Lawson – Finance Officer

Jane Last - Programme and Lead Manager for Community Safety

Jane Armitage – Union Representative

Helen Tomkinson – OD and HR Skills Advisor

Karen Archer-Burton - Organisational Development & Skills Lead

Sources/background papers:

1. Annex A contains the summary of the programme content
 2. PPDC report considered on 19 March 2014.
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Summary of Programme content

1. Programme A – Member Coaching Programme

This programme will be made available to the Cabinet Team, followed later in the year by all the remaining members. The programme will consist of 360 degree feedback, one-to-one coaching and joint working sessions with CLT.

2. Programme B - High Performance Development Programme (Level 1-4 managers).

This programme is delivered over 2 blocks of 2 days with a 6 week gap between. This allows times for attendees to undergo a forensic and searching 360 degree feedback process. Managers attending this programme will go on to support and deliver elements of programme D detailed below.

3. Programme C - High Performance Development Programme (Level 5-7 manager)

This programme will be delivered to all of our middle and first-line managers (classed as Level 5/6/7 managers), approximately 850 people and will consist of 2 day Introduction to High Performance & Leadership training and 1 day of conflict resolution training. This programme will be supported by 3 x ½ day group supervision sessions per delegate over 12 month period.

4. Programme D – Coaching Programme (Level 1-7 manager)

This programme will provide our Level 1-7 managers, who have no experience of coaching with an introduction to how coaching can help them in their day to day management. It is estimated that over a period of 4 years, over 1,000 managers will take part in this training. The programme will be for 2 days and will be delivered, in part, by delegates (senior managers) who have completed Programme B and have gone through a train-the-trainer programme. This enables us to keep down costs and makes the programme more sustainable into the future. Individuals will be encouraged to draw on SCC coaches from within our Coaching pool for continued coach/supervision.

5. Programme E - Self Managed Learning

The council already has a number of in-house resources available to all staff to gain a basic understanding of the development programme. This is intended to encourage staff to engage with the opportunities for coaching and career planning. Resources available include:

- Coaching e-Learning
- NLP e-Learning
- Leadership resource page
- Finding a coach for mentoring, career development and support through The Council's coaching pool

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SURREY COUNTY COUNCIL

CABINET

DATE: 27 MAY 2014



REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES

LEAD OFFICER: JULIE FISHER, STRATEGIC DIRECTOR FOR BUSINESS SERVICES

SUBJECT: GRANT CRITERIA AND FUNDING OPPORTUNITIES GUIDE

SUMMARY OF ISSUE:

The Grant Criteria and Funding Opportunities Guide set out how the Council governs allocation of funds by officers via grants. The new procedure formalises the approach to grant awards, reflecting best practice and Council priorities.

RECOMMENDATIONS:

It is recommended that Cabinet approves the Grant Criteria and Funding Opportunities Guide.

REASON FOR RECOMMENDATIONS:

To support the adoption of a Grant Criteria and Funding Opportunities Guide, which creates a clear process and ensures that the Council maintains a fit for purpose set of guidance and rules to govern the award of grants.

DETAILS:

1. The Grant Criteria and Funding Opportunities Guide sets out how the Council governs allocation of funds via grants. The Guide covers all funding opportunities made available by the Council or jointly with its partners in support of achieving the council's objectives. The new rules set out clear guidance on awarding grants and are referred to in the Procurement Standing Orders which were approved in a separate report to Cabinet in July 2013.
2. In 2012/13 the Council spent in the region of £40 million with Voluntary, Community and Faith Sector organisations (VCFS) of which £20 million was grant funded.
3. These Grant Criteria and Funding Opportunities are based on key principles which underpin this guidance:
 - To secure **value for money** through the award of grant funding to achieve strategic outcomes for Surrey residents.
 - To be **transparent** to our residents and the VCFS about how we allocate grant funding
 - To make sure we spend public money **legally** and to **protect** us from undue criticism or allegation of wrongdoing.

- To support **sustainability**, and **social value** objectives, and our public sector equality duty, encouraging the VCFS in Surrey.

4. A copy of the proposed new Grant Criteria and Funding Opportunities Guide is attached in **Annex 1**.
5. In summary the Grant Criteria and Funding Opportunities Guide creates the following:
 - Three bidding levels; under £10,000, between £10,000 and £100,000 and over £100,000. These all have a specific and appropriate process for each level of funding
 - A clear structure and clarity of the process that is easy for bidding organisations to understand
 - Clear guidance on how we approve grants including evaluation, award, monitoring and sign off.
 - Instruction on the difference between grants and contract
 - Direction on how to select the appropriate outcome: grant or contract
 - The reinforcement of good practice

CONSULTATION:

6. It was important in developing this Guide that the proposed approach to awarding grants met the needs of the sector. Officers therefore worked alongside representatives from 11 key VCFS organisations in developing the initial draft guidance, seeking views on a number of key areas such as the benefits of grants and contracts; level of process and requirements of bidding; how to ensure monitoring is appropriate and not onerous and the advertising of opportunities.
7. Similar discussions were also held with officers across the Council including representatives of Legal, Policy & Performance, Procurement, Finance, Adult Social Care and Children, Schools and Families who are actively involved in the awarding of grants.
8. Through these discussions, a draft guide was developed, which was supported by both officers and the sector. This was then subject to a full consultation process during December 2013 – January 2014 to ensure all stakeholders had the opportunity to comment as they felt necessary. The consultation was actively promoted via the Surrey Compact and the infrastructure organisations as well as directly with the Surrey Charity Chief Executives Group to ensure coverage across the sector. There was general support for the approach being introduced and suggestions for how to support implementation - such as through training and workshops once the new process is agreed - have been taken on board and will be put in place.
9. The Communities Select Committee considered the Guide at its meeting on 15 January 2014. The Committee felt the Surrey Compact should be influential in this policy and were re-assured that the Compact had been one of the 11 organisations consulted from the outset and was very supportive of the approach taken. The Committee also suggested that consideration been given to Local Committee involvement for the award of smaller local grants and Procurement will continue to work with the Community Partnerships Team and the Cabinet Member to review this.

RISK MANAGEMENT AND IMPLICATIONS:

10. A process of regular review and updating of the Council's Grant Criteria and Funding Opportunities Guide will help to manage the risks and uncertainty associated with grant funding and award. This includes:
 - a. Reducing the risk of legal challenge to grants awarded – by ensuring that legislation and best practice is built into both rules and processes
 - b. Improvements to strengthen our ability to deliver and monitor outcomes which deliver benefits for the whole Council
 - c. Ensuring proper controls are in place as part of the process, to ensure that available grant funding is most appropriately allocated in support of the Council's priorities.

Financial and Value for Money Implications

11. There are no financial implications in these changes.

Section 151 Officer Commentary

12. The Section 151 officer has been consulted on this proposal. The S151 officer is satisfied that these regulations maintain the appropriate level of control and security in the award of and payment of grants.

Legal Implications – Monitoring Officer

13. There is no specific statutory obligation on the Council to have a Grant Criteria and Funding Opportunities Guide. However the Procurement Standing Orders make reference (at paragraph 3.3) to such guidance, and it is important in complying with the statutory "Duty of Best Value" and as a matter of transparent and efficient public administration for there to be clarity of the processes and arrangements in place when the Council makes grants.
14. Notice should be had of the Best Value Statutory Guidance issued by the DCLG in September 2011 to the extent the Guidance sets out expectations of the way authorities should work with voluntary and community groups and small businesses when facing difficult funding decisions. (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5945/1976926.pdf)
15. The Guide sets out the criteria for funding that would be reasonably expected, including the need to secure value for money, to be transparent and to support sustainability and the various processes needing to be adopted when making funding arrangements.

Equalities and Diversity

16. When making this decision, there is a duty on the Cabinet under s149 Equalities Act 2010 to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity for those with protected characteristics and foster good relations with these groups. An equality impact assessment has been carried out to enable this and is attached as **Annex 2**.

17. The EIA concludes that the new process will give much clearer guidance on the awarding of grants and how the process differs from awarding contracts, what they are and how they should be used. This will be of benefit to anyone involved in the grant process who has any of the protected characteristics. There will be a requirement for training in appropriate ways and formats to help staff understand the new process and how to carry out a grant funding opportunity and this will enable them to assist anyone with a protected characteristic to access the process effectively.

Other Implications:

18. The Grant Criteria and Funding Opportunities Guide take account of the Social Value Act 2012, and to appropriate areas of EU Directives enshrined in UK Law, including the Public Contracts Regulations 2006.
19. The potential implications for the following council priorities and policy areas have been considered. These rules update a consistent approach to the process for advertisement and award of grant funding, where available. There are no implications or impact of the procedures on the use of grants in support of the achievement of council priorities and outcomes for its residents, service users, partners and other stakeholders.

Climate change/carbon emissions implications

20. The County Council attaches great importance to being environmentally aware and wishes to show leadership in cutting carbon emissions and tackling climate change.

WHAT HAPPENS NEXT?

21. The Grant Criteria and Funding Opportunities Guide will be approved and the training programme will start in readiness for formal role out in October with the first grants issued under this new Grant Criteria and Funding Opportunities Guide process being awarded in April 2015.
22. Following approval we will communicate the process to those consulted and the wider community where relevant.

Contact Officer:

Jeremy Taylor, Procurement & Commissioning Partnership Manager 020 8541 8544

Consulted:

The Grant Criteria and Funding Opportunities Guide were created in consultation with Adults Social Care Commissioning, Children's Commissioning, Finance, Legal, Procurement and Commissioning and Policy and Performance.

Annexes:

Annex 1

Proposed new Grant Criteria and Funding Opportunities Guide

Annex 2

Equality Impact Assessment

Sources/background papers: None

Grant Criteria and Funding Opportunities Guide:

Procedure and processes to be followed when awarding grants on behalf of Surrey County Council

May 2014

Version 14.0 draft

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1 Introduction

1.1 Key Principles

These Grant Criteria are based on these key principles which underpin this guidance:

- To secure **value for money** through the award of grant funding to achieve strategic outcomes for Surrey residents.
- To be **transparent** to our residents and Voluntary, Community and Faith Sector organisations (VCFS) about how we allocate grant funding
- To make sure we spend public money **legally** and to **protect** us from undue criticism or allegation of wrongdoing.
- To support **sustainability**, and **social value** objectives, and our public sector equality duty, encouraging the VCFS in Surrey.

The Public Services (Social Value) Act 2012 became operational in January 2013 outlining that public authorities are required to consider the following at the pre-procurement stage:

- “how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and
- how, in conducting the process of procurement, it might act with a view to securing that improvement.”

Social Value challenges us to rethink existing specifications and processes and re-examine what it is we are trying to achieve. We want to commission outcomes that can change people’s lives for the better through the building of trust rooted in strong communities, regardless of the route taken to achieving this.

In direct correlation with both the Corporate and Procurement strategies, the following have been identified as key Social Value aspirations for Surrey County Council:

- A strong and competitive local economy
- Community well-being
- An engaged and resilient Voluntary Community and Faith Sector (VCFS)
- Innovative prevention and demand management

1.2 Compliance

All Officers, and any external contractors empowered to award grants on behalf of the council, must comply with this guidance at all times. If you breach this, you are breaching the council’s agreed procedures and this will lead to disciplinary action.

Where these criteria appear to conflict with any separate rules the Head of Procurement & Commissioning will determine which takes precedence in conjunction with the Chief Finance Officer where appropriate.

1.3 Scope

These grant criteria set out how the Council authorises allocation and spending of grant funding of any type by its officers.

1.4 Roles and Responsibilities

The Head of Procurement & Commissioning is responsible for management of the complete process from beginning of the bidding process through to issuing of the Grant Funding Agreements across all Services and local systems.

Anyone who awards a grant to an external organisation is responsible for:

- (a) following these Criteria
- (b) checking there is adequate budget available
- (c) consulting with and obtaining approval from the Finance Manager and Head of Service
- (d) ensuring grant funding is managed via the existing Council payment processes.
- (e) involving Buying Solutions at the earliest opportunity when a new organisation needs to be set up to ensure prompt payment.
- (f) ensuring Grant Brief details are comprehensive and aligned to strategic objectives and or Commissioning intentions
- (g) ensuring Grant Brief takes into account equality and diversity as well as social value implications, and carrying out Impact Assessments where appropriate
- (h) putting in place effective and appropriate monitoring of the performance of grants
- (i) ensuring all Grant Funding Agreements are aligned with the requirements of the Surrey Compact
- (j) maintain a list of all awarded grants on a Central Grants Register.

All Strategic Grant Processes need to be approved by the Head of Procurement & Commissioning prior to the process commencing.

1.5 Transparency

1.5.1 Advertisement of Grant Opportunities

We advertise all grant opportunities over £10,000 via the Surrey County Council website as well as other media as appropriate. For details of advertising requirements, see the individual procedures outlined in sections 3.2.9

The Council is committed to promoting equality and diversity and welcomes applications from all sectors of the community, regardless of race, gender, disability, sexual orientation, age, status, religion or belief.

1.5.2 Freedom of Information

Under the Freedom of Information Act 2000 (FOIA), we have an obligation to publish specific information in the public domain. However, the FOIA enables certain confidential information and commercially sensitive material to be withheld. We must therefore ensure grant information is kept confidential at all stages, especially during evaluation and after the grants are awarded. Organisations must also be given the opportunity to highlight in their submission any information that they would not wish disclosed under FOIA.

1.5.3 Conflict of Interest

The Grant Criteria and Funding processes must be carried out free from any conflict of interest to support our transparency objectives. An 'interest' means any consideration or anything of economic value, including future consideration.

Conflicts of interest can arise when someone who is involved in these processes has a close connection with another party who is also involved which may mean they could influence, or be influenced by, the outcome of a grant award decision.

If you are a council employee you must follow the HR Policy on Conflicts of Interest, ensure they are declared appropriately, and ensure you do not participate in any activity where these conflicts of interest could arise.

Temporary & agency staff, and other consultants or contractors must abide by the terms of their contract with the Council and follow the Council's HR policy on Conflicts of Interest and on Equalities and Diversity.

Officers may be part of a Grant bid as long as the policy has been followed, and any interests declared at the time a Grant Funding Agreement is agreed.

Members must record any and all Conflicts of Interest and ensure they are declared appropriately and should not participate in decisions where such conflicts of interest arise.

Particular conflicts of interest in the award of grants for those serving on evaluation panels are dealt with in section 3.2.7.

Organisations bidding for a grant from the Council are required to declare any conflict of interest.

1.6 Who ensures that the Grant Criteria and Processes are followed?

Any breach of these criteria should be reported to the Head of Procurement & Commissioning who will agree the appropriate action to be taken together with relevant senior managers from the service in question.

Exceptions to the Grant process

Unless otherwise agreed and approved by the Head of Procurement & Commissioning all grants will follow the procedures set out in this document. No exception to the grant process will be approved retrospectively.

2 Is a Grant Process right for your Project/Services?

2.1 What is a Grant?

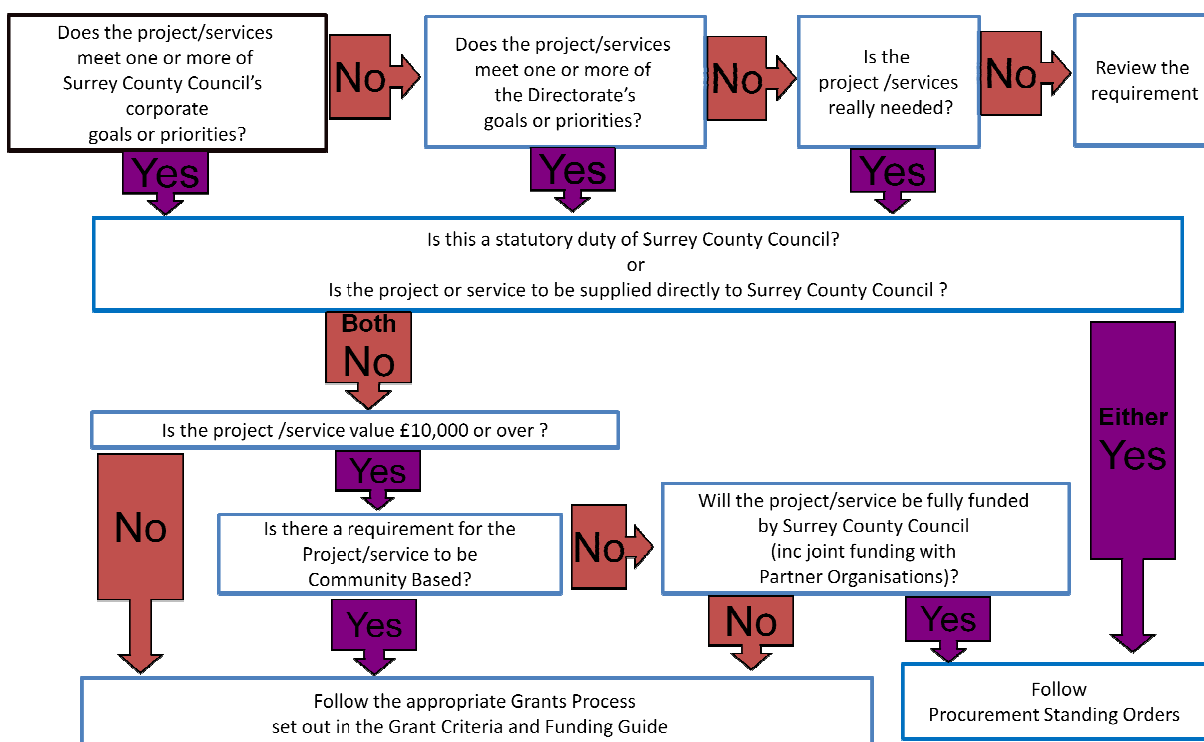
A grant is a sum of money given to an individual or organisation for a specific project or service. A grant usually covers only part of the total costs involved in the project or service.

A grant is usually given on the basis that if it is not used for the purposes for which it is given the funder can ask for all or part of the money back and maybe able to take legal action for breach of the terms of the Grant Agreement for sums paid.

An application for a grant or funding can be made in writing, by submitting a proposal (or submission) to a potential funder, either on the applicant's own initiative or in response to a request for proposal from the funder.

2.2 Grant or Tender process?

2.2.1 How to decide the most appropriate way to fund the project/service



If you are unsure about the decision you have reached please contact the relevant Category Specialist in Procurement & Commissioning to agree the most appropriate way to continue.

Examples to be confirmed

3 Grant Process

3.1 Levels of Grant Funding

The grants process has been split into three key streams, defined by value. These are:

1. Small Grant Process

This is for small one off grants for less than £10,000 with a term of up to one year.

2. Standard Grant Process

This is for one-off grants for between £10,000 and £99,999

3. Strategic Grant Process

This is for grants with a value of £100,000 and over, multi-year funding grants and multiple application grant programme (a number of small grants being issued at once) This process will be managed by Procurement & Commissioning.

A summary table in section 3.2.9 sets out these different approaches for each threshold aggregate value, and is followed by more detail on each.

3.2 **Small Grants Process**

Standard Grants Process Small grants can be issued to an individual or organisation on a one-to-one basis. The requirement being that we only need to receive one grant submission, following an advertisement or unsolicited proposal.

If multiple small grants will be issued in one process then the Strategic Grant process should be used. The commissioner of the grant should ensure that all organisations that offer solutions are considered in order to deliver best value and maximise the benefit for Surrey residents from the funding.

We do not want to create an over reliance on Grant funding so no one organisation should normally receive more than **three** small grants in any one financial year, unless otherwise agreed by the Head of Procurement & Commissioning.

Once a proposal is submitted, the commissioner may negotiate with the organisation around key terms such as the payment structure or value and will propose amendments. Any and all amendments to the submission must be mutually agreed. All amendments must be followed by the resubmission of the written grant submission document.

If amendments cannot be mutually agreed then an alternative solution should be used.

The template bid document for Small Grants is can be found "REFERENCE ON SNET"

3.3

The standard grants process is for grants of a value between £10,000 and £99,999, can only be used for one off grants with a maximum term of one year. If a grant has a value of between £10,000 and £99,999 but is spread over more than one year the Strategic Grants Process should be used.

Standard grants can be issued following an advertised process. A minimum of one grant submission will be required.

If multiple standard grants will be issued in one process then the strategic grant process should be used.

The commissioner of the grant should ensure that all organisations that offer a similar offering are made aware of the grant process by advertising the opportunity on the Surrey e-Portal.

We do not want to create an over reliance on grant funding so no one organisation should normally receive more than **two** standard grants in any one financial year unless otherwise agreed by the Head of Procurement & Commissioning.

Once a proposal is submitted, the commissioner may negotiate with the organisation around key terms such as the payment structure or value and will propose amendments. Any and all amendments to the submission must be mutually agreed. All amendments must be followed by the resubmission of the written grant submission document.

For example if the grant budget is £90,000 and you receive four bids of £25,000 each and if each is a valid submission the commissioner would like to support, then the commissioner may ask the organisations to amend and resubmit within a specific budget envelope.

Any changes to the submission, the payment structure or value must be mutually agreed. All modifications or changes must be followed by the resubmission of the bid document.

If modification or changes cannot be mutually agreed than an alternative solution should used.

The template bid document for standard grants can be found “REFERENCE ON SNET”

3.4 Strategic Grants Process

The strategic grants process applies when:

- The total grant funding available has a value of more than £100,000 in total, or
- Grants that have a funding term of more than 12 months. or
- Where more than one grants of lower values (either Small or Standard Grants level) are being issued under a single application process

The *total value* of a grant over its lifetime (including any possible extensions) is the value that determines the approach we must use.

Before starting the strategic grant process the proposal will need to be agreed by the Head of Procurement & Commissioning using the strategic grant approval form.

Strategic Grants will:

- be required to be publically advertised across the county.
- Should involve co-design of the outcomes and the grant briefing document
- need approval from the relevant level i.e. Head of Service and Cabinet depending on the total value of grant portfolio.
- require formal monitoring documents and regular monitoring meetings, as appropriate to the value or significance of the project or service.
- contain a set payment schedule, as appropriate, either quarterly or half yearly.
- Involve public notification of the successful applicants at a specified date.

Longer term planning and financial arrangements often represent better value for money than one year agreements by:

- providing greater financial stability
- building effective capacity
- reducing the amount of time and effort involved in applying for and processing annually renewable grant funds and

- providing more commitment to the Voluntary and Community Faith Sector body providers, by ensuring longer term funding commitment up-front.

Services are encouraged to create multi-year strategic grant programmes where organisations are regularly funded and are continuing to demonstrate outcomes and outputs that match the eligibility and priorities of the funding. These should consider reducing annual value agreements to help promote service sustainability, as well as potential to deliver additional social value (including apprenticeship opportunities).

3.5 Core Requirements

All grant documentation and requirements regardless of value must reflect the objectives, outcomes and be appropriate and proportional.

3.5.1 Briefing Document

The Briefing Document should contain the relevant information for any organisation wishing to bid to understand (but not be limited to):

- the target group of the funding
- the outcomes required
- location specific requirements or needs
- the likely need levels
- any Equality and Diversity and/or Health and Well-being considerations
- any relevant County Council Policy, Directive or outcome which the funding is linked to

Officers must consider whether the briefing document should be prepared with the involvement of any relevant residents, representative groups or proposed users or carers using co-design principles. If a co-design approach is not to be used valid reasons have to be recorded for the decision.

