

Notice of Meeting

Council Overview & Scrutiny Committee



Date & time
Thursday, 23 April
2015
at 10.30 am

Place
Council Chamber,
County Hall, Kingston
upon Thames, Surrey
KT1 2DN

Contact
Helen Rankin or Rianna
Hanford
Room 122, County Hall
Tel 020 8541 9019 or 020
8213 2662

Chief Executive
David McNulty

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uk

If you would like a copy of this agenda or the attached papers in another format, eg large print or braille, or another language please either call 020 8541 9068, write to Democratic Services, Room 122, County Hall, Penrhyn Road, Kingston upon Thames, Surrey KT1 2DN, Minicom 020 8541 8914, fax 020 8541 9009, or email helen.rankin@surreycc.gov.uk or rianna.hanford@surreycc.gov.uk.

This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Helen Rankin or Rianna Hanford on 020 8541 9019 or 020 8213 2662.

Members

Mr Nick Skellett CBE (Chairman), Mr Eber A Kington (Vice-Chairman), Mr Mark Brett-Warburton, Mr Bill Chapman, Mr Stephen Cooksey, Mr Bob Gardner, Dr Zully Grant-Duff, Mr David Harmer, Mr David Ivison, Mrs Denise Saliagopoulos, Mr Chris Townsend, Mr Richard Walsh, Mrs Hazel Watson and Mr Keith Witham

Ex Officio Members:

Mr David Munro (Chairman of the County Council) and Mrs Sally Ann B Marks (Vice Chairman of the County Council)

TERMS OF REFERENCE

The Committee is responsible for the following areas:

Performance, finance and risk monitoring for all Council services	HR and Organisational Development
Budget strategy/Financial Management	IMT
Improvement Programme, Productivity and Efficiency	Procurement
Equalities and Diversity	Other support functions
Corporate Performance Management	Risk Management
Corporate and Community Planning	Europe
Property	Communications

PART 1 **IN PUBLIC**

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2 MINUTES OF THE PREVIOUS MEETING: 4 MARCH 2015

(Pages 1
- 8)

To agree the minutes as a true record 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 QUESTIONS AND PETITIONS

To receive any questions or petitions.

Notes:

1. The deadline for Member's questions is 12.00pm four working days before the meeting (*Friday 17 April 2015*).
2. The deadline for public questions is seven days before the meeting (*Thursday 16 April 2015*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SELECT COMMITTEE

(Pages 9
- 16)

At the meetings on 29 January 2015 and 4 March 2015, COSC made a series of recommendations to the Cabinet.

The responses are attached to this cover report.

6 RECOMMENDATION TRACKER AND FORWARD WORK PROGRAMME

(Pages
17 - 36)

The Committee is asked to monitor progress on the implementation of recommendations from previous meetings, and to review its Forward Work Programme.

- 7 SHAREHOLDER BOARD** (Pages 37 - 126)
- Purpose of the report:** Scrutiny of the Shareholder Board
- To provide an update to Members on the role of the Shareholder Board and its decision-making in relation to companies in which the council has a shareholding.
- 8 SUPERFAST SURREY BROADBAND PROGRAMME UPDATE** (Pages 127 - 134)
- Purpose of the report:** Scrutiny of Performance
- The purpose of this report is to provide the committee with an update on the rollout, remaining issues and next steps relating to the Superfast Surrey Broadband Programme.
- 9 INTERNAL AUDIT - APPRENTICESHIP SCHEME MANAGEMENT ACTION PLAN** (Pages 135 - 144)
- Purpose of the report:** Scrutiny of Services
- To review the summary of audit findings and Management Action Plan produced as a result of an internal audit review of the Apprenticeship Scheme
- 10 FUTURE GOVERNANCE OF BASINGSTOKE CANAL TASK GROUP** (Pages 145 - 150)
- Purpose of report:**
- The Environment & Transport Select Committee has identified the future governance of the Basingstoke Canal as a topic for a task and finish group. This scoping document is presented to the Council Overview & Scrutiny Committee to review.
- 11 BUDGET MONITORING REPORT** (Pages 151 - 154)
- Purpose of the report:** To agree recommendations made by the Performance & Finance Sub Group
- 12 DATE OF NEXT MEETING**
- The next meeting of the Committee will be held at 10.30am on Wednesday 3 June 2015.

MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE

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Thank you for your co-operation

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MINUTES of the meeting of the **COUNCIL OVERVIEW & SCRUTINY COMMITTEE** held at 10.30 am on 4 March 2015 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its meeting on Wednesday, 1 April 2015.

Members:

- * Mr Nick Skellett CBE (Chairman)
- * Mr Eber A Kington (Vice-Chairman)
Mr Mark Brett-Warburton
Mr Bill Chapman
- * Mr Stephen Cooksey
- * Mr Bob Gardner
- * Dr Zully Grant-Duff
- * Mr David Harmer
- * Mr David Ivison
- * Mrs Denise Saliagopoulos
Mr Chris Townsend
- * Mr Richard Walsh
- * Mrs Hazel Watson
- * Mr Keith Witham

Ex-officio Members:

Mr David Munro, Chairman of the County Council
Mrs Sally Ann B Marks, Vice Chairman of the County Council

Present:

- * Mr Denis Fuller
- * Mr Richard Walsh

* = present

12/13 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Bill Chapman, Mark Brett-Warburton and Chris Townsend.