Officers should ensure that they or the bidder can demonstrate that the funding meets the needs of services users, carers or the community.

3.5.2 Checking the Organisation is financially stable

Each grant application will need to have appropriate financial checks undertaken in line with the value of the grant to ensure organisations are financially stable.

Elements to take account of as part of the decision include:

- In the event that an individual grant (value of over £10,000) being offered or bid for would be more than 30% of the current turnover of the organisation, a full financial risk assessment will be undertaken.
- The amount the organisation has in reserves.
- Total value of grants already awarded to the organisation both by Surrey County Council and other organisations.
- Confirmation that adequate insurance, required to cover the risk linked to delivery of the proposed grant, is in place or will be in place by the time the grant is awarded.

3.5.3 How do we ensure that the Grant funding is used appropriately?

A clear way for managing and monitoring (checking) delivery of the proposed outcomes, outputs and measures for grants should be agreed as part of the submission process and form part of the grant funding agreement. Measures and reporting timescales should be clearly defined and reflect the key areas of delivery, including but not limited to any reporting obligations held by the Council (or any partner organisations) in relation to achievement or conditions associated with grant funds.

The principles of joint working and grant management leading to the best possible outcomes should always apply. All resources and effort needed should be proportional to the strategic importance of the grant and impact of its delivery, as well as the value of the grant award.

All grants awarded, regardless of value, must be recorded on a Central Grants Register.

Monitoring is an increasingly important element within the Grant process. This determines the success of funding against agreed outcomes and outputs. In a Grant Process and Grant Funding Agreement there is a need for monitoring and evaluation of the performance of individual organisations and the programme as a whole.

Monitoring requirements will be set out on the Briefing and Grant Funding Application. Any variations should be mutually agreed by both parties and confirmed in writing.

An effective framework for monitoring should:

- establish a process that promotes accountability in a supportive way
- show clarity about the roles and responsibilities that have been agreed
- avoid duplication of effort by the council and the funded organisation
- take account of the monitoring procedures already agreed by the organisation's other funders and any quality assurance system introduced by the organisation itself
- be relevant and proportionate to the size and nature of both the funding provided and the funded organisation
- be consistent with the need for the effective protection of, and proper accountability for, public money
- be informed by early negotiation – this can greatly reduce workload and frustrations later on
- enable the council to assess the contribution made to meeting the funding objectives and identify any implications for the future direction of the programme
- enable the funded organisation to assess the contribution made to meeting its own objectives, and to identify any new user needs and any learning which could be disseminated to other Voluntary Community and Faith Sector organisations and funders
- takes account of the resourcing and cost of monitoring
- allow for innovation
- allow the organisation to show what added value they are offering to the group they work with and the Community.

Organisations will be required to submit proposals which address how they will record and report evidence of how they will demonstrate successful achievement of the outcomes agreed in the submission.

Surrey County Council must ensure that appropriate monitoring is in place.

3.5.4 Timescales

Grants can be issued at any time during the financial year subject to budget availability and approved by the Finance Manager and the Head of Service.

Organisations should be given an appropriate amount of time to make their submission and this should be clearly stated by the Commissioner of the grant at the time the grant submission document is issued, these should be proportionate to the value and complexity of the submission required. Guide minimums are set out in the table in section 3.5.9.

Decisions will need to be confirmed and communicated to the bidder within the agreed time period.

A timetable should also be set out for the entire grant process and requirements (such as evaluation and award procedures) to give organisations clarity and realistic expectations.

3.5.5 Payment Mechanism

Payment mechanisms for all grants should take into consideration the needs, costs and timing of the scheme and payment schedules should support these..

- Payments can only be made once the Grant Funding Agreement is signed by both parties and returned.
- Payment structure must follow those set out in the Grant Funding Agreement.
- If the payment structure requires submission of monitoring information this must be received before subsequent payments are made.
- If the Commissioner is not satisfied with the performance levels and/or action plan then future payments may be withheld.

As a default, all grant submissions should be clearly provided inclusive of VAT.

Innovative payment models should be discussed and agreed to take into account the needs of the organisation, project/service requirements and needs to be agreed with the Commissioner.

3.5.6 Terms

All grants will be subject to a formal, written Grant Funding Agreement.

All necessary insurance for the project and organisation will be confirmed to be in place, together with compliance of all statutory legislation.

Any terms for funding that have placed specific requirements upon Surrey County Council should be made clear and explicit in the grant brief and reflected in the terms of the Grant Funding Agreement.

Additional grant terms should be considered to reflect specific outcomes and requirements in consultation with Legal Services.

If funding is likely to change or be withdrawn during the agreed period of funding, a minimum of three months notice will be given, as set out in **Surrey Compact** Funding Code. The notice period is to be clearly set out in the Grant Funding Agreement and clearly highlight the date on which funding will end.

Where an under-spend occurs during the period of the Grant Funding Agreement then the Council can require the organisation to return any unused funds.

The terms and conditions of the Grant Funding Agreement should include the requirement upon any funded organisation to notify the council of any anticipated under-spend as soon as this becomes clear. Where the Council is able to allow the funding to remain with the funded organisation the purpose and amount should be agreed formally with the officer responsible (known as the Responsible Officer in the scheme of delegation and is normally the Commissioner) and recorded for audit purposes.

3.5.7 Evaluation of Grant Submissions

For all grants, the evaluation of a submission should be against clear criteria that reflect the Council's required outcome or objective, combined with delivering value for money. As far as possible, these criteria should be set out in the grant briefing, ensuring the evaluation criteria are fair, open and transparent.

Grant evaluation would need to be appropriate the value of the funding opportunity from a Commissioner decision up to a grant evaluation panel. For details of the appropriate level can be found in the table in section 3.5.9. Anyone taking part as a member of a grant evaluation panel cannot be a serving member of the Board of Trustees or employee of any organisation bidding nor take a role with any organisation awarded funding during the life of the Grant.

All panel members will be required to agree to a confidentiality agreement.

Evaluation panel members will need to disclose any and all links to bidding organisations that could constitute a conflict of interest and put the decision being made into question.

3.5.8 Award

The Grant Funding Agreement, including funding details must be issued, signed by both the Councils Commissioner and the successful organisation and returned before payments are made.

3.5.9 Summary table – Process for advertising, approval and awarding grants

Aggregate value	Who approves the way the grant opportunity will be set up?	Who manages that bidding process?	How should the bidding process be managed?	How should the bidding process be advertised?	What is the minimum requirement for an evaluation panel?	Who approves grant award?	Who can sign off grant on our behalf?	What is the minimum timescale for bids to be submitted?
£0 to £9,999	Commissioner	Commissioner	Use of Surrey e-portal or via paper submission	No requirement for formal advert	Individual Commissioner or Member	Commissioner	Commissioner	14 days
£10,000 to £99,999	Commissioner	Commissioner	Use of Surrey e-portal	Advertise on our website for 7 working days	Minimum of 3. From the Commissioner, member of the original reference group, Members & a member of finance	Commissioner	Head of Service or Delegated Commissioner	28 days
£100,000 to £499,999	Commissioner and Procurement	Commissioner and Procurement	Use of Surrey e-portal	Minimum requirement is to advertise on our website for 30 calendar days	Minimum of 5, including representatives from (but not limited to): Commissioner/s, Service User and/or Carer, Service Representation from front line support teams, Finance Interested parties(with no conflict of interest), Members Procurement Category Specialist	Head of Service, Head of Procurement & Commissioning	Head of Service	42 days
£500,000 and over	Commissioner and Procurement	Commissioner and Procurement	Use of Surrey e-portal	Minimum requirement is to advertise on our website for 30 calendar days	Minimum of 5, including representatives from (but not limited to): Commissioner/s, Service User and/or Carer, Service Representation from front line support teams, Finance Interested parties(with no conflict of interest), Members Procurement Category Specialist	Cabinet ¹	Head of Service	42 days

¹ Contracts between £500,000 and £999,999.99 must be approved by the relevant Cabinet Member (in consultation with the Leader) and contracts of £1m and over must be approved by the Cabinet.

3.6 Collaboration

The Council may decide to work with other partner organisations such as the NHS to award grants. Where Surrey leads on this process, these Criteria will be followed to ensure that the requirements are appropriately advertised and set out the impact and the outcomes needed.

3.7 Joint applications

The use of joint applications by Voluntary Community and Faith Sector organisations is encouraged where they:

- Deliver value for money
- Make sense in terms of the viability of the project and the involvement of individual partners, and
- Bring benefit to the organisations and service users from the sharing of expertise and resources e.g. where savings generated could be used to add value to the service

A joint application should identify the partner that will be responsible for holding and managing the grant. This approach can also be an effective way for larger voluntary, community and faith sector organisations to assist smaller community organisations to access resources.

4 Holding records

4.1.1 Document Retention periods

The retention of tenders and contractual documentation is prescribed in the Limitation Act 1980 and the Public Contracts Regulations 2006

- All received grant submissions must be retained for a minimum of 18 months following the issue of the Grant Funding Agreement.
- All signed contracts under £499,999 (including all grant application submission documents) must be retained for a minimum of six years following grant funding expiry.
- All signed grant agreements over £500,000 (including all grant application submission documents) must be retained for a minimum of 12 years following grant funding expiry.

Service areas must maintain an electronic record confirming location of grant information and the scheduled date of destruction.

5 Legal status of the Grant Criteria and Funding Opportunities Guide

The Council is required by section 135 of the Local Government Act 1972 to maintain these Orders as part of our Constitution.

The Head of Procurement & Commissioning is the custodian of these Guidelines and is responsible for keeping them under review. If the EU Directives or any other law is changed in a way that affects these Guidelines then the Head of Procurement & Commissioning will issue a bulletin and the change must be observed until the Guidelines can be revised.

1. Topic of assessment

EIA title:	Grants Procedure
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EIA author:	Jeremy Taylor Procurement & Commissioning Partnership Manager
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2. Approval

	Name	Date approved
Approved by¹		

3. Quality control

Version number	V4	EIA completed	6 th February 2014
Date saved		EIA published	

4. EIA team

Name	Job title (if applicable)	Organisation	Role
Jeremy Taylor	Procurement & Commissioning Partnership Manager	Surrey County Council	
Saba Hussain	Strategic Partnership Manager	Surrey County Council	

¹ Refer to earlier guidance for details on getting approval for your EIA.

5. Explaining the matter being assessed

<p>What policy, function or service is being introduced or reviewed?</p>	<p>This is a review of the grants process for all part of Surrey County Council. The review is to formalise a consistent process for grants. It will set down formal guidance on the reasons to choose either a Grant or Tender process as the appropriate route to market. The new policy will ensure that an open and transparent approach towards grants throughout Surrey County Council. The policy would affect all grant funded services/projects throughout Surrey County Council. Projects/services funded under grants are mainly preventative and are supplied by Voluntary, Community and Faith sectors or not for profit organisations. This will not affect the final decision being made but just the process to follow.</p>
<p>What proposals are you assessing?</p>	<p>The proposal is to review the current county grants process which has 2 routes Under £10,000 and over £10,000.</p> <p>Within the last 2 years Adults Social Care have carried out 3 “strategic grants programmes” which have been very successful and this is to formalise that approach across Surrey County Council and make appropriate improvements. We are looking to set 3 levels on grants process Under £10,000, Between £10,000 and £99,999 and over £100,000. To set up appropriate application formats and funding agreements for each level. The creation of clear policy on the selection of the appropriate route to market (Grant or Tender) and guidance on how the process should be communicated, managed and progressed.</p>
<p>Who is affected by the proposals outlined above?</p>	<p>The proposal will affect Officers involved in any project/services funded via a grants based approach. It will only affect the process of awarding grants and when to use a grant or contract it will not affect the decision being made. The formalisation of the 3 level of process and the need to carry out full risk assessment of organisations in specific circumstances are the areas of most change. The new process will affect Surrey County Council Officers who will need to understand and follow the new process.</p>

6. Sources of information

Engagement carried out
<p>Each of the following organisations were contacted for their opinions, the procedure has been drafted shared and feedback requested, feedback was considered and actioned where appropriate.</p> <p>Chair of the Surrey Compact Co-Chair of Surrey County Council Adults and Community Care Implementation Board Chair of Surrey Coalition of Disabled People Chief Executive of Surrey Disabled Peoples Partnership Chief Executive of Surrey Independent Living Council Chair of Surrey Citizens Advice Bureaux Chief Executive Action for Carers Surrey Youth Focus Diocese of Guildford</p> <p>Adults Commissioning Childrens Commissioning Procurement Policy and Performance Legal and Finance</p> <p>Joint Commissioning Strategy Group (including Reps from District & Boroughs and PCT)</p> <p>Wider Consultation was undertaken using the Surrey Says consultation pages and published via the relevant Sector representative groups.</p>
Data used
<ul style="list-style-type: none">• Procurement Standing Orders• VCFS Framework• Surrey Compact Funding Code 2009• Grant Funding Expenditure Reports

7. Impact of the new/amended policy, service or function

7a. Impact of the proposals on residents and service users with protected characteristics

Protected characteristic ²	Potential positive impacts	Potential negative impacts	Evidence
Age	There will be a positive impact on Organisations within Surrey as there will be a clear, consistent and transparent approach to grants.	There is no negative impact from this process to residents and service users in Surrey as the end decision is not effected just the way the decision is reached.	
Disability			
Gender reassignment			
Pregnancy and maternity			
Race			
Religion and belief			
Sex			
Sexual orientation			
Marriage and civil partnerships			

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² More information on the definitions of these groups can be found [here](#).

7b. Impact of the proposals on staff with protected characteristics

Protected characteristic	Potential positive impacts	Potential negative impacts	Evidence
Age	<p>The new process will give much clearer guidance on grants and the difference from contracts, what they are how they should be used.</p> <p>The process sets out a clear process to follow for each level on grant funding.</p> <p>The process will ensure that grant awards are open and transparent and signed off at the appropriate level.</p>	<p>There will be a requirement for training in appropriate ways and formats to help staff understand the new process and how to carry out a grant funding opportunity.</p>	<p>There is confusion about grants and contracts.</p> <p>There are a number of different grant approaches and processes throughout SCC.</p> <p>There has been confusion about how and who approve grants.</p>
Disability			
Gender reassignment			
Pregnancy and maternity			
Race			
Religion and belief			
Sex			
Sexual orientation			
Marriage and civil partnerships			

8. Amendments to the proposals

Change	Reason for change
N/A	

9. Action plan

Potential impact (positive or negative)	Action needed to maximise positive impact or mitigate negative impact	By when	Owner
Positive Better understanding of the appropriate way to use grants and contracts and how we can create better outcomes for Surrey residents, users and carers via grants.	Training workshops for officers of the council to understand and be able to use the new procedures effectively	October 2014	Jeremy Taylor

10. Potential negative impacts that cannot be mitigated

Potential negative impact	Protected characteristic(s) that could be affected
N/A	

11. Summary of key impacts and actions

Information and engagement underpinning equalities analysis	
Key impacts (positive and/or negative) on people with protected characteristics	Better understanding of the appropriate way to use grants and contracts and how we can create better outcomes for Surrey residents, users and carers via grants.
Changes you have made to the proposal as a result of the EIA	None needed – already included
Key mitigating actions planned to address any outstanding negative impacts	Training workshops for officers of the council to understand and be able to use the new procedures effectively
Potential negative impacts that cannot be mitigated	None

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SURREY COUNTY COUNCIL**CABINET****DATE: 27 MAY 2014****REPORT OF: MRS LINDA KEMENY, CABINET MEMBER FOR SCHOOLS AND LEARNING****DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES****LEAD OFFICER: JOHN STEBBINGS, CHIEF PROPERTY OFFICER****PETER- JOHN WILKINSON, ASSISTANT DIRECTOR FOR SCHOOLS AND LEARNING****SUBJECT: LIME TREE PRIMARY SCHOOL, NEW 2 FORM PRIMARY SCHOOL (420 PLACES) AND NURSERY (26 FTE PLACES)****SUMMARY OF ISSUE:**

To approve the Business Case for the provision of a new 2 form of entry primary school in Redhill to help meet the basic need requirements in the Reigate and Banstead area.

RECOMMENDATIONS:

It is recommended that, subject to the agreement of the detailed financial information for the school as set out in agenda item 19 in Part 2 of this agenda, the business case for the provision of a new two form of entry primary school in Redhill be approved.

REASON FOR RECOMMENDATIONS:

The proposal supports the Authority's statutory obligation to provide sufficient school places to meet the needs of the population in the Reigate and Banstead area.

DETAILS:**Background**

1. Numbers of children starting school in Reigate and Redhill have been increasing for some years. This has been caused by an increase in births, families moving into the borough, and families moving in to new housing. Numbers of children needing a school place are projected to continue to increase for the next five years.
2. Births in Reigate and Redhill have been increasing since the millenium. Future births are also forecast to increase marginally. When new housing becomes occupied it is possible that the birth rate may continue to increase. Specifically Reigate and Redhill births are now about 22% higher than the low point around the millennium.

3. New housing has also had a significant impact on numbers of children needing a school place in the Reigate and Redhill area. There has been significant new housing in the area close to the proposed new school site, specifically the Water Colour Estate and Park 25. The potential primary pupil yield from these developments is approximately 40 pupils in each year group.
4. These factors feed into the forecasts of future demand on school places. The Council is predicting the need for at least 2 forms of additional entry in this area through to 2021. In addition, reception numbers have significantly outstripped forecast demand in the last two years and it is likely that future forecasts will indicate greater deficits for provision. The analysis of this indicates that an expansion of primary provision is needed immediately.
5. Following an extensive site search, the land at Battlebridge Lane has been identified as the most appropriate for this provision. The preferred location will be close to the need arising from the existing population and that from new housing developments. Battlebridge Lane is situated to the North East of Redhill and South of Merstham and is well located to serve the needs of the projected pupil demand.
6. The school has offered 90 reception places from September 2013 and is initially operating from an existing school site in Alexander Road, Reigate, before being transferred to the new build at Battlebridge Lane, which will be completed by the spring of 2016.
7. The growth of the school is proposed to be managed in the following way:
 - a. The Published Admission Numbers (PANs) and places for September 2013 were 90.
 - b. Children will be admitted in Reception each year and the children will progress through the school.
 - c. The school will increase its age range by one year each year and so the school will grow by one year group each year until it is an all through primary school.
 - d. There will be 420 places for boys and girls in by September 2020.
 - e. The school will offer nursery provision from September 2016.
8. Surrey County Council has allocated capital for the provision of the new primary school as part of the schools basic need programme. Developers of housing have also been required to pay S106 contributions towards education infrastructure in Reigate and Redhill. Primary education S106 contributions will go towards offsetting some of the cost of building the primary school.
9. Surrey County Council will build the school, which has been established as an Academy under the control of Surrey's preferred bidder, The Glyn Learning Foundation.
10. The building will comprise 14 classrooms and 1 nursery space for early year's provision. There will be suitable amenities, break out spaces for booster groups and one to one learning, a hall space with dining facilities, a kitchen, a staff room, suitable office accommodation and a practical room.
11. The recommended amount of informal hard and soft play areas will be provided on the same plot of land.

12. A sports pitch facility will be provided on an adjacent piece of land.
13. The Cabinet is asked to approve the business case for the new school. Financial details have been circulated as agenda item 19 in Part 2 of the agenda. Subject to approval, the works will be tendered and a contract awarded. The project will be delivered by spring 2016 to provide a total of 420 new primary school places and 26 nursery places to meet the demand within Redhill.

CONSULTATION:

14. A public consultation preview event was held on 15 May to present the plans to County Councillors and Reigate & Banstead Councillors in advance of a public planning consultation event. The event was attended by SCC officers and members of the project professional team (planning consultants, architect and contractor).
15. A public planning consultation event was held on Wednesday 22 May 2013 to present the plans to members of the public, prospective parents and 3rd party stakeholders. The event was attended by the Cabinet Member for Schools and Learning, SCC officers and members of the project professional team (planning consultants, architect and contractor). Comments and feedback are to be incorporated in to the planning application.
16. The SCC Local Member has been consulted on the proposal.

RISK MANAGEMENT AND IMPLICATIONS:

17. Planning permission was granted by the SCC Planning and Regulatory Committee on 26 February 2014. The Secretary of State has confirmed he is not minded to call in the application and the grant of planning permission decision notice has been issued.
18. There are risks associated with the projects and project risk registers have been compiled and are regularly updated. A contingency allowance appropriate to the scheme has been included within the project budget to mitigate for potential identified risks.

Financial and Value for Money Implications

19. The schemes will be subject to robust cost challenge and scrutiny to drive optimum value as they progress. Further financial details are set out in the report circulated as item 19 in Part 2 of the agenda. These details have been circulated separately to ensure commercial sensitivity in the interests of securing best value.

Section 151 Officer Commentary

20. The Section 151 Officer confirms that the funding for this scheme is in the current Medium Term Financial Plan 2014 -19 and the estimated costs are expected to reduce following the tender.

Legal Implications – Monitoring Officer

21. Section 13 of the Education Act 1996 places a duty on Local Authorities (with responsibility for education) to ensure sufficient primary and secondary education provision is available to meet the needs of the population in its area.

Equalities and Diversity

22. The new school will not create any issues, which would require the production of an Equality Impact Assessment.
23. The new school building will comply with Disabilities Discrimination Act (DDA) regulations. The expanded school will provide employment opportunities in the area.
24. The school will be for children in the community served by the school. If there is sufficient provision available, then it would be beneficial for all children, including vulnerable children.
25. The school will be expected to contribute towards community cohesion and will be expected to provide the normal range of before and after schools clubs as are provided in a typical Surrey County Council school.

Corporate Parenting/Looked After Children implications

26. This proposal would provide increased provision in the area, which would be of benefit to all in the community served by the school. This means it would therefore also be of benefit to any looked after children who will attend the school.

Climate change/carbon emissions implications

27. The design philosophy is to create buildings that will support low energy consumption, reduce solar gain and promote natural ventilation. The school will be built to the local planning authorities adopted core planning strategy.

WHAT HAPPENS NEXT:

If approved, to proceed to complete tenders and subsequent contract award through delegated decision.

Contact Officer:

Keith Brown, Schools and Programme Manager – 020 8541 8651
Nicholas Smith, School Commissioning Officer – 020 8541 8902

Consulted:

Jonathan Essex, Local Member, Redhill East
Julie Fisher, Strategic Director for Business Services
Paula Chowdhury, Strategic Finance Manager – Business Services

Annexes:

None - Part 2 report with financial details attached to agenda as item 19

Sources/background papers:

- The Education Act 1996
 - The School Standards Framework Act 1998
 - The Education Act 2002
 - The Education and Inspections Act 2006
 - Report to Cabinet: Schools Capital Budget Allocations Service update based on latest or most appropriate report year and version
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SURREY COUNTY COUNCIL

CABINET

DATE: 27 MAY 2014



REPORT OF: MRS HELYN CLACK, CABINET MEMBER FOR COMMUNITY SERVICES

MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES

LEAD OFFICER: RUSSELL PEARSON, CHIEF FIRE OFFICER, SURREY FIRE AND RESCUE

JULIE FISHER, STRATEGIC DIRECTOR FOR BUSINESS SERVICES

SUBJECT: PURCHASE OF 1 AERIAL LADDER AND 1 TURNTABLE LADDER VEHICLES

11

SUMMARY OF ISSUE:

Surrey Fire Authority provides the best equipment possible to support frontline fire and rescue activity. The equipment provided meets the operational assessment of how to provide the best outcomes for the residents of Surrey.

A review of the Working at Height strategy for Surrey Fire and Rescue Service (SF&RS) has identified there is a requirement to replace the existing Aerial Ladder vehicles to ensure that Surrey's fire-fighters have the best possible equipment for the benefit of Surrey residents.

This report provides details of the procurement process to award two separate contracts for one Aerial Ladder Vehicle and one Turntable Ladder Vehicle, including the results of the evaluation process, and in conjunction with the Part 2 report, demonstrates why the recommended contracts offer best value for money.

Due to the commercial sensitivity involved in the contracts award process, the names and financial details of the potential suppliers have been circulated as a Part 2 report.

RECOMMENDATIONS:

It is recommended that Contracts are awarded to the preferred supplier as agreed on the basis set out in the Part 2 report.

REASON FOR RECOMMENDATIONS:

A full tender process for the purchase of one Aerial Ladder Vehicle and one Turntable Ladder Vehicle, in compliance with the requirement of EU Procurement Legislation and Procurement Standing Orders has been completed, and the recommendations provide best value for money for the Council following a thorough evaluation process.

DETAILS:

Background and Procurement Strategy

1. The procurement objectives are to ensure that Surrey's fire-fighters have the best possible equipment for the benefit of Surrey residents. This has been determined following a review and development of user requirements linking in to the Service Strategy and Public Safety Plan. The procurement of these vehicles is a planned element of the Surrey Fire and Rescue Services vehicle and equipment replacement programme. This is to ensure that Surrey's fire-fighters have the best possible equipment for the benefit of Surrey residents.
2. This is a unique service, provided by specialist contractors, of which there are a finite number in the UK. Historically within Surrey the contracts have been secured directly with these specialist contractors.
3. Existing appliances have considerably less safety features, higher maintenance requirements, higher fuel consumption, and environmentally unacceptable engines producing exhaust emissions that generate charges when entering the London Low Emission Zone.
4. Three procurement options were considered, (1) purchase two aerial appliances through an open tender process, (2) lease two aerial appliances and (3) procure the vehicles through an existing framework.
5. The preferred option was to purchase two aerial appliances through an open tender process; Lot 1: purchase of one Aerial Ladder Vehicle and Lot 2: purchase of one Turntable Ladder Vehicle.
6. Leasing was rejected following a recent tendering exercise comparing the leasing and purchase costs on other Surrey Fire Service vehicles, which established leasing has an estimated 20% uplift in costs.
7. Purchasing the vehicles through The Consortium (formerly known as Firebuy) incurred a surcharge of 1.6% of the total cost of the vehicles, which far outweighed the internal costs of EU tendering and so was also rejected.
8. The building of the vehicles will take between 12 and 15 months, from the date of order. The chassis, body maintenance, and the day to day running repairs of the whole vehicle, will be undertaken by Surrey Fire and Rescue Service. The external contractor will only undertake the servicing of the ladder/platform section of the vehicles. The estimated lifespan of the vehicles is 15 years.
9. As part of the marketing and procurement analysis, Surrey County Council (SCC) reviewed the opportunity to collaborate with neighbouring local fire authorities in the SE7 Region, through the South East Fire Services Procurement Group. All SE7 fire authorities were asked if they wished to be included in the tender process but none were in a position to tender at the time.
10. A joint Procurement and Project team was set up including representatives from: Surrey Fire and Rescue Services, Surrey Procurement and Commissioning, and Surrey Legal Services. The contract(s) has been let as a

competitive tendering exercise, using the Official Journal of the European Union.(OJEU) ,

11. Steps were taken to stimulate interest in the market, which was introduced to the supply base through a series of supplier engagements.
12. Five suppliers expressed an interest in the advertised tender opportunity. These suppliers were evaluated to ensure they had the legal, financial and technical capacity (including their health & safety and equal opportunities policies) to undertake the contract.
13. Considering the limited size of the market the option to complete the tendering process by e-auction was rejected.
14. An invitation to tender was sent to all interested suppliers. These tenders were then evaluated against the criteria and weightings in the part 2 report.

Key Implications

15. By awarding a contract to the supplier(s) recommended in the Part 2 report for the provision of Lot 1 purchase of one Aerial Ladder Vehicle and Lot 2 purchase of one Turntable Ladder Vehicle to commence in July 2014, the Council will be meeting its duties and ensuring value for money.
16. Performance will be monitored throughout the build period and reviewed at regular contract meetings. Key stages of the build include the pre-build meeting, delivery of the chassis, fitting of the ladders, the body fit, type approval testing and final inspection.
17. The management responsibility for the Contract lies with Surrey Fire and Rescue Services and will be managed by them in line with the Contract Management Strategy and Plan as laid out in the contract documentation.

CONSULTATION:

18. Stakeholders consulted at all stages of the commissioning and procurement process include Surrey Fire and Rescue Services, Surrey Procurement and Commissioning, Surrey Legal Services, Hampshire Fire Service, and the South East Fire Services Procurement Group.

RISK MANAGEMENT AND IMPLICATIONS:

19. The bespoke contract has been prepared by SCC Legal Services.
20. The following key risks associated with the contract and contract award have been identified, along with mitigation activities:

Category	Risk Description	Mitigation Activity
Financial	Failure to adhere to adequate Working at Height strategy and capital replacement programmes could result in litigious claims against the County Council should systems performance be seen as a	Interim mitigation is managed through continued servicing of current fleet and short term lease arrangements in place with a commercial provider.

	contributory factor in personal injury, fatality, or loss of trade.	Quality, specialist contractor appointed through robust contract procurement exercise. Regular contract performance meetings to ensure adherence to works programmes and agree recovery actions if required.
Reputational	Successful supplier does not have necessary skills, experience and technical knowledge to satisfactorily complete the elements of the contract(s)	Tender process to include 60% quality element towards overall contract(s) award, including clarification meetings if any officer concerns remain post tender process.
Reputational	There is an increased risk as the existing appliances get older they may become unusable and this will impact on the services operational strategies and could be seen as a contributory factor in personal injury.	The replacement of new vehicles through a quality, specialist contractor, following a thorough contract procurement exercise. Regular contract performance meetings to ensure adherence to works programmes and agree recovery actions if required.
Financial	Not purchasing the vehicles will lead to significant increases in revenue costs to deal with higher maintenance costs, the replacement of major component parts, and poor fuel efficiency. The existing vehicles have environmentally unacceptable engines producing exhaust emissions that generate charges when entering the London Low Emission Zone.	New vehicles will provide improved value for money by reducing the need for major repairs, and reduced maintenance costs. The new aerial ladder specifications more closely match those used by our neighbouring fire and rescue services increasing the potential for inter-operability. Training costs will be reduced through vehicle standardisation, and reduction in road shock damage costs and road wear through the use of air suspension.

Financial and Value for Money Implications

21. Full details of the contract value and financial implications are set out in the Part 2 report.
22. Benchmarking information will be shared with South East Fire Services Procurement Group.

Section 151 Officer Commentary

23. All material financial and business implications have been considered as part of this report. The expected costs and savings are set out within part two of

the report. The vehicle purchases have been planned as part of the Fire Vehicle and Equipment Replacement Programme which has been approved by the Investment Panel and budgeted for within the 2014-2019 Medium Term Financial Plan.

Legal Implications – Monitoring Officer

- 24. Surrey Fire and Rescue Service (SFRS) must comply with the core functions identified in the Fire Rescue Services Act 2004. These include extinguishing fires in its area and protecting life and property.
- 25. To ensure compliance with the core functions, SFRS has undertaken a competitive procurement exercise in accordance with EU Procurement Standing Orders, to procure two vehicles, one with aerial ladder and one with turntable ladder.
- 26. The contract offers the Council various protection mechanism such as ensuring that the vehicles are of the best available design, of the best quality, material and workmanship, be without fault and conform in all respects with the Specification supplied by the Council to the Provider. The contractor is required to comply with all applicable regulations or other legal requirements concerning manufacture, packaging and delivery of the vehicle. The Council's title to the vehicles will also be protected to ensure that it acquires title to the Goods upon payment of each instalment of the staged payments pursuant to the pricing schedule and the contractor shall maintain all necessary insurance to cover such risk and notify its insurers of the Council's interest. Additionally, the contractor will be required to provide training to SFRS staff in the use and maintenance of the vehicles. To this end the contracts will ensure that SFRS is able to comply with its core functions.

Equalities and Diversity

- 27. All equipment to be used includes the appropriate additional facilities and design standards, as nationally specified. The new appliances body stowage systems have been designed for use by a diverse workforce with facilities to minimise manual handling injuries.
- 28. There is no requirement for a Equality Impact Assessment (EIA) as there are no implications for any public sector equalities duty due to the nature of the goods being procured. However the contractor will be required to comply with the Equalities Act 2010 and any relevant codes issued by the Equality and Humans Commission.

Other Implications:

- 29. At the end of the contractual term, ownership of the contract will remain with: Surrey County Council

WHAT HAPPENS NEXT

- 30. The timetable for implementation is as follows:

Action	Date
Cabinet decision to award	27 May 2014

'Alcatel' Standstill Period	2 June – 12 June 2014
Contract Signature	20 June 2014
Contract Commencement Date	1 July 2014

31. The Council has an obligation to allow unsuccessful suppliers the opportunity to challenge the proposed contract award. This period is referred to as the 'Alcatel' standstill period.

Contact Officer:

Peter Simmonds 020 8541 9936

Consulted:

Surrey Fire and Rescue Services
Surrey Procurement and Commissioning
Surrey Legal Services
South East Fire Services Procurement Group
Hampshire Fire Service

Sources/background papers:

Fire and Rescue Services Act 2004
GRA 3.2 (V2) Fighting Fires in High Rise Buildings 2008
BS EN 1846 Safety and performance
Road Vehicles Lighting Regulations 1989
Control of Noise at Work Regulations 2005
Health and Safety at Work (etc) Act 1974
Lifting Operations Lifting Equipment Regulations (LOLER)
Construction and Use Regulations 1986

SURREY COUNTY COUNCIL

CABINET

DATE: 27 MAY 2014

REPORT OF MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES

JULIE FISHER, STRATEGIC DIRECTOR FOR BUSINESS SERVICES

LEAD OFFICER: JOHN STEBBINGS, CHIEF PROPERTY OFFICER

SUBJECT: ESTABLISHMENT OF A PROPERTY COMPANY



SUMMARY OF ISSUE:

The Investment Strategy agreed by Cabinet in July 2013 was developed in response to the requirement for the Council to maintain its financial resilience in the longer term. Cabinet approved that the recommended governance arrangements were put in place in order to consider individual investment opportunities and to provide advice to Cabinet on investment decisions.

Cabinet also approved that work commence on the preparation of a business case to establish a property investment company. This work has now been completed, with the aid of specialist advisors, and this paper sets out the proposed company structure and associated governance arrangements.

RECOMMENDATIONS:

It is recommended that:

1. Cabinet approve the business case for the creation of a Property Company and associated subsidiary companies in order to take forward the agreed Investment Strategy.
2. Cabinet approve the governance arrangements for the Property Company (paragraphs 15 to 21), including the Articles of Association of the company.
3. Cabinet approve the provision of initial equity finance, a working capital loan and a loan facility as described in paragraphs 29 to 36.

REASON FOR RECOMMENDATIONS:

The Council's Investment Strategy will support the council in achieving alternative sources of funding, thereby reducing reliance on government grants and council tax increases in the future. The creation of a property company is required to fully implement the recommendations of the agreed Investment Strategy and to achieve the target income included in the 2014-19 Medium Term Financial Plan (MTFP).

Investment Strategy

1. The Investment Strategy was created as one of a series of responses to improve the financial resilience of the Council in the longer term. The Budget report in February 2013 created the Revolving Investment and Infrastructure Fund to meet the initial revenue costs of initiatives to deliver savings and income. Cabinet, in March 2013, approved the arrangements for considering different delivery models, including the creation of trading companies. The Investment Strategy was approved by Cabinet in July 2013.
2. The main principles of the Investment Strategy as agreed by Cabinet are as follows;
 - Use the established Revolving Investment and Infrastructure fund (the Investment Fund) to meet the initial revenue costs of funding initiatives that deliver savings and enhance income in the longer term,
 - Use the Investment Fund to support investments in order to generate additional income to support the delivery of the Council's functions and services,
 - Creation of a diversified and balanced portfolio of investments to manage risk and secure an ongoing annual overall return to the Council,
 - Investing in schemes that have the potential to support economic growth in the county, and
 - Retaining assets where appropriate and undertaking effective property and asset management, and if necessary associated investment, to enhance income generation.
3. The governance for the Investment Strategy is provided by the Investment Advisory Board (AIB), established following the Cabinet report in July 2013 and comprising members of the Cabinet, supported by officers. The Investment Advisory Board is responsible for providing appropriate evaluation of opportunities (including business cases), prior to Cabinet approval and for the strategic management of the overall portfolio of investments consistent with the aims of the Investment Strategy. The IAB will also regularly review actual outcomes of each investment. The terms of reference of the IAB are attached in full as Annex 1.

Property Company

4. Over the last year, the Council has acquired properties to provide for future service requirements or to contribute to the regeneration of a particular area. Each acquisition has been made in line with the Investment Strategy and completed following the consideration of the business case by Cabinet, with the capital spend and associated revenue impact of these decisions reported monthly in the Financial Monitoring report.
5. The Investment Strategy has been put in place in order to generate additional income to support the delivery of the Council's functions and services by investing in a diversified and balanced portfolio. Investment undertaken directly by the Council as described above will not be able to fully realise these objectives. Investments undertaken purely for the income return will be required in order to fully achieve the income target set out in the MTFP (2014-19) and to achieve a diversified and balanced portfolio. Any such investment could only be made through a company in order to comply with the requirements of the Localism Act 2011.
6. The investment portfolio of the Council will therefore be a combination of assets acquired or developed by the Council itself for future service needs or regeneration purposes and those acquired or developed by a wholly owned property company. Activities undertaken by the Council may also include the strategic acquisition of land for future service need, for example in respect of Schools Basic Need, or in relation to the stewardship role of the Council in shaping the long-term future of the county.



7. The proposals set out below in relation to the creation of a property company have been developed with the assistance of independent specialist advisors covering financial, tax and legal disciplines. The most appropriate legal structure under the Companies Act 2006 for the Council to undertake commercial property activities is a company limited by shares. The company will be wholly owned by the Council and will form part of the Surrey County Council owned group of companies created following the incorporation of S.E.Business Services Ltd and Surrey Choices Ltd.
8. The recommended structure for the property company has been developed to provide the most appropriate solution bearing in mind the tax implications that arise from making investments in property or undertaking property development activity.

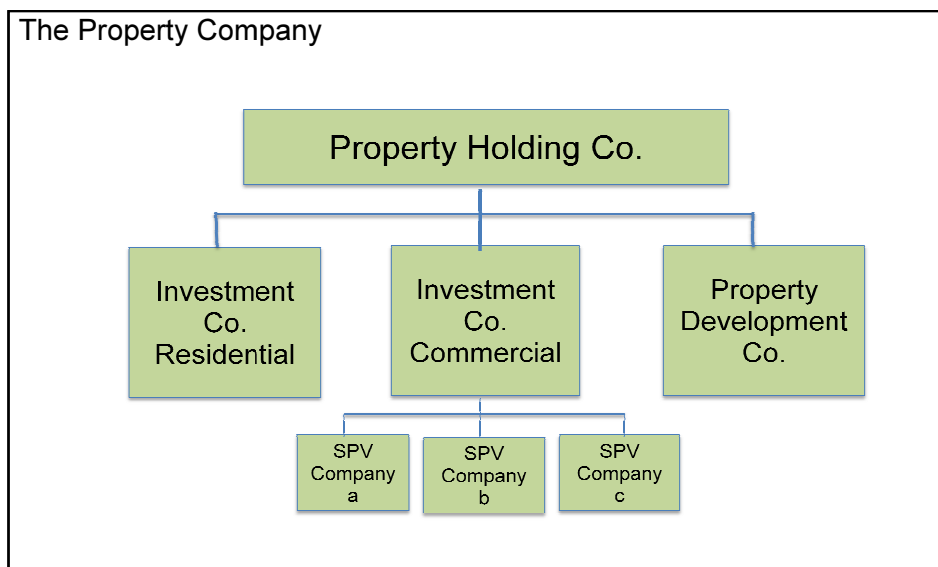
9. The main considerations taken into account are outlined more fully in Annex 2 however in summary; it is advisable to keep investment assets and property development activities in separate companies:

- Investment Asset: A property that is held for the rental return and long-term capital appreciation.
- Property Development: Planning, design, development and build of a property or an estate of properties for sale, or for full or partial retention for the ongoing rental income. Properties that are retained for the long-term rental income become an Investment Asset after completion.

10. In addition, the management structure and support required for each of these activities will differ significantly. This is also applicable to the day-to-day management of different types of investment assets with the primary differences being between residential and non-residential or commercial sectors.

11. The proposal is therefore to create a Property Holding Company (the Property Company) with three subsidiary companies as follows;

- Property Investment Company: Residential
- Property Investment Company: Commercial
- Property Development Company

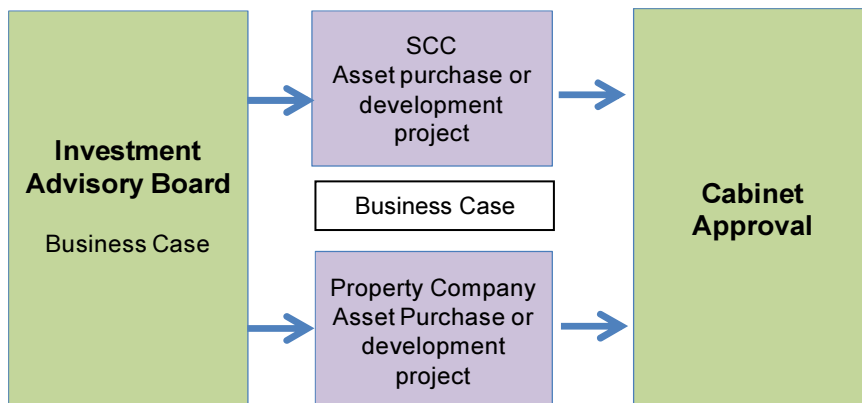


12. Special purpose vehicles (SPV companies, shown as “a” to “c” above) will be created, when required, as subsidiaries to the commercial investment company to hold individual assets of a significant financial value in order to enhance the future sales receipts. The Articles of Association for the Property Company will provide the ability to create these subsidiary companies for this agreed purpose. The proposed Articles of Association for the Property Holding Company and associated subsidiary companies are attached as Annex 3.

13. These arrangements will be put in place in preparation for the commencement of investment and property development activities, which will be undertaken according to the governance and approval process described below.
14. Given the nature of property investment & development, it is possible that opportunities arise in the future that require the creation of a Joint Venture company with other partners, both from the private and public sector. As each opportunity will be quite different in nature, the most appropriate company structure will be determined in separate business cases presented to Cabinet for approval as required.

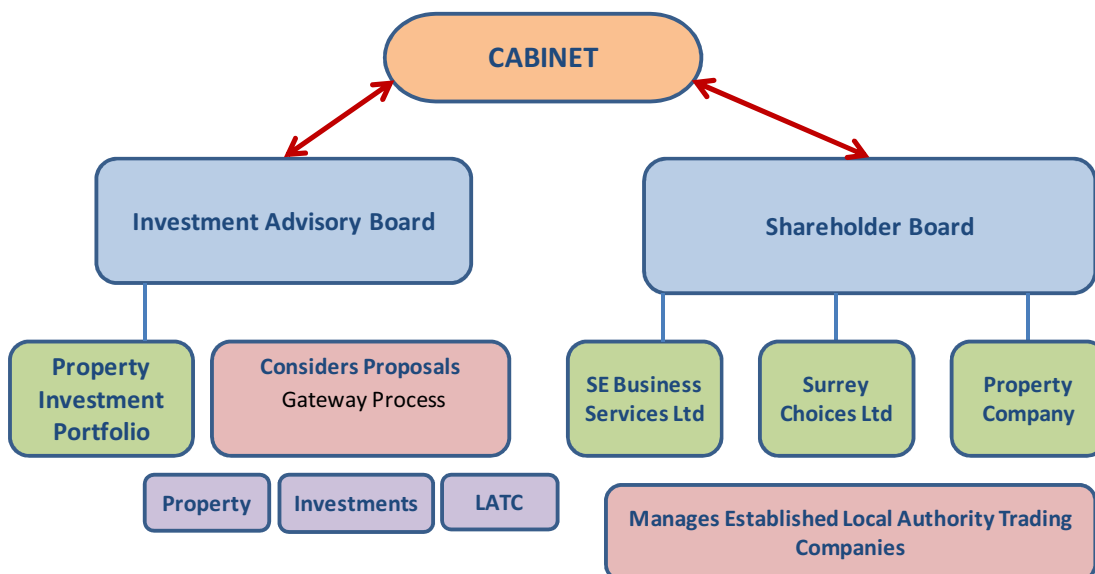
Governance and decision-making

15. The Investment Advisory Board will continue to consider all business case proposals that contribute to the delivery of the Investment Strategy and meet the investment criteria. This includes investments which will be undertaken by the Property Company.
16. Officers, supported by independent specialist professional advisors where appropriate, will provide advice on each proposal coming forward to the IAB for consideration. This advice will include a consideration of how each investment proposal could be taken forward, including a consideration of the risks, how it is structured in terms of appropriate delivery mechanisms, and financed.
17. Decisions on taking forward each investment opportunity will be taken by Cabinet. The IAB will provide advice to Cabinet, ensuring that appropriate and credible options are presented that fully evaluate the financial and risk implications of each proposal.



18. The Investment Advisory Board will be responsible for strategically managing the overall portfolio consistent with the aims of the Investment Strategy and will monitor achievement of the objective that an appropriately balanced and diversified portfolio is created over time across the combination of Council owned assets and those owned by the Property Company.

19. The Articles of Association for the Property Company will be created in accordance with these governance arrangements, with operational decision making residing with the Directors of the company. As part of this operational decision-making the Directors will be authorised to undertake asset and property management to maintain and improve the performance of an investment property. This would include ensuring statutory and regulatory compliance, tenant compliance, landlord responsibilities, securing receipt of rents, dealing with voids and insurance matters. The Directors will be authorised to make capital expenditure decisions on refurbishments and enhancements to improve rental returns, subject to the expenditure being identified in the approved annual business plan of the company and / or within agreed thresholds of spend at the discretion of the Directors. The proposed Articles of Association are attached as Annex 3.
20. The Shareholder Board will be responsible for the oversight of the company in the same way that it is responsible for the oversight of other trading companies created and owned by the Council.



21. A summary of the respective roles of each governance board is outlined in the table below. The Terms of Reference for the Shareholder Board are attached as Annex 4.

Investment Advisory Board	Shareholder Board
<ul style="list-style-type: none"> • Recommend business case for asset purchase or development project to Cabinet • Recommend appropriate delivery structure to Cabinet • Recommend associated finance requirements (equity & debt financing) to Cabinet • Reviews and considers the performance of the total portfolio held by SCC and the Property Company. 	<ul style="list-style-type: none"> • Receive and consider year-end financial accounts and approve proposed dividend • Approve annual business plan • Appoint / remove Directors • Approve changes to the Articles of Association

RISK MANAGEMENT AND IMPLICATIONS:

22. The implementation of the Investment Strategy will mean that the Council will be required to manage a variety of financial risks. Investments will be subject to inherent economic and markets risks and therefore the approved strategy is to create a balanced portfolio of investments. However, a balanced portfolio will take some time to create and will be dependent upon appropriate opportunities coming to the market.
23. The governance process is designed to mitigate these risks, ensuring that all investment opportunities undertaken by the Property Company are subject to the same degree of scrutiny as those that the Council undertakes in its own right. All opportunities will be evaluated based upon a robust business case, developed using technical advisors where appropriate and which take into account due and proper consideration of the balance between risk and reward and the underlying security of the asset. Each business case will clearly set out the risks and associated mitigation measures and will consider market, legal, financial and reputational issues.
24. The performance of the portfolio across the Council and the Property Company will be monitored by the IAB with the assistance of independent specialist advisors where required. As noted in the Investment Strategy specific measures are in place, which include annual valuations of the portfolio and consideration of market intelligence provided by specialist advisors to inform acquisitions and disposals. The Investment Strategy notes a preference towards assets of a good quality, in good or growth locations and the avoidance of over-reliance upon single tenants or types of tenants in terms of their impact as a percentage of the total portfolio.

25. Development opportunities will have higher risks than investing in existing assets but will also provide the opportunity for a greater rate of return. Priority will be given to development opportunities within Surrey where the wider benefits to the county will be taken into consideration, such as provision of affordable housing, new business premises or town centre regeneration.
26. Where appropriate, development risk will be shared with private sector development partners in company structures designed in accordance with the characteristics of arrangement.

Financial and Value for Money Implications

27. The objective of the Investment Strategy is to use the Council's resources to invest in income generating assets to deliver an ongoing return to the Council in order to protect service provision. The MTFP (2014-19) sets a net income target of £5m per annum to be achieved by 2017/18. Investment in commercial property assets will contribute to the achievement of the target.
28. In accordance with the conditions set by the Prudential Code, investment in assets of a commercial nature will be funded by reserves and capital receipts. In order to reflect the opportunity cost of using these internal resources, all investments will be required to demonstrate a return in excess of the opportunity cost of capital, which will be calculated in terms of the interest payable on equivalent borrowing and the statutory minimum revenue provision (MRP) that sets aside funds for the repayment of the borrowing.
29. The Property Company and related subsidiary companies will be incorporated initially with nominal equity of £1,000. All investment proposals will be underpinned by a robust business case which will set out the financing required. The structuring of the financing made available to the Property Company by the Council will have due regard to legal and financial considerations, including competition law and State Aid rules and tax treatment.
30. The Council will provide a mixture of equity and debt financing for each approved opportunity, with the ratio of equity to debt being determined primarily in relation to the prevailing market conditions at the time, in order to ensure that the arrangements are made in accordance with "arm's length" tests of reasonableness. Similarly, asset or development specific loans will be made available by the Council to the Property Company at interest rates that are comparable with the financing available in the market for similar assets or development projects.
31. In the current market this is likely to result in the Council providing equity financing of between 10% and 20% of the value of each investment acquisition and debt financing for the remainder. Financing provided for development projects will be subject to the same market tests and due to the nature of the development risk, will require equity financing of between 40% and 50% in the current market. There is some evidence that the risk appetite in the market is increasing with improving economic conditions and therefore the appropriate debt to equity ratio will be considered as part of the business case evaluation.

32. The availability of capital receipts may limit the ability of the Council to invest in the full range of acquisitions required to create a balanced and diversified portfolio in the desired timeframe. Where this is the case, third party financing may be considered as part of the business case evaluation presented to the Investment Advisory Board and recommended to Cabinet for approval.
33. The Property Company may require further debt financing in order to undertake asset and property management activities as described in paragraph 18, particularly in relation to refurbishment to enhance the value of investment property assets. A loan facility will be provided to the Company for this purpose, which will be made available subject to the expenditure being identified in the annual business plan of the company (approved by the Shareholder Board) and / or within agreed thresholds of spend at the discretion of the directors.
34. The Council will provide the Property Company with a working capital loan of £250,000 to provide for the initial set-up costs of the company, and to provide funds for pre-investment activity including a provision for specialist advisors required.
35. The financial returns to the Council will be dependent upon investment proposals and development opportunities being approved by Cabinet, the profitability of the Property Company and the ability to declare a post-tax dividend. The creation of the Property Company and associated loan facilities as described above are being put in place in preparation for the commencement of approved activities.
36. The Business Plan of the Property Company accompanies this paper in a confidential (Part Two) annex 5. The business plan provides information about indicative investment activity, the management of the company, summary of set-up costs, initial working capital loan required and further details regarding the loan facility.
37. The assets and associated liabilities of the Property Company will be consolidated in the Council's balance sheet and treated in accordance with the Code of Practice of Local Authority Accounting in the United Kingdom, which is supported by International Financial Reporting Standards. The accounting period for the Property Company will be aligned with that of the County Council in order to better facilitate the preparation of consolidated accounts and to simplify auditing requirements.

CONSULTATION:

38. The Investment Advisory Board has been consulted on the proposals and recommends the approach outlined in this paper to Cabinet.

Section 151 Officer Commentary

39. The Investment Strategy and the creation of a Property Company will have a significant impact on the finances and risk profile of the Council. The governance arrangements for the Property Company require that each investment is supported by a robust business case, supported by the Investment Advisory Board and approved by Cabinet. Each business case will consider the Council's legal powers, take into account advice provided by independent technical and professional specialists where appropriate and ensure that the structuring of the investment provides a financial return taking into account all considerations, including taxation.
40. Full due and proper consideration will continue to be required to ensure that an appropriate balance is made between risk and reward, and that the underlying security of the investments proposed are sufficient to protect the financial standing of the Council.
41. The Directors will have authorisation to undertake the day-to-day decision-making of the company including capital expenditure on maintenance and refurbishment required in order to protect the value of the asset and to ensure ongoing rental income.
42. Loan facilities made available to the Property Company will be made on an arm's length transparent basis commensurate with prevailing market conditions. Security is provided by the Investment assets held on the Property Company balance sheet.

Legal Implications – Monitoring Officer

43. The general power of competence, conferred by S1 of the Localism Act 2011 is drawn widely and enables the Council to do anything that a private individual is entitled to do, specifically including things it chooses to do for a commercial purpose. There are however a number of limitations and restrictions on exercise of the power and, of particular relevance to any decision on this report, the general power confers power "to do things for a commercial purpose only if they are things which the authority may, in exercise of the general power, do otherwise than for a commercial purpose": Furthermore, any things done for a commercial purpose must be done "through a company", principally being a company within the meaning of s.1(1) Companies Act 2006.
44. The Council has powers to purchase, sell and lease land and buildings and manage to manage those it owns. It may therefore also pursue these activities for a commercial purpose. There are some limitations on the Council's exercise of these powers and those limitations would continue to apply to any activity of its property companies. However, as explained above, it will require a company or companies to carry out any such commercial activities. The Council may rely upon the power of general competence to enable it to establish those companies it requires.
45. Normal public law principles continue to apply to any exercise of the general power, including the requirement that only relevant considerations are taken into account and that Members take decisions in accordance with their

fiduciary duty. This report sets out the measures that have been taken to ensure that proper advice is available to Cabinet and establishes a framework for future decision making.

Equalities and Diversity

46. There are no direct equalities and diversity implications in creating and managing the Investment Strategy although the Investment Advisory Board will take into account ethical issues when making recommendations to pursue investment opportunities.

WHAT HAPPENS NEXT:

- The Property Company and subsidiary companies will be incorporated to undertake approved activity as and when required.
- The Council will enter into loan facility agreements with the company as described above and as per Annex 5.

Contact Officer:

Susan Smyth – Strategic Finance Manager (020 8541 7588)

Consulted:

Investment Advisory Board

Annexes:

1. Investment Advisory Board Terms of Reference
2. Tax and Property Company Structure: considerations and rationale
3. Articles of Association for the Property Company and subsidiary companies
4. Shareholder Board Terms of Reference
5. Property Company Business Plan (PART TWO REPORT)

Background Papers:

1. Strengthening the Council's Approach to Innovation: Models of Delivery (Cabinet March 2013)
2. Investment Strategy (Cabinet July 2013)

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SURREY COUNTY COUNCIL

INVESTMENT ADVISORY BOARD

TERMS OF REFERENCE

Overview

The Investment Advisory Board will recommend investments to Cabinet for approval and will manage the portfolio of investments.

Membership

- | | |
|--|---------------|
| • Leader of the Council (Chairman) | David Hodge |
| • Deputy Leader of the Council | Peter Martin |
| • Cabinet Member for Business Services | Denise Le Gal |
| • Cabinet Member for Adult Social Care | Mel Few |
| • Chief Executive | David McNulty |

The Investment Advisory Board will be supported and advised by the following officers of the council

- | | |
|--|----------------|
| • Strategic Director for Business Services | Julie Fisher |
| • Chief Finance Officer | Sheila Little |
| • Monitoring Officer | Ann Charlton |
| • Chief Property Officer | John Stebbings |
| • Secretary to the Board | Susan Smyth |

The Investment Advisory Board will additionally be supported as required by appropriate professional external advisors which will be commissioned by the Investment Advisory Board when deemed necessary in relation to specific investment or types of investments.

Purpose

1. The Investment Advisory Board will consider all proposals that contribute to the delivery of the investment strategy and meet the investment criteria. Officers will provide advice on each proposal for consideration. This advice will include how each investment proposal could be taken forward, including a consideration of the risks, structuring and

financing required. Appropriate investments will be recommended to Cabinet for approval.

2. Each investment considered by the Investment Advisory Board will be supported by a business case. In approving a business case, the Board will satisfy itself that the investment is within the council's legal powers, it has properly considered the advice provided and its structure provides value for money taking into account all financial considerations, including taxation. Full due and proper consideration will be given to the balance achieved between risk and reward and the underlying security of the investment proposed to ensure compliance with the fiduciary duty of the council.
3. The Investment Advisory Board will be responsible for the strategic management of the overall portfolio of investments, ensuring that an appropriately balanced portfolio is maintained over an agreed period and that all risks, including those that are emerging are given due consideration.
4. The Investment Advisory Board will consider and recommend the use of the Revolving Investment and Infrastructure Fund (the Investment Fund) to meet the initial revenue costs of appropriate initiatives that deliver income in the longer term. The Board will receive twice annual reports regarding the status of the Investment Fund for consideration.
5. The Investment Advisory Board will approve the use of the Revolving Investment and Infrastructure Fund to procure external advice, for example property investment advisors, legal and financial specialists, including taxation advice.

Scope

6. The Investment Advisory Board will consider all significant investment activity including, but not limited to, the acquisition of property, share capital and provision of financial assistance, for example loan financing.
7. The Investment Advisory Board will consider investment in council owned trading companies (LATC) where the proposal includes significant financial investment in excess of £1.0m. Once established, trading companies will be overseen by the Shareholder Board.

Evaluation Criteria

8. The Investment Advisory Board will apply the criteria described in the Investment Strategy approved by Cabinet in July 2013 in evaluating proposed investments. These are;

a) The acquisition or investment is within the powers of the Council and can be undertaken with appropriate regard to tests of reasonableness, fiduciary duty and value for money.

If this is the case, then the following criteria will be evaluated

b) The amount of investment required is greater than the threshold for investment which has been set for the Investment Strategy (initially more than £10m except for trading opportunities where this threshold will not apply). In establishing the portfolio it may be the case that smaller sized investments will be considered.

c) The period over which a return will be made, ensuring that this is achieving a balance between the short, medium and longer term.

d) Whether the investment aids the achievement of a balanced portfolio in the longer term.

e) That the rate of return is consistent with the level of risk involved (within tolerances) as defined by the Investment Strategy.

Meetings

9. The Investment Advisory Board will have scheduled meetings on a monthly basis with further meetings arranged if necessary in order to respond promptly to opportunities. Meetings will be cancelled if there are no agenda items to be discussed.
10. The quorum for the Board is a minimum of 3 members, with one being the Leader or Deputy Leader.
11. The Chairman approves the agenda for each meeting. The agenda and papers for consideration are circulated at least two working days before the meeting. After each meeting, the Chairman approves the meeting notes and actions agreed. Susan Smyth, Strategic Finance Manager, will act as secretary to the Board.
12. The Investment Advisory Board will review the Terms of Reference annually.

04.03.2014

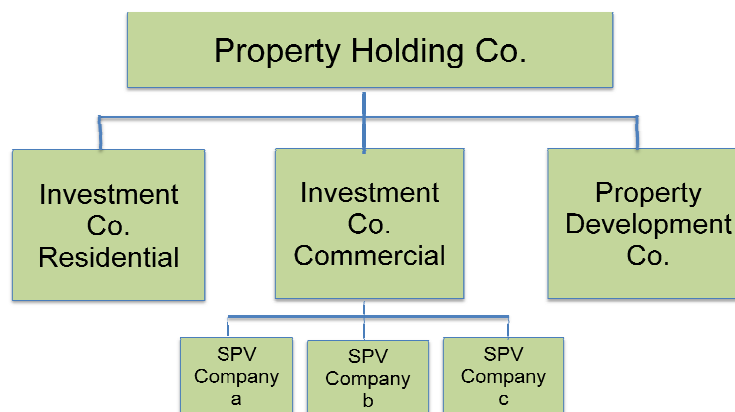
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Tax and Property Company Structure

The proposals set out below in relation to the creation of a property company have been developed with the assistance of independent specialist advisors covering financial, tax and legal disciplines. The most appropriate legal structure under the Companies Act 2006 for the Council to undertake commercial property activities is a company limited by shares.

The recommended structure for the property company has been developed to provide the most appropriate solution bearing in mind the tax implications that arise from making investments in property or undertaking property development activity. These are described in more detail below.

Recommended Property Company Structure



The proposal is to create a Property Holding Company with three subsidiary companies as follows;

- Property Investment Company: Residential
- Property Investment Company: Commercial
- Property Development Company

Special purpose vehicles (SPV companies) will be created, when required, as subsidiaries to the commercial investment company to hold individual assets of a significant financial value in order to enhance the future sales receipts. These are shown as SPV Company a) to c) in the diagram above.

Recommendation 1: Separate companies for Investments and Developments.

An investment asset, in this context, is a property that is held for the rental return and for the long-term appreciation in capital value. This activity would involve the purchase of an existing asset, most likely with existing tenants and therefore with some certainty regarding the ongoing rental income stream.

Profits made from investment assets are taxed after the deduction of normal business expenses, such as fees paid to managing agents. In addition, profits made from the ongoing rental income can be reduced by capital allowances which will be

applicable to relevant spend on plant and machinery, for example the purchase of a new boiler or air-conditioning unit for the building.

When an asset held for the long-term is sold, the profit or gain on the sale of the building can be reduced by an indexation allowance. Indexation allowance recognises the effects of inflation when calculating the gain made upon the sale of an asset.

These tax allowances do not generally apply in relation to property development or trading activity¹. Property development typically involves site acquisition, planning, design, development and build of a property or an estate of properties for sale. If all the buildings created or some are retained for the ongoing income stream, this effectively creates a transfer to investment stock.

In order to demonstrate the distinction between investment and development activities and to apply the appropriate tax treatment, HMRC will look for evidence of intent. This may include reviewing;

- Documentation supporting the original purchase
- The Company's Articles of Association
- The Length of time the property has been held
- The borrowing arrangements of the company, for example short-term borrowing will be more indicative of development and trading rather than investment activity.

Within a single company appropriations (i.e. transfers) to and from development stock or investment stock, could give rise to a tax charge, even if no physical cash is paid. This tax charge is calculated on the difference between what was paid for the asset and its value at the date of deemed transfer.

To strengthen the distinction between property investment and development activities, and to appropriately manage the risk of inadvertent tax charges from transfers within a single company, our independent specialist advisors recommend that separate companies are created for these activities. Furthermore, it will be important the development stock is continually reviewed to check whether assets will inadvertently become re-classified as investments and vice versa.

The management structure and support required for each of these activities will also differ significantly. This is also applicable to the day-to-day management of different types of investment assets with the primary differences being between residential and non-residential or commercial sectors.

Recommendation 2: Separate companies for individual investment assets

The Stamp Duty Land Tax (SDLT) payable on the purchase of investment assets will usually be at the highest level of 4%; however the stamp duty payable upon the purchase of existing shares in a company is 0.5%. It is standard practice in the industry to hold significant individual assets within a separate company for this reason – within a special purpose vehicle (SPV). This enhances the eventual sales value of an asset because it is more tax efficient for the purchaser.

¹ Capital allowances that are applicable to the purchase of plant & machinery are likely to reside with sub-contractors.

The Property Company will therefore create special purpose vehicles (SPV companies) as subsidiaries to the commercial investment company to hold individual assets of a significant financial value, in order to enhance the future sales receipt. Similarly, an approved investment asset purchase may already be held in this way and therefore, where appropriate to do so, the Property Company may purchase the SPV rather than the underlying asset.

SDLT is not payable on transfers between group companies and any transfer of asset between a group company is made on "no gain no loss basis". There is therefore no tax liability when transferring an asset between the Investment Company to the Property Development Company and vice versa.

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ARTICLES OF ASSOCIATION FOR Property Holding Co. LIMITED

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PART 1
INTERPRETATION AND LIMITATION OF LIABILITY

Defined terms

1. In the articles, unless the context requires otherwise—

“articles” means the company’s articles of association;

“bankruptcy” includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;

“chairman” has the meaning given in article 12;

“chairman of the meeting” has the meaning given in article 36;

“Companies Acts” means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;

“director” means a director of the company, and includes any person occupying the position of director, by whatever name called;

“distribution recipient” has the meaning given in article 27;

“document” includes, unless otherwise specified, any document sent or supplied in electronic form;

“electronic form” has the meaning given in section 1168 of the Companies Act 2006;

“fully paid” in relation to a share, means that the nominal value and any premium to be paid to the company in respect of that share have been paid to the company;

“hard copy form” has the meaning given in section 1168 of the Companies Act 2006;

“holder” in relation to shares means the person whose name is entered in the register of members as the holder of the shares;

“instrument” means a document in hard copy form;

“ordinary resolution” has the meaning given in section 282 of the Companies Act 2006;

“paid” means paid or credited as paid;

“participate”, in relation to a directors’ meeting, has the meaning given in article 10;

“proxy notice” has the meaning given in article 42;
“shareholder” means a person who is the holder of a share;
“shares” means shares in the company;
“special resolution” has the meaning given in section 283 of the Companies Act 2006;
“subsidiary” has the meaning given in section 1159 of the Companies Act 2006;
“writing” means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Companies Act 2006 as in force on the date when these articles become binding on the company.

Liability of members

2. The liability of the members is limited to the amount, if any, unpaid on the shares held by them.

PART 2

DIRECTORS

DIRECTORS' POWERS AND RESPONSIBILITIES

Directors' general authority

3.—(1) Subject to the articles, the directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company.

(2) The directors shall require approval by way of a special resolution of the shareholders before taking any of the actions listed in article 4(3).

Shareholders' reserve power

4.—(1) The shareholders may, by special resolution, direct the directors to take, or refrain from taking, any specified action.

(2) No such special resolution invalidates anything which the directors have done before the passing of the resolution.

(3) Following receipt of a recommendation by the directors that any of the following actions be taken, the shareholders may, by special resolution, authorise or refuse such action:

Administrative reservations

- (a) any changes to these articles;
- (b) the changing of the name or registered office of the company;
- (c) the approval of the accounts of the company and for any change to the principal accounting policies of the company;
- (d) the company applying or permitting its directors to apply to petition to the court for an administration order to be made in respect of the company;
- (e) the company taking any steps to voluntarily wind up the company;

Business reservations

- (f) any material change in the nature or scope of the business plan or activities of the company as approved by the shareholders from time to time;
- (g) the company entering into or terminating any arrangement, contract, commitment, liability or transaction that:
 - i. is of an onerous or unusual nature or could result in the company incurring substantial financial risk; or
 - ii. is outside of its ordinary course of business;
- (h) the company entering into any joint venture, consortium or partnership;

Financial reservations

- (i) any borrowing or raising of finance by the company (in any form whatsoever) other than from Surrey County Council or by such overdraft facility as provided in the normal course of business by the company's bank;

- (j) the creation of any security interest in respect of all or any part of the company, its property or its assets (excluding subsidiary companies), by any person other than Surrey County Council;
- (k) any capital expenditure by the company (including its subsidiaries) exceeding:
 - i. that authorised by the company's business plan as approved by the shareholders from time to time;
 - ii. that authorised by a decision of Surrey County Council; or
 - iii. the value of £100,000 in any single accounting period;
- (l) the company of any gift or donation that is in excess of £500;
- (m) the company giving any guarantee, making any payment or incurring any obligation or acting as surety otherwise than in connection with the company's ordinary business for the time being;
- (n) the company lending or agreeing to lend, granting any credit or making any advance to any person other than the granting of credit to customers in the ordinary course of business;

Subsidiary reservations

- (o) the creation of any subsidiary company unless using the articles of association set out in Schedule 1;
- (p) the directors authorising any of these above reservations in relation to any subsidiary company.

Directors may delegate

5.—(1) Subject to the articles, the directors may delegate any of the powers which are conferred on them under the articles—

- (a) to such person or committee;
- (b) by such means (including by power of attorney);
- (c) to such an extent;
- (d) in relation to such matters or territories; and
- (e) on such terms and conditions;

as they think fit.

(2) If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.

(3) The directors may revoke any delegation in whole or part, or alter its terms and conditions.

Committees

6.—(1) Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.

(2) The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

DECISION-MAKING BY DIRECTORS

Directors to take decisions collectively

7.—(1) The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 8.

(2) If—

(a) the company only has one director, and

(b) no provision of the articles requires it to have more than one director, the general rule does not apply, and the director may take decisions without regard to any of the provisions of the articles relating to directors' decision-making.

Unanimous decisions

8.—(1) A decision of the directors is taken in accordance with this article when all eligible directors indicate to each other by any means that they share a common view on a matter.

(2) Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible director or to which each eligible director has otherwise indicated agreement in writing.

(3) References in this article to eligible directors are to directors who would have been entitled to vote on the matter had it been proposed as a resolution at a directors' meeting.

(4) A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting.

Calling a directors' meeting

9.—(1) Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice.

(2) Notice of any directors' meeting must indicate—

(a) its proposed date and time;

(b) where it is to take place; and

(c) if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

(3) Notice of a directors' meeting must be given to each director, but need not be in writing.

(4) Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the company not more than 7 days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

Participation in directors' meetings

10.—(1) Subject to the articles, directors participate in a directors' meeting, or part of a directors' meeting, when—

- (a) the meeting has been called and takes place in accordance with the articles, and
 - (b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.
- (2) In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.
- (3) If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

Quorum for directors' meetings

- 11.**—(1) At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.
- (2) The quorum for directors' meetings may be fixed from time to time by a decision of the directors, but it must never be less than two, and unless otherwise fixed it is two.
- (3) If the total number of directors for the time being is less than the quorum required, the directors must not take any decision other than a decision to call a general meeting so as to enable the shareholders to appoint further directors.

Chairing of directors' meetings

- 12.**—(1) The directors may appoint a director to chair their meetings.
- (2) The person so appointed for the time being is known as the chairman.
- (3) The directors may terminate the chairman's appointment at any time.
- (4) If the chairman is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating directors must appoint one of themselves to chair it.

Casting vote

- 13.**—(1) If the numbers of votes for and against a proposal are equal, the chairman or other director chairing the meeting has a casting vote.
- (2) But this does not apply if, in accordance with the articles, the chairman or other director is not to be counted as participating in the decision-making process for quorum or voting purposes.

Conflicts of interest

- 14.**—(1) If a proposed decision of the directors is concerned with an actual or proposed transaction or arrangement with the company in which a director is interested, that director is not to be counted as participating in the decision-making process for quorum or voting purposes.
- (2) But if paragraph (3) applies, a director who is interested in an actual or proposed transaction or arrangement with the company is to be counted as participating in the decision-making process for quorum and voting purposes.
- (3) This paragraph applies when—
- (a) the director's conflict of interest arises from a relationship with Surrey County Council or any of its subsidiary companies;

- (b) the company by ordinary resolution disappplies the provision of the articles which would otherwise prevent a director from being counted as participating in the decision-making process;
 - (c) the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
 - (d) the director's conflict of interest arises from a permitted cause.
- (4) For the purposes of this article, the following are permitted causes—
- (a) a guarantee given, or to be given, by or to a director in respect of an obligation incurred by or on behalf of the company or any of its subsidiaries;
 - (b) subscription, or an agreement to subscribe, for shares or other securities of the company or any of its subsidiaries, or to underwrite, sub-underwrite, or guarantee subscription for any such shares or securities; and
 - (c) arrangements pursuant to which benefits are made available to employees and directors or former employees and directors of the company or any of its subsidiaries which do not provide special benefits for directors or former directors.
- (5) For the purposes of this article, references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.
- (6) Subject to paragraph (7), if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any director other than the chairman is to be final and conclusive.
- (7) If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

Records of decisions to be kept

15. The directors must ensure that the company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors.

Directors' discretion to make further rules

16. Subject to the articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

APPOINTMENT OF DIRECTORS

Methods of appointing directors

17.—(1) Any person who is willing to act as a director, and is permitted by law to do so, may only be appointed to be a director by special resolution of the shareholders.

Termination of director's appointment

18. A person ceases to be a director as soon as—
- (a) that person ceases to be a director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;
 - (b) a bankruptcy order is made against that person;
 - (c) a composition is made with that person's creditors generally in satisfaction of that person's debts;
 - (d) a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
 - (e) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;
 - (f) notification is received by the company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms;
 - (g) the shareholders by special resolution terminate a director's appointment.

Directors' remuneration

- 19.—(1) Directors may undertake any services for the company that the directors decide.
- (2) Directors are entitled to such remuneration as the shareholders determine—
- (a) for their services to the company as directors, and
 - (b) for any other service which they undertake for the company.
- (3) Subject to the articles, a director's remuneration may—
- (a) take any form, and
 - (b) include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.
- (4) Unless the shareholders decide otherwise, directors' remuneration accrues from day to day.
- (5) Unless the shareholders decide otherwise, directors are not accountable to the company for any remuneration which they receive as directors or other officers or employees of the company's subsidiaries or of any other body corporate in which the company is interested.

Directors' expenses

20. The company may pay any reasonable expenses which the directors properly incur in connection with their attendance at—
- (a) meetings of directors or committees of directors,
 - (b) general meetings, or
 - (c) separate meetings of the holders of any class of shares or of debentures of the company, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company.

PART 3
SHARES AND DISTRIBUTIONS
SHARES

All shares to be fully paid up

- 21.**—(1) No share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the company in consideration for its issue.
(2) This does not apply to shares taken on the formation of the company by the subscribers to the company’s memorandum.
(3) The company may not issue shares to any person other than Surrey County Council.

Powers to issue different classes of share

- 22.**—(1) Subject to the articles, but without prejudice to the rights attached to any existing share, the company may issue shares with such rights or restrictions as may be determined by ordinary resolution.
(2) The company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.

Company not bound by less than absolute interests

- 23.** Except as required by law, no person is to be recognised by the company as holding any share upon any trust, and except as otherwise required by law or the articles, the company is not in any way to be bound by or recognise any interest in a share other than the holder’s absolute ownership of it and all the rights attaching to it.

Share certificates

- 24.**—(1) The company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds.
(2) Every certificate must specify—
(a) in respect of how many shares, of what class, it is issued;
(b) the nominal value of those shares;
(c) that the shares are fully paid; and
(d) any distinguishing numbers assigned to them.
(3) No certificate may be issued in respect of shares of more than one class.
(4) If more than one person holds a share, only one certificate may be issued in respect of it.
(5) Certificates must—
(a) have affixed to them the company’s common seal, or
(b) be otherwise executed in accordance with the Companies Acts.

Replacement share certificates

- 25.**—(1) If a certificate issued in respect of a shareholder's shares is—
- (a) damaged or defaced, or
 - (b) said to be lost, stolen or destroyed, that shareholder is entitled to be issued with a replacement certificate in respect of the same shares.
- (2) A shareholder exercising the right to be issued with such a replacement certificate—
- (a) may at the same time exercise the right to be issued with a single certificate or separate certificates;
 - (b) must return the certificate which is to be replaced to the company if it is damaged or defaced; and
 - (c) must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the directors decide.

DIVIDENDS AND OTHER DISTRIBUTIONS

Procedure for declaring dividends

- 26.**—(1) The company may by ordinary resolution declare dividends, and the shareholders may decide to pay interim dividends by special resolution.
- (2) A dividend must not be declared unless the directors have been asked by the shareholders to make a recommendation as to its amount. Such a dividend shall be at a value determined by the shareholders.
- (3) No dividend may be declared or paid unless it is in accordance with shareholders' respective rights.
- (4) Unless the shareholders' resolution to declare or the terms on which shares are issued specify otherwise, it must be paid by reference to each shareholder's holding of shares on the date of the resolution to pay it.
- (5) If the company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear.
- (6) The shareholders may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

Payment of dividends and other distributions

- 27.**—(1) Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means—
- (a) transfer to a bank or building society account specified by the distribution recipient either in writing or as the directors may otherwise decide;
 - (b) sending a cheque made payable to the distribution recipient by post to the distribution recipient at the distribution recipient's registered address (if the distribution recipient is a holder of the share), or (in any other case) to an address specified by the distribution recipient either in writing or as the directors may otherwise decide;
 - (c) sending a cheque made payable to such person by post to such person at such address as the distribution recipient has specified either in writing or as the directors may otherwise decide; or

- (d) any other means of payment as the directors agree with the distribution recipient either in writing or by such other means as the directors decide.
- (2) In the articles, “the distribution recipient” means, in respect of a share in respect of which a dividend or other sum is payable—
- (a) the holder of the share; or
 - (b) if the share has two or more joint holders, whichever of them is named first in the register of members; or
 - (c) if the holder is no longer entitled to the share by reason of death or bankruptcy, or otherwise by operation of law, the transmittee.

No interest on distributions

- 28.** The company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by—
- (a) the terms on which the share was issued, or
 - (b) the provisions of another agreement between the holder of that share and the company.

Unclaimed distributions

- 29.**—(1) All dividends or other sums which are—
- (a) payable in respect of shares, and
 - (b) unclaimed after having been declared or become payable, may be invested or otherwise made use of by the directors for the benefit of the company until claimed.
- (2) The payment of any such dividend or other sum into a separate account does not make the company a trustee in respect of it.
- (3) If—
- (a) twelve years have passed from the date on which a dividend or other sum became due for payment, and
 - (b) the distribution recipient has not claimed it,
- the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the company.

Non-cash distributions

- 30.**—(1) Subject to the terms of issue of the share in question, the company may, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).
- (2) For the purposes of paying a non-cash distribution, the directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution—
- (a) fixing the value of any assets;
 - (b) paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and
 - (c) vesting any assets in trustees.

Waiver of distributions

31. Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the company notice in writing to that effect, but if—

- (a) the share has more than one holder, or
- (b) more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders, or otherwise,

the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share.

CAPITALISATION OF PROFITS

Authority to capitalise and appropriation of capitalised sums

32.—(1) Subject to the articles, the directors may, if they are so authorised by an ordinary resolution—

- (a) decide to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the company's share premium account or capital redemption reserve; and
- (b) appropriate any sum which they so decide to capitalise (a "capitalised sum") to the persons who would have been entitled to it if it were distributed by way of dividend (the "persons entitled") and in the same proportions.

(2) Capitalised sums must be applied—

- (a) on behalf of the persons entitled, and
- (b) in the same proportions as a dividend would have been distributed to them.

(3) Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.

(4) A capitalised sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the company which are then allotted credited as fully paid to the persons entitled or as they may direct.

(5) Subject to the articles the directors may—

- (a) apply capitalised sums in accordance with paragraphs (3) and (4) partly in one way and partly in another;
- (b) make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this article (including the issuing of fractional certificates or the making of cash payments); and
- (c) authorise any person to enter into an agreement with the company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this article.

PART 4
DECISION-MAKING BY SHAREHOLDERS
ORGANISATION OF GENERAL MEETINGS

Annual general meetings

- 33.**—(1) The company shall hold a general meeting of the shareholders at least once annually and this meeting shall—
- (a) be known as the annual general meeting;
 - (b) be within the period of six months from the company’s accounting reference date; and
 - (c) not preclude the directors from calling additional general meetings at any time during the year.
- (2) The annual general meeting is to consider to the following matters—
- (a) the directors’ report on the performance of the company during the previous year;
 - (b) any report from the company’s auditors;
 - (c) the business plan and any proposals for the company during the next year or over the longer term;
 - (d) the declaration of any dividend; and
 - (e) any other matter agreed between the directors and the shareholders to be discussed.

Attendance and speaking at general meetings

- 34.**—(1) A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- (2) A person is able to exercise the right to vote at a general meeting when—
- (a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
 - (b) that person’s vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- (3) The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- (4) In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.
- (5) Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.
- (6) Surrey County Council may be represented by the members of its Shareholder Board, or by such other persons as determined by Surrey County Council from time to time, in order to exercise its shareholder powers and functions.

Quorum for general meetings

35. No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

Chairing general meetings

36.—(1) If the directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.

(2) If the directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start—

- (a) the directors present, or
- (b) (if no directors are present), the meeting,

must appoint a director or shareholder to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.

(3) The person chairing a meeting in accordance with this article is referred to as “the chairman of the meeting”.

Attendance and speaking by directors and non-shareholders

37.—(1) Directors may attend and speak at general meetings, whether or not they are shareholders.

(2) The chairman of the meeting may permit other persons who are not—

- (a) shareholders of the company, or
- (b) otherwise entitled to exercise the rights of shareholders in relation to general meetings,

to attend and speak at a general meeting.

Adjournment

38.(1) If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.

(2) The chairman of the meeting may adjourn a general meeting at which a quorum is present if—

- (a) the meeting consents to an adjournment, or
- (b) it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

(3) The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.

(4) When adjourning a general meeting, the chairman of the meeting must—

- (a) either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors, and
- (b) have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

(5) If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the company must give at least 7 clear days’ notice of it (that

is, excluding the day of the adjourned meeting and the day on which the notice is given)—

- (a) to the same persons to whom notice of the company's general meetings is required to be given, and
- (b) containing the same information which such notice is required to contain.

(6) No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

VOTING AT GENERAL MEETINGS

Voting: general

39.—(1) A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.

(2) The representatives present on behalf of Surrey County Council shall vote as a single unit on behalf of its entire shareholding. Their vote shall be based on a majority decision of the representatives present or as directed by Surrey County Council, whichever is appropriate.

Errors and disputes

40.—(1) No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

(2) Any such objection must be referred to the chairman of the meeting, whose decision is final.

Poll votes

41.—(1) A poll on a resolution may be demanded—

- (a) in advance of the general meeting where it is to be put to the vote, or
- (b) at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

(2) A poll may be demanded by—

- (a) the chairman of the meeting;
- (b) the directors;
- (c) two or more persons having the right to vote on the resolution; or
- (d) a person or persons representing not less than one tenth of the total voting rights of all the shareholders having the right to vote on the resolution.

(3) A demand for a poll may be withdrawn if—

- (a) the poll has not yet been taken, and
- (b) the chairman of the meeting consents to the withdrawal.

(4) Polls must be taken immediately and in such manner as the chairman of the meeting directs.

Content of proxy notices

42.—(1) Proxies may only validly be appointed by a notice in writing (a “proxy notice”) which—

- (a) states the name and address of the shareholder appointing the proxy;

- (b) identifies the person appointed to be that shareholder's proxy and the general meeting in relation to which that person is appointed;
 - (c) is signed by or on behalf of the shareholder appointing the proxy, or is authenticated in such manner as the directors may determine; and
 - (d) is delivered to the company in accordance with the articles and any instructions contained in the notice of the general meeting to which they relate.
- (2) The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.
- (3) Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- (4) Unless a proxy notice indicates otherwise, it must be treated as—
- (a) allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting, and
 - (b) appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

Delivery of proxy notices

- 43.**—(1) A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.
- (2) An appointment under a proxy notice may be revoked by delivering to the company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.
- (3) A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.
- (4) If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

Amendments to resolutions

- 44.**—(1) An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if—
- (a) notice of the proposed amendment is given to the company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine), and
 - (b) the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.
- (2) A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if—
- (a) the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and
 - (b) the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.
- (3) If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

PART 5

ADMINISTRATIVE ARRANGEMENTS

Means of communication to be used

45.—(1) Subject to the articles, anything sent or supplied by or to the company under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company.

(2) Subject to the articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.

(3) A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

Company seals

46.—(1) Any common seal may only be used by the authority of the directors.

(2) The directors may decide by what means and in what form any common seal is to be used.

(3) Unless otherwise decided by the directors, if the company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.

(4) For the purposes of this article, an authorised person is—

(a) any director of the company;

(b) the company secretary (if any); or

(c) any person authorised by the directors for the purpose of signing documents to which the common seal is applied.

No right to inspect accounts and other records

47. Except as provided by law or authorised by the directors or an ordinary resolution of the company, no person is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a shareholder.

Provision for employees on cessation of business

48. The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

DIRECTORS' INDEMNITY AND INSURANCE

Indemnity

49.—(1) Subject to paragraph (2), a relevant director of the company or an associated company may be indemnified out of the company's assets against—

- (a) any liability incurred by that director in connection with any negligence, default, breach of duty or breach of trust in relation to the company or an associated company,
 - (b) any liability incurred by that director in connection with the activities of the company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006),
 - (c) any other liability incurred by that director as an officer of the company or an associated company.
- (2) This article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.
- (3) In this article—
- (a) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate, and
 - (b) a “relevant director” means any director or former director of the company or an associated company.

Insurance

- 50.**—(1) The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant director in respect of any relevant loss.
- (2) In this article—
- (a) a “relevant director” means any director or former director of the company or an associated company,
 - (b) a “relevant loss” means any loss or liability which has been or may be incurred by a relevant director in connection with that director’s duties or powers in relation to the company, any associated company or any pension fund or employees’ share scheme of the company or associated company, and
 - (c) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

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PART 1

INTERPRETATION AND LIMITATION OF LIABILITY

Defined terms

1. In the articles, unless the context requires otherwise—

“articles” means the company’s articles of association;

“bankruptcy” includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;

“chairman” has the meaning given in article 12;

“chairman of the meeting” has the meaning given in article 39;

“Companies Acts” means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;

“director” means a director of the company, and includes any person occupying the position of director, by whatever name called;

“distribution recipient” has the meaning given in article 31;

“document” includes, unless otherwise specified, any document sent or supplied in electronic form;

“electronic form” has the meaning given in section 1168 of the Companies Act 2006;

“fully paid” in relation to a share, means that the nominal value and any premium to be paid to the company in respect of that share have been paid to the company;

“hard copy form” has the meaning given in section 1168 of the Companies Act 2006;

“holder” in relation to shares means the person whose name is entered in the register of members as the holder of the shares;

“instrument” means a document in hard copy form;

“ordinary resolution” has the meaning given in section 282 of the Companies Act 2006;

“paid” means paid or credited as paid; “participate”, in relation to a directors’ meeting, has the meaning given in article 10;

“proxy notice” has the meaning given in article 45;

“shareholder” means a person who is the holder of a share;

“shares” means shares in the company;

“special resolution” has the meaning given in section 283 of the Companies Act 2006;

“subsidiary” has the meaning given in section 1159 of the Companies Act 2006;

“transmittee” means a person entitled to a share by reason of the death or bankruptcy of a shareholder or otherwise by operation of law; and

“writing” means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Companies Act 2006 as in force on the date when these articles become binding on the company.

Liability of members

2. The liability of the members is limited to the amount, if any, unpaid on the shares held by them.

PART 2

DIRECTORS

DIRECTORS' POWERS AND RESPONSIBILITIES

Directors' general authority

3. Subject to the articles, the directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company.

Shareholders' reserve power

4.—(1) The shareholders may, by special resolution, direct the directors to take, or refrain from taking, any specified action.

(2) No such special resolution invalidates anything which the directors have done before the passing of the resolution.

Directors may delegate

5.—(1) Subject to the articles, the directors may delegate any of the powers which are conferred on them under the articles—

- (a) to such person or committee;
- (b) by such means (including by power of attorney);
- (c) to such an extent;
- (d) in relation to such matters or territories; and
- (e) on such terms and conditions;

as they think fit.

(2) If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.

(3) The directors may revoke any delegation in whole or part, or alter its terms and conditions.

Committees

6.—(1) Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.

(2) The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

DECISION-MAKING BY DIRECTORS

Directors to take decisions collectively

7.—(1) The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 8.

- (2) If—
- (a) the company only has one director, and
 - (b) no provision of the articles requires it to have more than one director,
- the general rule does not apply, and the director may take decisions without regard to any of the provisions of the articles relating to directors' decision-making.

Unanimous decisions

- 8.**—(1) A decision of the directors is taken in accordance with this article when all eligible directors indicate to each other by any means that they share a common view on a matter.
- (2) Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible director or to which each eligible director has otherwise indicated agreement in writing.
- (3) References in this article to eligible directors are to directors who would have been entitled to vote on the matter had it been proposed as a resolution at a directors' meeting.
- (4) A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting.

Calling a directors' meeting

- 9.**—(1) Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice.
- (2) Notice of any directors' meeting must indicate—
- (a) its proposed date and time;
 - (b) where it is to take place; and
 - (c) if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.
- (3) Notice of a directors' meeting must be given to each director, but need not be in writing.
- (4) Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the company not more than 7 days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

Participation in directors' meetings

- 10.**—(1) Subject to the articles, directors participate in a directors' meeting, or part of a directors' meeting, when—
- (a) the meeting has been called and takes place in accordance with the articles, and
 - (b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.
- (2) In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.
- (3) If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

Quorum for directors' meetings

11.—(1) At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

(2) The quorum for directors' meetings may be fixed from time to time by a decision of the directors, but it must never be less than two, and unless otherwise fixed it is two.

(3) If the total number of directors for the time being is less than the quorum required, the directors must not take any decision other than a decision—

(a) to appoint further directors, or

(b) to call a general meeting so as to enable the shareholders to appoint further directors.

Chairing of directors' meetings

12.—(1) The directors may appoint a director to chair their meetings.

(2) The person so appointed for the time being is known as the chairman.

(3) The directors may terminate the chairman's appointment at any time.

(4) If the chairman is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating directors must appoint one of themselves to chair it.

Casting vote

13.—(1) If the numbers of votes for and against a proposal are equal, the chairman or other director chairing the meeting has a casting vote.

(2) But this does not apply if, in accordance with the articles, the chairman or other director is not to be counted as participating in the decision-making process for quorum or voting purposes.

Conflicts of interest

14.—(1) If a proposed decision of the directors is concerned with an actual or proposed transaction or arrangement with the company in which a director is interested, that director is not to be counted as participating in the decision-making process for quorum or voting purposes.

(2) But if paragraph (3) applies, a director who is interested in an actual or proposed transaction or arrangement with the company is to be counted as participating in the decision-making process for quorum and voting purposes.

(3) This paragraph applies when—

(a) the director's conflict of interest arises from a relationship with Surrey County Council or any of its subsidiary companies;

(b) the company by ordinary resolution disapplies the provision of the articles which would otherwise prevent a director from being counted as participating in the decision-making process;

(c) the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or

(d) the director's conflict of interest arises from a permitted cause.

- (4) For the purposes of this article, the following are permitted causes—
- (a) a guarantee given, or to be given, by or to a director in respect of an obligation incurred by or on behalf of the company or any of its subsidiaries;
 - (b) subscription, or an agreement to subscribe, for shares or other securities of the company or any of its subsidiaries, or to underwrite, sub-underwrite, or guarantee subscription for any such shares or securities; and
 - (c) arrangements pursuant to which benefits are made available to employees and directors or former employees and directors of the company or any of its subsidiaries which do not provide special benefits for directors or former directors.
- (5) For the purposes of this article, references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.
- (6) Subject to paragraph (7), if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any director other than the chairman is to be final and conclusive.
- (7) If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

Records of decisions to be kept

15. The directors must ensure that the company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors.

Directors' discretion to make further rules

16. Subject to the articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

APPOINTMENT OF DIRECTORS

Methods of appointing directors

- 17.—**(1) Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director—
- (a) by ordinary resolution, or
 - (b) by a decision of the directors.
- (2) In any case where, as a result of death, the company has no shareholders and no directors, the personal representatives of the last shareholder to have died have the right, by notice in writing, to appoint a person to be a director.
- (3) For the purposes of paragraph (2), where 2 or more shareholders die in circumstances rendering it uncertain who was the last to die, a younger shareholder is deemed to have survived an older shareholder.

Termination of director's appointment

- 18.** A person ceases to be a director as soon as—
- (a) that person ceases to be a director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;
 - (b) a bankruptcy order is made against that person;
 - (c) a composition is made with that person's creditors generally in satisfaction of that person's debts;
 - (d) a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
 - (e) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;
 - (f) notification is received by the company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms;
 - (g) the shareholders by special resolution terminate a director's appointment; or
 - (h) that person is removed from the directorship of any parent company of this subsidiary.

Directors' remuneration

- 19.**—(1) Directors may undertake any services for the company that the directors decide.
- (2) Directors are entitled to such remuneration as Surrey County Council determines—
- (a) for their services to the company as directors, and
 - (b) for any other service which they undertake for the company.
- (3) Subject to the articles, a director's remuneration may—
- (a) take any form, and
 - (b) include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.
- (4) Unless Surrey County Council decides otherwise, directors' remuneration accrues from day to day.
- (5) Unless Surrey County Council decides otherwise, directors are not accountable to the company for any remuneration which they receive as directors or other officers or employees of the company's subsidiaries or of any other body corporate in which the company is interested.

Directors' expenses

- 20.** The company may pay any reasonable expenses which the directors properly incur in connection with their attendance at—
- (a) meetings of directors or committees of directors,
 - (b) general meetings, or

(c) separate meetings of the holders of any class of shares or of debentures of the company, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company.

PART 3
SHARES AND DISTRIBUTIONS
SHARES

All shares to be fully paid up

21.—(1) No share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the company in consideration for its issue.

(2) This does not apply to shares taken on the formation of the company by the subscribers to the company's memorandum.

Powers to issue different classes of share

22.—(1) Subject to the articles, but without prejudice to the rights attached to any existing share, the company may issue shares with such rights or restrictions as may be determined by ordinary resolution.

(2) The company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.

Company not bound by less than absolute interests

23. Except as required by law, no person is to be recognised by the company as holding any share upon any trust, and except as otherwise required by law or the articles, the company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

Share certificates

24.—(1) The company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds.

(2) Every certificate must specify—

- (a) in respect of how many shares, of what class, it is issued;
- (b) the nominal value of those shares;
- (c) that the shares are fully paid; and
- (d) any distinguishing numbers assigned to them.

(3) No certificate may be issued in respect of shares of more than one class.

(4) If more than one person holds a share, only one certificate may be issued in respect of it.

(5) Certificates must—

- (a) have affixed to them the company's common seal, or
- (b) be otherwise executed in accordance with the Companies Acts.

Replacement share certificates

25.—(1) If a certificate issued in respect of a shareholder's shares is—

- (a) damaged or defaced, or

- (b) said to be lost, stolen or destroyed, that shareholder is entitled to be issued with a replacement certificate in respect of the same shares.
- (2) A shareholder exercising the right to be issued with such a replacement certificate—
- (a) may at the same time exercise the right to be issued with a single certificate or separate certificates;
 - (b) must return the certificate which is to be replaced to the company if it is damaged or defaced; and
 - (c) must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the directors decide.

Share transfers

- 26.**—(1) Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of the transferor.
- (2) No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share.
- (3) The company may retain any instrument of transfer which is registered.
- (4) The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it.
- (5) The directors may refuse to register the transfer of a share, and if they do so, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

Transmission of shares

- 27.**—(1) If title to a share passes to a transmittee, the company may only recognise the transmittee as having any title to that share.
- (2) A transmittee who produces such evidence of entitlement to shares as the directors may properly require—
- (a) may, subject to the articles, choose either to become the holder of those shares or to have them transferred to another person, and
 - (b) subject to the articles, and pending any transfer of the shares to another person, has the same rights as the holder had.
- (3) But transmittees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares.

Exercise of transmittees' rights

- 28.**—(1) Transmittees who wish to become the holders of shares to which they have become entitled must notify the company in writing of that wish.
- (2) If the transmittee wishes to have a share transferred to another person, the transmittee must execute an instrument of transfer in respect of it.
- (3) Any transfer made or executed under this article is to be treated as if it were made or executed by the person from whom the transmittee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.

Transmittees bound by prior notices

29. If a notice is given to a shareholder in respect of shares and a transmittee is entitled to those shares, the transmittee is bound by the notice if it was given to the shareholder before the transmittee's name has been entered in the register of members.

DIVIDENDS AND OTHER DISTRIBUTIONS

Procedure for declaring dividends

30.—(1) The directors may decide to declare dividends and the directors may decide to pay interim dividends.

(2) A dividend must not be declared unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors.

(3) No dividend may be declared or paid unless it is in accordance with shareholders' respective rights.

(4) Unless the shareholders' resolution to declare or directors' decision to pay a dividend, or the terms on which shares are issued specify otherwise, it must be paid by reference to each shareholder's holding of shares on the date of the resolution or decision to declare or pay it.

(5) If the company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear.

(6) The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

(7) If the directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

Payment of dividends and other distributions

31.—(1) Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means—

(a) transfer to a bank or building society account specified by the distribution recipient either in writing or as the directors may otherwise decide;

(b) sending a cheque made payable to the distribution recipient by post to the distribution recipient at the distribution recipient's registered address (if the distribution recipient is a holder of the share), or (in any other case) to an address specified by the distribution recipient either in writing or as the directors may otherwise decide;

(c) sending a cheque made payable to such person by post to such person at such address as the distribution recipient has specified either in writing or as the directors may otherwise decide; or

(d) any other means of payment as the directors agree with the distribution recipient either in writing or by such other means as the directors decide.

(2) In the articles, "the distribution recipient" means, in respect of a share in respect of which a dividend or other sum is payable—

(a) the holder of the share; or

- (b) if the share has two or more joint holders, whichever of them is named first in the register of members; or
- (c) if the holder is no longer entitled to the share by reason of death or bankruptcy, or otherwise by operation of law, the transmittee.

No interest on distributions

- 32.** The company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by—
- (a) the terms on which the share was issued, or
 - (b) the provisions of another agreement between the holder of that share and the company.

Unclaimed distributions

- 33.—**(1) All dividends or other sums which are—
- (a) payable in respect of shares, and
 - (b) unclaimed after having been declared or become payable,
- may be invested or otherwise made use of by the directors for the benefit of the company until claimed.
- (2) The payment of any such dividend or other sum into a separate account does not make the company a trustee in respect of it.
- (3) If—
- (a) twelve years have passed from the date on which a dividend or other sum became due for payment, and
 - (b) the distribution recipient has not claimed it,
- the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the company.

Non-cash distributions

- 34.—**(1) Subject to the terms of issue of the share in question, the company may, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).
- (2) For the purposes of paying a non-cash distribution, the directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution—
- (a) fixing the value of any assets;
 - (b) paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and
 - (c) vesting any assets in trustees.

Waiver of distributions

- 35.** Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the company notice in writing to that effect, but if—
- (a) the share has more than one holder, or

(b) more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders, or otherwise, the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share.

CAPITALISATION OF PROFITS

Authority to capitalise and appropriation of capitalised sums

36.—(1) Subject to the articles, the directors may, if they are so authorised by an ordinary resolution—

(a) decide to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the company's share premium account or capital redemption reserve; and

(b) appropriate any sum which they so decide to capitalise (a "capitalised sum") to the persons who would have been entitled to it if it were distributed by way of dividend (the "persons entitled") and in the same proportions.

(2) Capitalised sums must be applied—

(a) on behalf of the persons entitled, and

(b) in the same proportions as a dividend would have been distributed to them.

(3) Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.

(4) A capitalised sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the company which are then allotted credited as fully paid to the persons entitled or as they may direct.

(5) Subject to the articles the directors may—

(a) apply capitalised sums in accordance with paragraphs (3) and (4) partly in one way and partly in another;

(b) make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this article (including the issuing of fractional certificates or the making of cash payments); and

(c) authorise any person to enter into an agreement with the company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this article.

PART 4
DECISION-MAKING BY SHAREHOLDERS
ORGANISATION OF GENERAL MEETINGS

Attendance and speaking at general meetings

37.—(1) A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

(2) A person is able to exercise the right to vote at a general meeting when—
 (a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
 (b) that person’s vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

(3) The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

(4) In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

(5) Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

Quorum for general meetings

38. No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

Chairing general meetings

39.—(1) If the directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.

(2) If the directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start—

- (a) the directors present, or
- (b) (if no directors are present), the meeting,

must appoint a director or shareholder to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.

(3) The person chairing a meeting in accordance with this article is referred to as “the chairman of the meeting”.

Attendance and speaking by directors and non-shareholders

40.—(1) Directors may attend and speak at general meetings, whether or not they are shareholders.

(2) The chairman of the meeting may permit other persons who are not—

- (a) shareholders of the company, or
 - (b) otherwise entitled to exercise the rights of shareholders in relation to general meetings,
- to attend and speak at a general meeting.

Adjournment

- 41.**(1) If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.
- (2) The chairman of the meeting may adjourn a general meeting at which a quorum is present if—
- (a) the meeting consents to an adjournment, or
 - (b) it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.
- (3) The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.
- (4) When adjourning a general meeting, the chairman of the meeting must—
- (a) either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors, and
 - (b) have regard to any directions as to the time and place of any adjournment which have been given by the meeting.
- (5) If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the company must give at least 7 clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given)—
- (a) to the same persons to whom notice of the company's general meetings is required to be given, and
 - (b) containing the same information which such notice is required to contain.
- (6) No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

VOTING AT GENERAL MEETINGS

Voting: general

- 42.**A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.

Errors and disputes

- 43.**—(1) No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.
- (2) Any such objection must be referred to the chairman of the meeting, whose decision is final.

Poll votes

- 44.**—(1) A poll on a resolution may be demanded—
- (a) in advance of the general meeting where it is to be put to the vote, or
 - (b) at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.
- (2) A poll may be demanded by—
- (a) the chairman of the meeting;
 - (b) the directors;
 - (c) two or more persons having the right to vote on the resolution; or
 - (d) a person or persons representing not less than one tenth of the total voting rights of all the shareholders having the right to vote on the resolution.
- (3) A demand for a poll may be withdrawn if—
- (a) the poll has not yet been taken, and
 - (b) the chairman of the meeting consents to the withdrawal.
- (4) Polls must be taken immediately and in such manner as the chairman of the meeting directs.

Content of proxy notices

- 45.**—(1) Proxies may only validly be appointed by a notice in writing (a “proxy notice”) which—
- (a) states the name and address of the shareholder appointing the proxy;
 - (b) identifies the person appointed to be that shareholder’s proxy and the general meeting in relation to which that person is appointed;
 - (c) is signed by or on behalf of the shareholder appointing the proxy, or is authenticated in such manner as the directors may determine; and
 - (d) is delivered to the company in accordance with the articles and any instructions contained in the notice of the general meeting to which they relate.
- (2) The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.
- (3) Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- (4) Unless a proxy notice indicates otherwise, it must be treated as—
- (a) allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting, and
 - (b) appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

Delivery of proxy notices

- 46.**—(1) A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.
- (2) An appointment under a proxy notice may be revoked by delivering to the company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.
- (3) A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.

(4) If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

Amendments to resolutions

47.—(1) An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if—

(a) notice of the proposed amendment is given to the company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine), and

(b) the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.

(2) A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if—

(a) the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and

(b) the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

(3) If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

PART 5

ADMINISTRATIVE ARRANGEMENTS

Means of communication to be used

48.—(1) Subject to the articles, anything sent or supplied by or to the company under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company.

(2) Subject to the articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.

(3) A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

Company seals

49.—(1) Any common seal may only be used by the authority of the directors.

(2) The directors may decide by what means and in what form any common seal is to be used.

(3) Unless otherwise decided by the directors, if the company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.

(4) For the purposes of this article, an authorised person is—

(a) any director of the company;

(b) the company secretary (if any); or

(c) any person authorised by the directors for the purpose of signing documents to which the common seal is applied.

No right to inspect accounts and other records

50. Except as provided by law or authorised by the directors or an ordinary resolution of the company, no person is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a shareholder.

Provision for employees on cessation of business

51. The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

DIRECTORS' INDEMNITY AND INSURANCE

Indemnity

52.—(1) Subject to paragraph (2), a relevant director of the company or an associated company may be indemnified out of the company's assets against—

- (a) any liability incurred by that director in connection with any negligence, default, breach of duty or breach of trust in relation to the company or an associated company,
 - (b) any liability incurred by that director in connection with the activities of the company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006),
 - (c) any other liability incurred by that director as an officer of the company or an associated company.
- (2) This article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.
- (3) In this article—
- (a) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate, and
 - (b) a “relevant director” means any director or former director of the company or an associated company.

Insurance

- 53.**—(1) The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant director in respect of any relevant loss.
- (2) In this article—
- (a) a “relevant director” means any director or former director of the company or an associated company,
 - (b) a “relevant loss” means any loss or liability which has been or may be incurred by a relevant director in connection with that director’s duties or powers in relation to the company, any associated company or any pension fund or employees’ share scheme of the company or associated company, and
 - (c) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

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SHAREHOLDER BOARD

TERMS OF REFERENCE

Overview

The Shareholder Board will exercise the Council's role as shareholder in any company, limited by shares wholly or partly owned by the Council for the purposes of service provision and/or trading activities. The Board acts with the delegated authority of Cabinet to ensure the performance of any such company is satisfactory.

Any reference in these terms of reference to "Company" is defined as a company in which the Council holds shares.

Membership

- | | |
|--|---------------|
| • Leader of the Council (Chairman) | David Hodge |
| • Deputy Leader of the Council | Peter Martin |
| • Cabinet Member for Business Services | Denise Le Gal |
| • Chief Executive | David McNulty |

The Section 151 Officer, Monitoring Officer and Strategic Director for Business Services will be advisors to the Board to provide open and strong technical advice. Additional advisors may be invited to attend the Board as required.

Purpose

The Shareholder Board will:

1. Have the power to appoint and remove Company Directors
2. Approve and monitor Company Business Plans
3. Approve the allotment of further shares in a Company (whether to third party shareholders or the Council)
4. Exercise any reserved powers in the Articles of a Company
5. Endorse any amendments to Company Business Plans
6. Periodically evaluate financial performance of a Company
7. Agree significant capital or revenue investments proposed by a Company
8. Determine the distribution of any surplus or the issue of any dividends from a Company

9. Consider any recommendation from Company Directors to cease trading
10. Report to the Council annually on trading activity
11. Review the risks associated with trading activities.

The Shareholder Board will not have operational control over Companies. All decisions regarding the day to day operation of each Company, its business developments and commercial opportunities, staff terms and conditions and the development and implementation of its internal procedures, rest with the Directors of each Company.

Relationship to scrutiny

Select Committees will retain their scrutiny function in relation to the Shareholder Board. The Council's Overview and Scrutiny Committee will be able to call the Board to account for progress in relation to any Company for which the Council is a shareholder and any returns it is making.

Scope

In respect of Teckal-compliant companies

The Shareholder Board will:

1. Monitor Teckal compliance at least annually.
2. Ensure the Business Plan of a Teckal compliant Company is aligned to the corporate objectives of the Council.

In respect of non Teckal-compliant wholly Council-owned companies

The Shareholder Board will also:

1. Seek to optimise returns on investment from trading activities.
2. Ensure trading activities are conducted in accordance with the values of the Council.

In respect of any shareholding and/or joint ventures

The Shareholder Board will:

1. Evaluate the return and benefits of the shareholding against the values of the Council.

2. Where appropriate, exercise influence over the company and /or joint ventures in accordance with the values of the Council.

Operation of the Shareholder Board

1. The Cabinet has delegated to the Shareholder Board the authority to take decisions in respect of 100% of the Council's shareholding in any Company.
2. The Shareholder Board will meet quarterly, or as required.
3. The quorum for a meeting of the Shareholder Board is a minimum of 2 members, one of whom must be the Leader or Deputy Leader, who will chair the meeting.
4. The Shareholder Board may take decisions outside of a Company's general meeting as follows;
 - a. At meetings of its members by consensus of those present, unless any member of the Board requires a vote, in which event a majority decision will be taken with each member of the Shareholder Board present having a single vote. The Chairman of the meeting has a casting vote in the event that there is no clear majority; or
 - b. In cases of urgency, by a decision made by the Leader or Deputy Leader in consultation with the Chief Executive.
5. Any decisions made by the Shareholder Board in accordance with 4a or b above, must be notified to the Company's directors as soon as reasonably practicable following such decision being taken.
6. The Shareholder Board may take decisions at a Company's general meeting in accordance with the principles set out in 4a above.
7. The Chairman approves the agenda for each meeting. The agenda and papers for consideration are circulated at least two working days before the meeting. After each meeting, the Chairman approves the meeting notes and actions and signs any resolutions agreed by the Board. Susan Smyth, Strategic Finance Manager, will act as secretary to the Board.
8. The Shareholder Board will review the Terms of Reference annually.

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SURREY COUNTY COUNCIL

CABINET

DATE: 27 MAY 2014

REPORT OF: MRS HELYN CLACK, CABINET MEMBER FOR COMMUNITY SERVICES

LEAD OFFICER: RUSSELL PEARSON, CHIEF FIRE OFFICER

SUBJECT: RENEW CONTRACT ARRANGEMENTS FOR SPECIALIST RESCUE AND CONTINGENCY CREWING



SUMMARY OF ISSUE:

Surrey Fire and Rescue Authority (SFRA) must provide contingency cover for Industrial Action, according to the Fire and Rescue Services Act 2004, National Framework and Civil Contingencies Act 2004.

In 2012, Surrey Fire and Rescue Service (SFRS) entered into a contract with a private provider for specialist rescue on a day-to-day basis, and contingency crewing, run as a pilot (for proof of an innovative concept). The pilot has been extended until 31 March 2015.

The pilot contract has worked successfully and Cabinet is asked to consider options on how to proceed. SFRS propose to commence a full tender process for a long term contract for the provision of this service and for the possibility to extend the full use of capabilities to obtain better value for money and to develop new ways of working. The overarching purpose of the proposal is to keep the people of Surrey safe in all foreseeable circumstances.

RECOMMENDATIONS:

It is recommended that Cabinet approves Surrey County Council (SCC) Procurement and SFRS to commence the tendering for a new contract that delivers value for money and innovative ways of working, as well as the current contingency and specialist rescue capacity, from 31 March 2015.

REASON FOR RECOMMENDATIONS:

- SFRA remains compliant with legal requirements (Fire and Rescue Services Act 2004, National Framework and Civil Contingencies Act 2004).
- SFRS could develop opportunities for the supply of specialist rescue capability to / with partners.
- This move assists progress on the SFRS's transformation agenda, and by broadening the contract scope would meet the increasing financial pressures and create a partnership to deliver new and innovative ways of working to the benefits of all Surrey residents.

DETAILS:

Background

1. Sir Ken Knight's national review of efficiencies and operations in fire and rescue authorities in England ('Facing the Future', 2013) recognised that fire and rescue services are facing a changing demand, so they must adapt to provide more effective and efficient services. In particular the review identified that the biggest opportunities lie in wider transformative structural and collaborative approaches, requiring ambition and leadership to achieve this. Surrey Fire and Rescue Authority (SFRA) are refreshing the current Public Safety Plan setting out their longer term vision against the changing environment and national and local demands. This will be presented as the Public Safety Plan (PSP) 2015-2025.
2. The increasing financial pressures faced by public services emphasise the need to consider alternative models of delivery and operation to support the broadening range of activities delivered by fire and rescue services. The PSP 2015-2025 will set out a framework within which alternative models for service delivery are evaluated and recommended.
3. In addition to strategic challenges that require SFRS to consider alternative ways of working, SFRS also need to meet the service requirement under the Fire and Rescue Services Act 2004, National Framework and Civil Contingencies Act 2004 for the provision of contingency crewing during industrial action or due to degradation of capability (for example, Pandemic Flu).
4. In October 2012, Surrey County Council Cabinet approved for SFRS to let a contract (as a pilot scheme) for the provision of contingency crewing and other rescue capabilities to support SFRS to meet specialist rescue requirements for example surface and sub-surface water rescue/recovery, high level working, cave or other confined space rescue. A Surrey-based contractor was identified and since December 2012, SFRS have had a contract in place for the provision of contingency crewing and specialist rescue delivery on a day to day basis, until 31 March 2015 when the contract, which has been extended, ends.

Evaluation of pilot scheme

5. Surrey County Council first contracted the services of a private company ('the incumbent supplier') on 1 December 2012.
6. The initial pilot was intended to run for one year with the ability to extend by mutual agreement. In October 2013, Cabinet approved the extension of the contract until 31 March 2015. The incumbent supplier provides support to SFRS at all times when the Service is unable to fully crew appliances such as during industrial action, or to assist with specific incident types including:
 - Persons requiring water or underwater rescue or recovery
 - Persons missing or trapped underground
 - Persons trapped or protesting/threatening suicide at height
 - Persons trapped or missing in collapsed structures
 - With an additional resource of a helicopter which provided daily critical aerial reconnaissance during the recent spate flooding period.

7. There are a number of services and capabilities provided by the incumbent supplier that have developed outside of the original specification e.g.
- Co-responding (with vehicles supplied by SFRS) – providing support for South East Coast Ambulance Service in Surrey (a suitably trained individual when first to arrive at an incident can administer first aid including the use of a defibrillator, in the absence of a Paramedic).
 - Incidents on or near water training which was procured.
 - Chainsaw operation.
8. 15 personnel of the incumbent supplier received initial recruit fire-fighter training over 14 weeks, which they all passed to a highly competent level. Further, personnel of the incumbent supplier underwent training on specialist SFRS vehicles. Employees of the incumbent supplier are trained to the same standards as SFRS operational staff with ongoing competency based assessment and training using the systems in place for SFRS regular operational staff. This enables a full range of fire and rescue service operations to be undertaken as a direct force replacement when it is required albeit in reduced volume.
9. The specialist rescue capability that is supplied through the contract consists of one crew of five personnel available on an immediate response basis on weekdays from 08:00 – 17:00 hours, with the same capability available on a one hour delay at all other times. Additionally other crews are available on request and the whole of the incumbent supplier’s capability can be brought up to immediate readiness at any time with just a few hours’ notice.
10. This provision of staff, vehicles and equipment (capability) for Fire and Rescue in accordance with Surrey competency standards plus specialist rescue operations is a unique model which gives both flexibility in how capability is drawn together and the ability to rapidly change the focus and priority of the rescue effect required as the situation changes.
11. The incumbent supplier’s services provided during the contract period are listed below:

Flooding Major Incident Dec 2013 – Feb 2014	1215 persons rescued by SFRS and assisting Fire and Rescue services 119 persons rescued by incumbent supplier 233 rescued by others, e.g. military															
Incumbent supplier’s use for specialist rescue at times outside of Industrial Action Apr 2013 – Mar 2014	115 incidents (attended on water rescues)															
Traditional Fire and Rescue duties – undertaken during Industrial Action Sep 2013 – Jan 2014	Number of appliances on strike days: Mixed crewing on all appliances <table border="1"> <thead> <tr> <th>Date</th> <th>SFRS appliances*</th> <th>Personnel of incumbent supplier</th> </tr> </thead> <tbody> <tr> <td>25/09/13</td> <td>12</td> <td>11</td> </tr> <tr> <td>01/11/13</td> <td>10</td> <td>13</td> </tr> <tr> <td>04/11/13</td> <td>8</td> <td>11</td> </tr> <tr> <td>13/11/13</td> <td>12</td> <td>11</td> </tr> </tbody> </table>	Date	SFRS appliances*	Personnel of incumbent supplier	25/09/13	12	11	01/11/13	10	13	04/11/13	8	11	13/11/13	12	11
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	13/12/13	12	10
	14/12/13	8	10
	31/12/13	8	10
	03/01/14	11	13
* SFRS providing all appliances			

12. The SFRS's use of the incumbent supplier during industrial action has varied from the concept that was described in the contract with SFRS officers now commanding fire appliances that were crewed with the incumbent supplier's personnel, clearly this increased the effect achieved on strike days.
13. SFRS continuity arrangements require a minimum of six appliances available in the event of Industrial Action. The table above shows the number of operational appliances during each strike action. This varied from eight to twelve appliances, with an average of ten.
14. On each of the eight strike days (listed above) SFRS had in total between 45 and 55 crewing staff comprising a mix of Flexi Officers, Retained Duty System personnel and commercially contracted fire-fighters available for emergency cover. The incumbent supplier was able to provide a secure and planned availability for the hours of industrial action enabling on average an additional three operational appliances through the use of their staff. Having compared the contractual requirements against what has been delivered at each day of industrial action by the incumbent supplier, the level of cover has exceeded the contractual requirements.
15. By entering into the contract, the Fire Authority was able to comply with its obligations and requirements as set out in paragraphs 62-64 governing Fire and Rescue Authorities to ensure business continuity in the case of an emergency.
16. With their specialist skills the incumbent supplier provided full support and equipment throughout the recent flooding major incidents within Surrey and carried out numerous rescues and evacuations saving lives.
17. Since the beginning of the pilot the trend for use of the incumbent supplier has significantly increased as SFRS Officers gain confidence in the incumbent supplier's ability and cultural difficulties are starting to be overcome.

Conclusion

18. The pilot contract has worked successfully and SFRS wish to continue to have contingency crewing and specialist rescue capabilities in place, provided through a contract.
19. The contract in its present form is a new concept and it was recommended that this innovative approach offered the potential to explore income generating possibilities for the future and new ways of working. To date this has not been fully explored therefore it needs to be part of the scope and specification of a new contract.

Options

Option 1: Cease current contract

20. It is a statutory requirement, under the Fire and Rescue Services Act 2004 and Civil Contingencies Act 2004 for SFRA to provide contingency crewing insofar as is reasonably practicable (please see the Legal Implications section below).
21. The Fire and Rescue National Framework for England published by the DCLG on 11 July 2012 states that all Fire and Rescue Authorities must have effective business continuity arrangements in place in accordance with their duties under the Civil Contingencies Act 2004 and to meet the full range of service delivery risks: such business continuity plans should not be developed on the basis of Armed Forces assistance being available.
22. Ceasing the contract would result in Surrey Fire Authority not meeting its statutory requirements.
23. **This option is not recommended, due to legal implications.**

Option 2: Continuing with current provision

24. In 2012, a waiver was given to set up a contract for specialist and contingency crewing for SFRS, which meant that a full tender process was not needed.
25. The arrangement with the incumbent supplier could be continued to deliver current services (contingency crewing, specialist rescue). By maintaining the status quo, SFRS would meet its legal obligations for contingency cover but could not achieve the planned Medium Term Financial Plan (MTFP) savings or realise any benefits of a full tender process.
26. **This option is not recommended, due to financial implications.**

Option 3: Broadening the contract scope

27. SFRS could seek to tender a contract that continues the provision for contingency crewing and specialist rescue services, but also allows the development of innovative ways of working to create MTFP savings.
28. SFRS are recommending Cabinet to approve option 3 (to broaden the scope of the existing contract and commence the tendering process) funded through the development of mainstream savings and integrating the use of contingency contract's capacities and capabilities (see Part 2 for details).
29. **This option is recommended, as it delivers value for money, covers legal requirements and supports the service's strategic direction of travel.**

Tender process

30. The contract must meet following criteria:

Strategic objectives and operational requirement of the service	<ul style="list-style-type: none"> • Implementation of transformation agenda: SFRS is responsive to changing demands, uses different partnerships to assist in the delivery of change, efficiency and innovation. • Ensure the service business continuity arrangements are maintained through business continuity planning and assurance. • Contractor shares SFRS values and meets its standards and community's expectations of fire and rescue services
Value for Money	<ul style="list-style-type: none"> • Benefits derived from competitive bidding for contract • Robust contract management to ensure contractor's performance adheres to agreed levels • Include new ways of service delivery that save SFRS money / generate income
Flexibility	<ul style="list-style-type: none"> • Contract must be able to grow to meet the strategic needs of the fire service for the period of the contract term. • Contract must include the appropriate break clauses with a clearly defined exit strategy within the contract. • Contract must include an option for the supplier to consider any joint venture, joint venture contract or other corporate vehicle that the Service may choose to enter into.
Legal requirements	<ul style="list-style-type: none"> • Cover the requirements to the service (Fire & Rescue Services Act 2004 and Civil Contingencies Act 2004) • Ensures the set up and delivery complies with the current legal framework.

31. The tendering process and outcome must:

- Ensure stakeholder engagement and support for the delivery and implementation of the project through a fair, equitable and transparent process.
- Ensure the provider will strengthen public confidence in SCC and SFRS reputation and brand by delivering improved services whilst meeting the SCC and SFRS strategic aims and vision.
- Plan for contractor and SFRS cooperation (equipment, training, relationship between SFRS and contractor staff).
- Ensure that all Equalities and Diversity considerations have been fully explored and requirements met.

32. The exact length of the contract will be determined during the tender process; however it is likely to be a five year contract with the option to extend by two years. The aim is that at the end of the tendering process, SFRS will have a long term partner to work with to meet its aims and objectives to deliver a sustainable service with different and challenging ways of working.

CONSULTATION:

33. SFRS have been liaising closely with internal stakeholders, including Fire and Rescue Service Advisory Group, Chief Officer Group, SCC Procurement and SCC Finance. The recommended option has also been shared with staff and their representative bodies, including the Fire Brigade Union (FBU), who did

not support this proposal but realised that SFRS have a statutory duty to have contingency crewing in place.

34. The proposal is to be scrutinised by the Communities Select Committee at their meeting on 19 May 2014.

RISK MANAGEMENT AND IMPLICATIONS:

35. Option 1 would breach the service's legal duty under the Civil Contingencies Act 2004 and Fire and Rescue Services Act 2004. Option 2 is financially unfeasible, which is why pursuing these options have not been further explored.
36. Contracting the provision of contingency crewing, specialist rescue and other services, bears following risks:
- Cultural and operational integration of contractor – communication across service and combined exercises with operational personnel, Health and Safety issues to be addressed.
 - Staff dissatisfaction / FBU - Full consultation with all representative bodies before the appointment of a contractor.
 - SCC reputation – the full support of Cabinet for new concept would appear to be essential.
 - Nationally - there is no benchmark to compare or evaluate the new contract and its delivery against.
 - Regionally – ensure that the contractor possesses interoperability capabilities.
37. Procurement are to manage any possible risk in contract development (robust contract management planning, legal requirements to be adhered to, requirements fully reflect service needs, financial evaluation of tenders, exit strategy, etc).

Financial and Value for Money Implications

38. The MTFP has been based upon option 3. Following the tender exercise, provided that the cost of the new contract can be contained within the allowed budget, and, it is possible for the planned efficiency savings to be achieved, this option enables the service to meet the assumptions built into the MTFP.
39. The cost of the new contract cannot be stipulated with full certainty at this point, as there is no comparable set up in the country to test the market or benchmark costs. Further the tender process will shine further light on the likely cost based on tender negotiations and establishing detailed contractual specifications. The cost and savings assumed in the MTFP are based on the previous experiences with the pilot period, and the predictions of what future savings might be achieved from SFRS's experience. See Part 2 for further details.

Section 151 Officer Commentary

40. From a financial point of view, this paper sets out an appropriate way forward, given the following factors:

- most other Brigades take the risk of having no such contract, and Surrey CC could potentially revert to that position;
- however, the pilot assessment shows that the contract has worked well, and concludes that for operational reasons as well as complying in the clearest possible way with the legal requirements, the contract should be extended if financially viable;
- extension under current arrangements is not financially viable;
- but extension under broader arrangements does have the potential to deliver what is required financially under the MTFP.

41. The financial factors therefore support the recommendation for Option 3, that a tender is sought under broader arrangements. The outcomes can then be assessed to determine whether it is financially viable to continue with this means of meeting the Council's contingency obligations. Until that outcome has been secured, there is an achievability risk of providing contingency cover and to the delivery of the planned efficiency savings in the MTFP.

Legal Implications – Monitoring Officer

42. Only Fire Authority Fire fighters are legally allowed to force entry into a building (Fire and Rescue Services Act 2004 (Sec 44 (2) (a)). During strike action this has been addressed by operating mixed crewing on appliances so that there is a SFRS Officer available to attend incidents and direct operations.
43. SFRS must comply with the core functions identified in the Fire and Rescue Services Act 2004. These include extinguishing fires in its area and protecting life and property in the event of fires in its area. In order to do so the FRA must “secure the provision of the personnel, services and equipment necessary to efficiently meet all normal requirements”, each of which must be taken into account.
44. The Civil Contingencies Act 2004 places a duty on Fire and Rescue Authorities (FRA) to put in place business continuity management arrangements to ensure that they can continue to exercise their functions in the event of an emergency so far as reasonably practicable.
45. Section 21 of the Fire and Rescue Services Act 2004 requires FRAs to comply with the Fire and Rescue National Framework for England (FRNF) (revised by the DCLG in July 2012) The FRNF provides an overall strategic direction for fire and rescue authorities) which must be complied with by SFRS. Key priorities for fire and rescue authorities in the new framework include:
- identifying and assessing the full range of foreseeable fire and rescue related risks their area faces
 - making provision for prevention and protection activities and responding to incidents appropriately
 - working in partnership with their communities and a wide range of partners locally and nationally to deliver their service; and
 - being accountable to communities for the service they provide.

46. In making their decision Members should have due regard to the Council's public sector equalities duty and Cabinet needs to take account of the Equalities Impact Assessment due to be submitted and to the paragraph below relating to Equalities and Diversity.
47. Following receipt of instructions, Legal Services will advise upon the conditions of contract, means of procurement and compliance with the Public Contracts Regulations.

Equalities and Diversity

48. This paper seeks Cabinet approval for a recommendation that builds on an existing arrangement, so the original EIA completed for the pilot scheme has been reviewed (see Annex 1).
49. Impact on E&D groups will be investigated during the contract development stage, as service requirements and potential providers' capabilities will become clearer. A full EIA will be submitted with the next Cabinet paper that seeks approval to appoint the contract.

WHAT HAPPENS NEXT:

50. Should the recommendation be approved, SCC Procurement will commence to lead on the tendering process:
 - 2 June 2014 – publish advertisement for tender
 - 15 December 2014 – Recommendation to appoint contract presented to Cabinet

Contact Officer:

Malcolm Styles, 01737 224003

Consulted:

FRAG, COG, Procurement, SFRS staff and FBU

Annexes:

Annex 1 - EIA

Sources/background papers:

- Fire and Rescue Services Act 2004
- Civil Contingencies Act 2004
- Fire and Rescue National Framework for England. July 2012
- SCC Cabinet Paper (23 October 2012) Surrey Fire and Rescue Service Specialist Rescue and Contingency Capability
- SCC Cabinet Paper (26 November 2013) Specialist Rescue and Contingency Crewing extension

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1. Topic of assessment

EIA title:	Surrey Fire And Rescue Service - Renew Contract Arrangements For Specialist Rescue And Contingency Crewing
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EIA author:	Julia McDonald
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2. Approval

	Name	Date approved
Approved by¹	Russell Pearson	9 May 2014

3. Quality control

Version number	V.3	EIA completed	1 May 2014
Date saved	1 May 2014	EIA published	27 May 2014

4. EIA team

Name	Job title (if applicable)	Organisation	Role
Malcolm Styles	Area Manager	SCC Fire and Rescue	Project Lead
Angeliki Humphries	Policy Officer (Equalities & Cohesion)	SCC Fire and Rescue	Original EIA author
Julia McDonald	Policy Officer, Customer and Communities	Surrey County Council	Review author
Allan Wells	Lead Manager-Legal Services	Surrey County Council	Legal adviser

¹ Refer to earlier guidance for details on getting approval for your EIA.

EQUALITY IMPACT ASSESSMENT TEMPLATE

5. Explaining the matter being assessed

<p>What policy, function or service is being introduced or reviewed?</p>	<p>Surrey Fire and Rescue Service (SFRS) must provide contingency cover for Industrial Action, according to the Fire and Rescue Services Act 2004 and Civil Contingencies Act 2004.</p> <p>In 2012, Surrey Fire and Rescue Service (SFRS) entered into a contract with a private provider for contingency crewing, and specialist rescue on a day-to-day basis, run as a pilot (for proof of concept). The pilot has been extended until 31 March 2015.</p> <p>This paper includes a review of the pilot scheme, as announced to Cabinet previously (October 2013), and explores options on how to proceed.</p> <p>SFRS propose to commence a full tender process for a long term contract for the provision of this service and for the possibility to extend the full use of capabilities to obtain value for money and to develop new ways of working.</p>
<p>What proposals are you assessing?</p>	<p>The proposal is for SCC Procurement and SFRS to commence the tendering for a new contract that delivers value for money and innovative ways of working, as well as the current contingency and specialist rescue capacity, from 31 March 2015.</p>
<p>Who is affected by the proposals outlined above?</p>	<p>The original EIA (2012)² identified how creating a contract for contingency crewing would affect certain groups. The renewal of a contract would continue to have a similar effect on:</p> <p><u>Service users:</u> The provision of a continuation of emergency response during periods of staff shortages (such as industrial action) aims to reduce the impact that such shortages would have on the safety and welfare of all residents and visitors to Surrey.</p> <p>The continued provision of contingency crewing mitigates the reduced capability felt equally by all those living, working or travelling in Surrey at times of industrial action or other periods of reduced cover. Those who are already at a higher risk from the effects of fires and other incidents would see this risk increase due to the potentially extended response at these times. These groups include the elderly and those with disabilities. The renewed contract aims to mitigate this risk by providing contingency crewing.</p> <p><u>Council staff:</u> The continued provision of an emergency response will reduce the potential impact on non Fire and Rescue Council staff who may be placed in difficult positions should emergencies arise with no trained emergency response available.</p>

² <http://mycouncil.surreycc.gov.uk/documents/s1041/Background%20paper%20-%20EIA.pdf>

EQUALITY IMPACT ASSESSMENT TEMPLATE

	<p><u>External organisations:</u> The provision of contingency crewing reduces the impact on other emergency services who may see an increase in demand and an expectation from the public to undertake life saving action in risk critical situations. This may place un-trained personnel in dangerous situations.</p> <p>A full investigation into how the detailed content and scope of the new contract will affect people with protected characteristics will be conducted during the tendering process and a full EIA presented to Cabinet alongside the final proposal at the end of 2014.</p>
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EQUALITY IMPACT ASSESSMENT TEMPLATE

6. Sources of information

Engagement carried out
<p>This EIA covers the renewal of an existing contract with a broadening of its scope (details are to be established throughout the tendering process). Hence, this EIA is based on the original EIA, produced when the proposal was made to set up a contract for contingency crewing and specialist rescue capabilities in 2012.</p> <p>The original EIA in 2012 included evidence from engagement during the development of the Public Safety Plan (2011-20).</p> <p>The content of the contract will be finalised during the tendering process (mid to end 2014), during which full engagement will be carried out.</p>
Data used
<p>EIA – Surrey Fire and Rescue – Contingency Crewing:</p> <ul style="list-style-type: none">• Public Safety Plan consultation results• EIA – Public Safety Plan 2011-20• EIA - Surrey Fire and Rescue - Delivery - Attendance at operational incidents involving fires• EIA - Surrey Fire and Rescue - Delivery - Attendance at operational incidents that are not involved in fire• EIA - Surrey Fire and Rescue - Delivery - Attendance at an Automatic Fire Alarm• EIA - Surrey Fire and Rescue - Mobilising - Mobilising• EIA - Surrey Fire and Rescue - Delivery - Animal Rescue

EQUALITY IMPACT ASSESSMENT TEMPLATE

7. Impact of the new/amended policy, service or function

Contractor's adherence to Equality Act 2010:

As the contractors will be carrying out statutory functions on behalf of SFRS, SFRS will need to include provisions in the contract to ensure that the contractor is **familiar with the statutory public sector equality duties**, will carry out their work in accordance with those duties, and in particular is sufficiently aware of the requirements of the Equality Act 2010 so as to avoid any unlawful discrimination.

SFRS will ensure that any contractor is able to confirm that it is aware of and **able to meet** the particular needs of those with protected characteristics when dealing with fires or other incidents involving them- e.g. particularly the elderly, disabled, including mentally disabled, and those caring for them and for children. This requires setting up control mechanisms in the contract to monitor their performance in that respect.

Given that a **contingency arrangement will necessitate reprioritising services** in a particular way, is this something the tender process will further explore: would SFRS expect the contractors to do this or would SFRS be identifying the priorities and expecting the contractor then to meet them? Both the contractor and SFRS will need to consider what the effect of any such reprioritisation would have on those with protected characteristics and the extent to which the contractor would need to take account of these- and how SFRS can ensure that the contractor is able to.

The innovative ways of working will be explored in further detail throughout the tender process, so SFRS will keep the EIA under review so that once these have been identified their impact on people with protected characteristics is taken account of.

EQUALITY IMPACT ASSESSMENT TEMPLATE

7a. Impact of the proposals on residents and service users with protected characteristics (as outlined in the EIA – SFRS Contingency Crewing, Oct 2012)

Protected characteristic ³	Potential positive impacts	Potential negative impacts	Evidence
Age	Maintenance of an emergency response provision during periods of capability degradation	Response times may be longer than usual due to reduced numbers of fire engines being available.	Elderly people are identified as being more vulnerable to the likelihood and impact of fire.
Disability	Maintenance of an emergency response provision during periods of capability degradation	Response times may be longer than usual due to reduced numbers of fire engines being available.	People with physical and/or mental disabilities are identified as being more vulnerable to the likelihood and impact of fire.
Gender reassignment	Maintenance of an emergency response provision during periods of capability degradation	None	NA
Pregnancy and maternity	Maintenance of an emergency response provision during periods of capability degradation	Response times may be longer than usual due to reduced numbers of fire engines being available.	Pregnant women and families with young children are identified as being more vulnerable to the likelihood and impact of fire.
Race	Maintenance of an emergency response provision during periods of capability degradation	None	NA
Religion and belief	Maintenance of an emergency response provision during periods of capability degradation	None	NA
Sex	Maintenance of an emergency response provision during periods of capability degradation	None	NA

³ More information on the definitions of these groups can be found [here](#).

EQUALITY IMPACT ASSESSMENT TEMPLATE

	capability degradation		
Sexual orientation	Maintenance of an emergency response provision during periods of capability degradation	None	NA
Marriage and civil partnerships	Maintenance of an emergency response provision during periods of capability degradation	None	NA

7b. Impact of the proposals on staff with protected characteristics

Protected characteristic	Potential positive impacts	Potential negative impacts	Evidence
Age	No positive impact identified	No negative impact identified	The proposals are about maintaining emergency response cover during periods of industrial action and providing an enhanced specialist rescue capability. There are no impacts on any particular protected characteristic.
Disability	No positive impact identified	No negative impact identified	The proposals are about maintaining emergency response cover during periods of industrial action and providing an enhanced specialist rescue capability. There are no impacts on any particular protected characteristic.
Gender reassignment	No positive impact identified	No negative impact identified	The proposals are about maintaining emergency response cover during periods of industrial action and providing an enhanced specialist rescue capability. There are no impacts on any particular protected characteristic.
Pregnancy and maternity	No positive impact identified	No negative impact identified	The proposals are about maintaining emergency response cover during periods of industrial action and

EQUALITY IMPACT ASSESSMENT TEMPLATE

				providing an enhanced specialist rescue capability. There are no impacts on any particular protected characteristic.
Race	No positive impact identified	No negative impact identified	No positive impact identified	The proposals are about maintaining emergency response cover during periods of industrial action and providing an enhanced specialist rescue capability. There are no impacts on any particular protected characteristic.
Religion and belief	No positive impact identified	No negative impact identified	No positive impact identified	The proposals are about maintaining emergency response cover during periods of industrial action and providing an enhanced specialist rescue capability. There are no impacts on any particular protected characteristic.
Sex	No positive impact identified	No negative impact identified	No positive impact identified	The proposals are about maintaining emergency response cover during periods of industrial action and providing an enhanced specialist rescue capability. There are no impacts on any particular protected characteristic.
Sexual orientation	No positive impact identified	No negative impact identified	No positive impact identified	The proposals are about maintaining emergency response cover during periods of industrial action and providing an enhanced specialist rescue capability. There are no impacts on any particular protected characteristic.
Marriage and civil partnerships	No positive impact identified	No negative impact identified	No positive impact identified	The proposals are about maintaining emergency response cover during periods of industrial action and providing an enhanced specialist rescue capability. There are no impacts on any particular protected characteristic.

EQUALITY IMPACT ASSESSMENT TEMPLATE

8. Amendments to the proposals

Change	Reason for change
NA	

9. Action plan

Potential impact (positive or negative)	Action needed to maximise positive impact or mitigate negative impact	By when	Owner
Increased risk to vulnerable groups	Extensive communications during periods of industrial action. Historical evidence has shown that incident numbers and demand for emergency response can be reduced significantly through effective publicity.	To be implemented as required and within the implementation plan leading up to industrial action	Fire and Rescue Service: Chief of Staff
Potential negative impact to public and/or staff through general terms of contract that have not been considered within this EIA	EIA reviewed as part of 6 month review of contract performance and included in Cabinet report	September 2015	Fire and Rescue Service: Area Manager-Operational Development
Preferred supplier non-compliant with SCC fairness and respect strategy	Terms of contract to include requirement to produce equality statement. SFRS to ensure contractor's compliant with public sector Equalities duty, and fairness and respect strategy.	Prior to contract sign off Review contractor's performance as part of contract management process	Fire and Rescue Service: Area Manager-Operational Development
Lack of community knowledge within specialist team	Ensure that SCC fairness and respect strategy forms part of induction training for preferred supplier staff.	Prior to implementation of specialist team	Fire and Rescue Service: Area Manager-Operational Development

EQUALITY IMPACT ASSESSMENT TEMPLATE

10. Potential negative impacts that cannot be mitigated

Potential negative impact	Protected characteristic(s) that could be affected
NA	

11. Summary of key impacts and actions

Information and engagement underpinning equalities analysis	Previous Equality Impact Assessment on Contingency Crewing (October 2012), which used Public Safety Plan 2011-20 consultation, including staff and public meetings and surveys.
Key impacts (positive and/or negative) on people with protected characteristics	The proposal aims to continue to reduce the impact that staff shortages have on the safety and welfare of all residents and visitors to Surrey. There are no negative impacts identified as a result of the proposal. Full impact of the final proposal will be assessed and presented to Cabinet in a full EIA at the end of 2014.
Changes you have made to the proposal as a result of the EIA	NA
Key mitigating actions planned to address any outstanding negative impacts	Continue extensive communications during periods of industrial action. Historical evidence has shown that incident numbers and demand for emergency response can be reduced significantly through effective publicity. Ensure E&D considerations are explored and requirements set out in Terms and Conditions of contract. Control and monitor contractor's performance against E&D duties, as part of contract management process.
Potential negative impacts that cannot be mitigated	NA

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SURREY COUNTY COUNCIL**CABINET****DATE: 27 MAY 2014****REPORT OF: N/A****LEAD OFFICER: ANN CHARLTON, HEAD OF LEGAL AND DEMOCRATIC SERVICES****SUBJECT: LEADER/DEPUTY LEADER/CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING****SUMMARY OF ISSUE:**

To note the delegated decisions taken by Cabinet Members since the last meeting of the Cabinet.

RECOMMENDATIONS:

It is recommended that the Cabinet note the decisions taken by Cabinet Members since the last meeting as set out in Annex 1.

REASON FOR RECOMMENDATIONS:

To inform the Cabinet of decisions taken by Cabinet Members under delegated authority.

DETAILS:

1. The Leader has delegated responsibility for certain executive functions to the Deputy Leader and individual Cabinet Members, and reserved some functions to himself. These are set out in Table 2 in the Council's Scheme of Delegation.
2. Delegated decisions are scheduled to be taken on a monthly basis and will be reported to the next available Cabinet meeting for information.
3. **Annex 1** lists the details of decisions taken by Cabinet Members since the last Cabinet meeting.

Contact Officer:

Anne Gowing, Cabinet Committee Manager, 020 8541 9938

Annexes:

Annex 1 – List of Cabinet Member Decisions

Sources/background papers:

- Agenda and decision sheets from the Cabinet Member meetings (available on the Council's website)

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CABINET MEMBER DECISIONS**APRIL / MAY 2014****(i) Ashford Park Primary School****Details of decision**

- (1) That Ashford Park Primary School be enlarged by 1 form of entry (from 2 FE to 3 FE) on 1 September 2015.
- (2) That the school roll be increased by one form each year until September 2021 when its capacity will be 630 pupils.
- (3) That an associated building programme goes ahead in a single phase to provide appropriate new classrooms and some improvements to ancillary accommodation.

Reasons for decision

Surrey County Council is putting plans in place to ensure that its popular schools meet the increased demand for places.

Primary school places in Surrey are in high demand and Spelthorne Borough is an area that has experienced a significant increase in pupil numbers, particularly in the Ashford and Staines conurbations. This demand is initially in the primary sector but will follow into the secondary sector in due course. This scheme is part of Surrey County Council's wider planning for the borough in order to meet the demand for additional capacity.

During the last decade the birth rate has been rising steadily in Spelthorne. It has risen by 24.9% since 2002 which is the fourth highest borough rate in the county. This has affected school rolls and there is an immediate requirement for one additional form of entry (1 FE) in Ashford town. To ensure sufficient provision of primary school places in the area, Surrey County Council is proposing the expansion of Ashford Park Primary School with effect from 1 September 2015.

The Governing Body of the school supports this proposal and in partnership with Surrey County Council held a public consultation from 4 September-16 October 2013, outlining the reasons for the proposal and inviting responses from stakeholders. Statutory Notices were published and a six-week public consultation was held, ending on 10 March 2014.

As the representative of the responsible body for the planning of school places and the funding body for this scheme, the Cabinet Member is asked to give final approval for the proposal to proceed. This proposal is subject to a planning application which will be submitted in due course.

(Decision of Cabinet Member for Schools and Learning – 24 April 2014)

(ii) Hurst Park Primary School, West Molesey**Details of decision**

- (1) That Hurst Park Primary School be enlarged by 1 form of entry (from 1 FE to 2 FE) on 1 September 2015.
- (2) That the school be relocated to the former John Nightingale School site on Hurst Road, West Molesey.
- (3) That an associated building programme goes ahead to provide a new Hurst Park Primary school.

Reasons for decision

Based on the most recent forecast of pupil numbers, which projects the requirement for school places up to 2020 and beyond, two additional forms of entry in this planning area would meet the basic need. Expansion of existing schools is the logical and most financially prudent response to this issue.

Hurst Park Primary School is a popular and successful school which delivers a high quality education. It was rated as a good school by Ofsted at its last full inspection (May 2013). The provision of additional places at Hurst Park Primary therefore meets the government's policy position to expand successful and popular schools in order to provide quality places and meet parental preferences.

(Decision of Cabinet Member for Schools and Learning – 24 April 2014)

(iii) Petition – St James Primary School**Details of decision**

That the response attached as an Appendix be agreed.

Reasons for decision

To respond to the petition.

(Decision of Cabinet Member for Schools and Learning – 14 May 2014)

(iv) Manby Lodge Infant School Expansion**Details of decision**

In order to meet increased demand for primary school places in Weybridge, it was agreed that:

- Manby Lodge Infant School be enlarged by 1 form of entry (from 2 FE to 3 FE) on 1 September 2015.
- The school roll be increased by one form each year until September 2017 when its capacity will be 270 pupils.

- An associated building programme go ahead, in a single phase, to provide appropriate new classrooms and facilitate the removal of all temporary accommodation on site. The new build will improve the overall layout of the school and is intended to provide a modern educational facility which will enhance learning.

Reasons for decision

School rolls have been rising steadily across Elmbridge since 2003. Over this period the birth rate has risen by 24.6%; additionally families have chosen to move into the borough, in part due to housing development. Weybridge Primary School pupil numbers have reflected this borough trend. In 2007 there were around 220 applications for Reception places; by 2020 this is predicted to rise to 270 places, or nine forms of entry (9FE); this is one more form of entry (or 30 Reception places) per year than is currently provided.

(Decision of Cabinet Member for Schools and Learning – 14 May 2014)

(v) Riverbridge Primary School, Staines

Details of decision

In order to respond to parental and governing body preference, it is agreed that:

- Riverbridge Primary School's Stanwell New Road Base permanently closes at the end of term July 2014.
- In September 2014 Riverbridge Primary School re-open for the new academic year 2014/15 on its two remaining bases with the same number of pupils on roll. The admissions policy will not be affected.
- An associated building programme go ahead, in a single phase, to provide appropriate new classrooms at the Park Avenue base to accommodate all the Reception and Year 1 pupils.
- The Stanwell New Road site be retained for future educational use.

Reasons for decision

There is evidence to indicate that families are less likely to prefer places at Stanwell New Road Base than at Park Avenue. This is because of where people live in relation to this school. Many parents have put their children's names on a waiting list to transfer to the Park Avenue base in order to avoid having to deliver and collect siblings to and from two different sites each day. These sites are significantly far apart and require a car journey to be made.

(Decision of Cabinet Member for Schools and Learning – 14 May 2014)

(vi) **Surrey Fire and Rescue Service Statement of Assurance 2013 – 2014**

Details of decision

That the Statement of Assurance 2013/14 (Annex 1 of the submitted report) be agreed for publication.

Reasons for decision

The delivery of public services is a matter of public interest, and performance is increasingly the subject of scrutiny. Surrey Fire and Rescue Service must be accountable for its performance and therefore open to evaluation by the community it serves. To enable this, the Service is committed to making information transparent and easy to obtain, so that it can be held to account.

(Decision of Cabinet Member for Community Services – 14 May 2014)

CABINET MEMBER RESPONSE TO PETITION

'We the undersigned petition Surrey County Council to create a bulge year at St. James Primary School in Weybridge for Manby Lodge leavers (Sept 2014)'

Presented by Naomi Baronti

Further Details of petition:

Only for the current year 2 classes at Manby Lodge (Princes Road, Weybridge, Surrey KT13 9DA) who have been allocated a place at a school which is unacceptable, we request that Surrey County Council creates a bulge year at St James C of E Primary School (Grotto Road, Weybridge, Surrey, KT13 8PL) for a September 2014 intake. We would also welcome an audience with Andrew Davis MP to discuss this in more detail and in person.

RESPONSE

Surrey County Council (SCC) has been able to make offers to all parents in Weybridge whose children require a Year 3 place. The vast majority of parents in Surrey have received either their first choice of school (87%) or one of their four preferred schools (94%) for Key Stage 2 admissions. This percentage is reflected across the Elmbridge Borough. We understand that 26 of the 60 Year 2 parents at Manby Lodge did not get a place for their child at Cleves Junior School; however of these, 11 have been offered another preferred school and 15 were made offers at other schools in Elmbridge within a reasonable travelling distance.

The County Council has a duty to provide sufficient places and it has done so without having to commission any additional accommodation; in other words, it has filled empty spaces in all its local schools and this is the most cost effective use of public money . To put a 'bulge ' class into a school requires the school to agree to this and also planning permission for the temporary accommodation that is usually required. It also means meeting the cost of a teacher and the temporary building, associated costs of teaching resources and revenue to fund any vacant places if the class is not filled up to 30 pupils.

The SCC Education Department also has to consider the quality of education on offer at any school that it seeks to expand, even on a temporary basis. St James was inspected in November 2013 and was judged by OFSTED to require improvement in the standard of education provided.

For all of the above reasons (no basic need, financial probity and standard of education provision), Surrey County Council will not be seeking to put a temporary additional Year 3 class into St James primary in Weybridge in September 2014.

Mrs Linda Kemeny
Cabinet Member for Schools and Learning
14 May 2014

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SURREY COUNTY COUNCIL**CABINET****DATE: 27 MAY 2014****REPORT OF: MRS HELYN CLACK, CABINET MEMBER FOR COMMUNITY SERVICES****LEAD OFFICER: YVONNE REES, STRATEGIC DIRECTOR FOR CUSTOMERS AND COMMUNITIES****SUBJECT: WOKING MAGISTRATES' COURT CONVERSION TO CORONER'S COURT****SUMMARY OF ISSUE:**

Cabinet approval is requested for additional capital investment to provide fit and proper accommodation for the Coronial Service by converting and refurbishing Woking Magistrates' Court, purchased by Surrey County Council in December 2013. The additional investment will enable the Coronial Service to carry out the statutory responsibilities arising from the implementation of the Coroners and Justice Act 2009.

RECOMMENDATIONS:

It is recommended that Cabinet approve:

1. The additional capital investment required to provide fit and proper accommodation for the Coronial Service (see Part 2 for financial detail).
2. The award of the contract and commencement of construction works for the fit out of Woking Magistrates' Court, subject to the appropriate procurement procedures.

REASON FOR RECOMMENDATIONS:

The proposed refurbishment of Woking Magistrates Court (WMC) will enable Surrey County Council (SCC) and HM Coroner for Surrey to fulfil the statutory responsibilities arising from the implementation of the Coroners and Justice Act 2009. Having a dedicated Coroner Court Complex, provides a professional and reassuring environment to bereaved families, and results in a more efficient and effective Coronial Service, as all the staff will be co-located and work will not be required to be undertaken off site.

The additional investment is required because an opportunity to create a second Jury Court, which could generate an income, has been identified. In addition, the original estimates did not include the full requirement for extensive audio/visual equipment within the courts, or include the costs associated with the necessity to have both SCC and Surrey Police networks within the building.

DETAILS:

Background

1. On 24 September 2013, as a result of the implementation of the Coroners and Justice Act 2009, Cabinet approved the following recommendations to relocate the Coronial Service from the current Coroner's Court in Woking to Woking Magistrates' Court:
 - a. The purchase of the freehold interest of WMC.
 - b. That a contract is awarded for the fit out of the acquired property, subject to an appropriate procurement exercise.
2. The main aim of the relocation and refurbishment project is to increase the capacity of the Coroner accommodation to enable the Coroner to fulfil the requisite statutory obligations. The new Coroner's Court enables this because:
 - a. It is a multi-purpose site for office accommodation for the Coroner, the Coroner's PA and the Coronial Staff (c20 staff provided by Surrey Police and 3 staff provided by SCC).
 - b. It has three courts for simultaneous Jury and non-Jury Inquests, without the necessity of additional venue hire. Surrey County Council currently hires out hotel and conference facilities to hold inquests which are expensive and not the best environment for staff or bereaved families.
 - c. It has separate waiting rooms and ancillary facilities for the Coroner, Jury, witnesses, family and Properly Interested Persons (PIPs) which significantly reduces the risk of Jury contamination.
 - d. It provides archive storage for non-public Coronial records for the mandatory 15 years, rather than the current 2.5 years, thereby reducing the administration burden of record retrieval. Records are closed to the public for 75 years and can only be released with the Coroner's permission.

Statutory Responsibilities

3. The purchase and fit out of Woking Magistrates' Court will enable SCC and the Coroner to fulfil the following statutory responsibilities:
 - a. All Inquest Openings, Pre-Inquest Reviews (PIRs) and Jury and non-Jury Inquests to be held in open court and recorded. Every working day, there are approximately two Inquest Openings requiring a court, alongside any PIRs and Jury and non-Jury Inquests already scheduled.
 - b. The date and location of all Inquest Openings, PIRs and Jury and non-Jury Inquests are required to be published within a week of the date being set, requiring the Coronial Service to have immediate control over room bookings and the flexibility to schedule in multiple bookings at short notice.
 - c. Increased national trend for Jury Inquests, requiring larger court accommodation.

- d. It is envisaged that within a year, Area Coroners will be appointed and salaried, resulting in both Jury and non-Jury Inquests happening simultaneously and will therefore increase accommodation requirements.
- e. A Jury is now required for any death that occurs whilst the deceased is “in custody or otherwise in state detention” under the Mental Health Act 1983, whereas previously, this was restricted to deaths which occurred while in prison.
- f. The Death Certification Reforms and the introduction of the Medical Examiner Service is expected in 2015, which will result in approximately 14 part-time Medical Examiners and 6-7 full time Medical Examiner Officers for Surrey. These new roles will be SCC employees and will require suitable and appropriate accommodation, which Woking Magistrates’ Court offers. The roles are expected to be funded through the introduction of a new charge – full details on how this part of the Act will be implemented are awaited from Government.
- g. Increased legal scrutiny and challenge have meant an increasing trend to undertake PIRs, which need to be recorded and held in court.
- h. Each new file must be completed within six months of the date of death; otherwise the Chief Coroner may choose to re-allocate this file to another Coroner, at cost to the originating Local Authority, therefore increasing the necessity for fit and proper court accommodation.

Additional Refurbishment Requirements

- 4. The original estimate for the works was issued on the 9 August 2013 and was based upon a scope of works agreed and identified as “Cleaning, minor alterations and minimal refurbishment” during a site inspection that was carried out on the 7 June 2013 prior to SCC’s purchase of the building.
- 5. After the completion of the purchase, more detailed design works have taken place in consultation with HM Coroner for Surrey, Richard Travers and with Surrey Police. The original estimates have now proved to be insufficient, as the following three main areas have been identified that were not included in the original scope:
 - a. The opportunity to create a second Jury Court has been highlighted by HM Coroner for Surrey, Richard Travers – originally only one was recommended – as this could provide an additional income stream for the Service. Interest has been received from a bordering authority. A conservative estimate of income that could be generated for a six week Jury inquest is between £30-45,000k, this is based on costs of £1,000-£1,500 per day – the County Council currently pays £2,000 per day. The court could also be offered to film crews as is currently done in County Hall. A second Jury Court will also ensure greater resilience for the Service enabling two Jury inquests to take place simultaneously.
 - b. The audio visual equipment necessary to record proceedings (required by law), but also to enable remote witnesses to be seen and heard by all within the courtroom. The detailed inspections highlighted that this equipment was not already in place within the existing court rooms.

- c. The required Mechanical and Electrical (M&E) costs which include: the requirement to have both Police and Surrey networks in the building; Wi-Fi to enable legal representatives to access their online resources during inquests; and bringing extensive additional power cabling into the court rooms for legal representatives.
6. The revised overall refurbishment cost, therefore, has increased and is made up of works, professional services, building commissioning (ensuring all utilities and the lift are functional and safe), 10% project contingency, IT/BT and loose fixtures, fittings and furniture.

Options Considered

7. A paper was presented to the Investment Panel on 18 March 2014 giving details of the additional capital investment required and detailing the following 4 options:
- a. **Option 1** provides 3 courts - 2 x Jury Courts and 1 x Non-Jury court and allows the Coroner and the Coronial Staff to undertake both Jury and Non-Jury Inquests simultaneously from fit for purpose accommodation. This was presented as the preferred option.
 - b. **Option 2** provides 3 courts - 1 x Jury court and 2 x Non-Jury Courts, this option allows for the Coroner and the Coronial Staff to undertake both Jury and Non-Jury Inquests simultaneously.
 - c. **Option 3** provides 2 courts - 1 x Jury Court and 1 x Non-Jury Court and the third court being used as a jury retiring room. This would not achieve the benefits of option 1 as detailed in the aims and objectives above.
 - d. **Option 4** is to carry out works to the original budget. This option is no longer viable as it will not meet the legal requirements to record proceedings and co-locate all the coronial staff.
8. The Investment Panel paper presented Option 1 as the preferred option over the other options because:
- a. At a small additional cost, in comparison to Option 2, a second Jury Court potentially provides a rental income stream, and bordering authorities have already expressed interest. It would also give stronger resilience to the Coronial Service, especially if a national disaster was to happen within Surrey requiring additional work by the Coronial Service.
 - b. It allows both SCC and the Coroner to fulfil their statutory obligations in appropriate and suitable long-term accommodation and provides an enhanced service to the bereaved families of Surrey. HM Coroner for Surrey, Richard Travers, has signed off the detailed design works.
 - c. It will give the Coroner the ability to maximise the utilisation across the 3 courts, each expected to be used 240 days of the year.
9. The Investment Panel agreed that Option 1 was the best way to proceed, but advised that because the original report was considered and approved by Cabinet that this request for additional funding would also need to be presented for Cabinet's decision.

CONSULTATION:

10. The following people have been consulted:
- HM Coroner for Surrey Richard Travers
 - Chief Property Officer John Stebbings
 - Cabinet Associate for Assets & Regeneration Tony Samuels
 - Detective Chief Superintendent Dave Miller, Surrey Police
 - Judy Gavan, Surrey Police Property Department
 - Camille Juliff, Manager Surrey Coroner's Office, Surrey Police

RISK MANAGEMENT AND IMPLICATIONS:

11. The risk to SCC and the Coronial Service if the relocation and refurbishment is not approved is failure to fulfil statutory responsibilities e.g.
- a. Each new file must be completed within 6 months of the date of death otherwise the Chief Coroner may choose to re-allocate this file to another Coroner, at cost to the originating Local Authority, therefore increasing the necessity for fit and proper court accommodation.
 - b. All Inquest Openings, Pre-Inquest Reviews (PIRs) and Jury and non-Jury Inquests to be held in open court and recorded.
12. A summary of the risks associated with the relocation and refurbishment include:
- a. The costs exceed the new cost estimate. A competitive tender procedure has been completed via Build Surrey to ensure the works can be delivered to budget, and a 10% contingency is included to mitigate this risk.
 - b. Refurbishment is not completed and the building is not ready for occupation by 1 September 2014. Only contractors that could complete the refurbishment within the specified timescale have been considered in the competitive tender process in order to mitigate this risk.

Financial and Value for Money Implications

13. The revised overall refurbishment budget has increased. Full details of the estimated capital and revenue costs arising from the purchase of Woking Magistrates Court are set out in Part 2 (item 22).
14. Under the New Burdens Doctrine all new burdens on local authorities must be properly assessed and fully funded by the relevant department. The Ministry of Justice (MOJ) agreed to review any additional burdens arising from the implementation of the Coroners and Justice Act 2009 in December 2014, when there is a possibility that additional funding will become available. A list of burdens has been compiled and is due to be discussed in October 2014 at the Southern Regional Coroners' Managers' Group meeting prior to its' presentation to the MOJ. As yet no date has been set by which the MOJ will make their decision on whether any additional funding will be made available.

Section 151 Officer Commentary

15. The increase in costs was not known at the time of approving the MTFP and is therefore not included in the capital budget. The additional cost creates a revenue funding pressure detailed in Part 2 (item 22).

Legal Implications – Monitoring Officer

16. The Coroners and Justice Act 2009 places a duty on the County Council to provide, or secure the provision of, accommodation that is appropriate to the needs of Coroners in carrying out their functions. This report sets out how the needs of the Surrey Coroner have been assessed and why officers are recommending this refurbishment as an appropriate way to meet those needs. Members also have a fiduciary duty to the Surrey taxpayer and this report also sets out the financial and value for money implications for them to consider.
17. The County Council have acquired the property under the powers granted by S120 of the Local Government Act 1972, which enable it to acquire land (and buildings) by agreement.

Equalities and Diversity

18. Relocation of the service to Woking Magistrates' Court will improve access to the Coronial Service. There is currently no appropriate meeting space for bereaved families to meet members of the Coronial Service. Furthermore, staff located in Woking Police Station are based on the first floor, with no lift access. Woking Magistrates Court is fully accessible, including lifts and disabled toilet facilities.
19. A separate Equalities Impact Assessment (EIA) has not been completed in view of the fact that no potential adverse effects have been identified. This proposal only has positive effects relating to improved access for both staff and bereaved families.

Climate Change/Carbon Emissions

20. The project will meet all statutory obligations in relation to energy and carbon, including but not limited to building operation (Display Energy Certificate and Energy Performance Certificates, where required), reporting requirements under the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme and our role as a Planning Authority for our own developments. We will incorporate and invest in energy efficiency measures, and other carbon reducing technologies, considering payback, scale of benefit and feasibility. We will eliminate energy waste through efficient plant and building operation.

WHAT HAPPENS NEXT:

21. If approved, a Strategic Sourcing Plan submission will be prepared and sent to the Procurement Review Group (PRG) for Contract approval on 3 June 2014.
22. If approved by PRG, the Chief Property Officer will then award the contract for the refurbishment of the property, to allow occupation by 1 September 2014. (The Cabinet, at its meeting on 4 February 2014, agreed that authority to award future construction contracts above £500,000 in value, where a competitive tender procedure has been followed through the Build Surrey portal, be delegated

to the Chief Property Officer in consultation with the Head of Procurement, Cabinet Associate Member for Assets and Regeneration, Cabinet Member for Business Services, the Leader of the Council and Section 151 Officer.)

- 23. The successful and unsuccessful letters can be sent to all tenderers after the contract award decision.
- 24. Property will make progress to lease the existing Coroner’s Court by 1 February 2015.
- 25. Terms of the agreed Surrey Police relocation of their Coronial staff will be formalised.

Contact Officer:

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Consulted:

Cabinet Member for Business Services, Denise Le Gal
 Cabinet Associate for Assets and Regeneration, Tony Samuels
 Richard Travers, HM Coroner for Surrey
 Camille Juliff, Manager Surrey Coroner’s Office, Surrey Police
 John Stebbings, Chief Property Officer
 Peter Hopkins, Asset Strategy and Planning Manager
 Peter Hall, Asset Strategy Partner – Acquisitions and Disposals
 Tim Borrie, Senior Property Project Manager
 George Brinkhurst, Property Project Manager
 Zoran Kahvo, Procurement Category Specialist
 Louise Lawson, Senior Principal Accountant
 Detective Chief Superintendent, Dave Miller, Surrey Police
 Judy Gavan, Property, Surrey Police

Sources/background papers:

- September 2013 Cabinet Report
- Coroners and Justice Act 2009 - <http://www.legislation.gov.uk/ukpga/2009/25/contents>
- Death Certification Reforms - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/217021/dcp171778_288141.pdf

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