Denis Fuller and Richard Wilson acted as substitutes.

13/13 MINUTES OF THE PREVIOUS MEETING: 29 JANUARY 2015 [Item 2]

The minutes of the previous meeting were agreed as a true and accurate record of the meeting.

14/13 DECLARATIONS OF INTEREST [Item 3]

No declarations of interest were received.

15/13 QUESTIONS AND PETITIONS [Item 4]

No questions or petitions were received.

16/13 RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SELECT COMMITTEE [Item 5]

There were no responses to report.

17/13 RECOMMENDATION TRACKER AND FORWARD WORK PROGRAMME [Item 6]**Key points raised during the discussion:**

1. The Committee were informed that an item on the Shareholder Board item had been requested to come to Committee in April and the South East Business Services Partnership would come in July before it goes to Cabinet.
2. The Committee questioned the figure of £900k given as the loss to the council from failing to sign the Manpower contract. The Committee requested a written answer from the Cabinet Member on an accurate figure.

18/13 DIGITAL TRANSFORMATION PROGRESS REPORT [Item 7]**Witnesses:**

Chris Millard, Strategy Manager

Mark Edridge, Digital Programmes Manager

Joanne Juniper, Consultant (Business Analyst)

Key points raised during the discussion:

1. The Strategy Manager introduced the 6 month progress report. It was noted that the Digital Transformation programme included four exemplar projects that aimed to prove that a digital approach could help solve problems faced by the County and its residents. Officers demonstrated examples of the Vulnerable Adults and the Customer Management systems to the Committee.
2. The Committee was informed that the vulnerable adult's list exemplar was an outcome of the recent challenges brought about by flooding challenge in the County. Information about vulnerable adults is currently held by a number of agencies including health services and District and Borough's. Sharing information was currently a manual process across many systems and agencies; an automatic process system was being developed as part of Digital Transformation programme to pool information regarding vulnerable people based on

- location. The system would assist professionals involved in emergency response situations to identify and locate vulnerable people. Engagement activities and collaborative working had taken place between the Emergency Management Team, Adult Social Care, Surrey Fire and Rescue Service and other external services for data contribution and to overcome any concerns regarding information governance. The service was working with Adult Social Care Information Governance Team to address provisions of holding data.
3. It was clarified that on the new system emergency officers could search at 'street level' such as Fire Fighters on the way to an emergency to help prioritise when responding to an incident. . The system was currently a prototype and was estimated to be fully functional by July 2015.
 4. With regards to the Customer Management System, it was noted that the Contact Centre currently must log into eighteen different systems to access information across the services and communicate with residents and customers. The new approach aims to reduce the number of service delivery systems used by the Contact Centre and provide one central inbox for incoming enquiries.
 5. In an effort to reduce the number of service delivery systems the Contact Centre makes use of, the Customer exemplar project was focussing on highways enquiries. The Committee heard that the service was working with Kier and Highways to integrate systems with a Customer Management System. The Committee suggested Members be alerted to certain trends as their local knowledge could assist the programme.
 6. Members asked how innovative and pioneering the Council was being in terms of the digital transformation programme. Officers responded by citing Central Government progress and noting that Surrey County Council was amongst the first wave of Council's to be taking this approach. As the problems that the programme was looking to solve were similar across a number of organisations, there was the opportunity to share best practice and potentially generate income through systems generation.
 7. The Committee queried whether income generation could be sourced through the programme; officers responded that this could be possible. It was suggested that predictive data could be used to assist ambulance services and the distribution of flooding equipment in certain areas.
 8. Members thanked officers for the update and congratulated the team on the progress they had made since they last presented to the Committee.

Actions/Further information to be provided:

- Officers to return to the Committee with a progress report in 6 months, or when the work to connect the Highways system with the Contact Centre system was ready to demonstrate (whichever is sooner).

Recommendations:

The Committee recommend that the Cabinet Member for Business Services works with the Leader of the Council and partner organisations to encourage all relevant partners and stakeholders to share data for use within the system.

Committee next steps:

To receive an update in 6 months.

19/13 NEW MODELS OF DELIVERY PROGRAMME [Item 8]**Witnesses:**

Rachel Crossley, New Models of Delivery Lead
Susan Smyth, Strategic Finance Manager

Key points raised during the discussion:

1. The Cabinet Member for Business Services introduced the item and provided a brief update on the key achievements of the New Models of Delivery Programme since it was last presented to Committee.
2. With regard to the Surrey Outdoor Learning and Development (SOLD) item, the Committee questioned how officers could ensure that high charges could be prevented if the service was delivered through a different method in the future. Members were informed that a reference group was in the process of being established which would include Head Teachers and would take into account more than finances and income when considering the most appropriate next steps for the service.
3. It was clarified that Local Authority Trading Companies would be subject to tendering for a contract, if supplying services to the council, to ensure fair competition. There was a discussion around the new company, set up to manage TRICS (Transport Trip Rate Database). The Committee was informed that this was a transport database that held survey information around travel. This had been developed with five councils and was owned as a consortium who now form the shareholders of the company and each shareholder had one director representing them. The Committee questioned the possibility of a business that competed with TRICS being set up in the future. It was stated that TRICS had data from over 10 years, meaning it was well established to carry out the role with minimal threat of competition.
4. It was highlighted that there was scope to expand the reach of the database to other countries with similar travel patterns to the UK.
5. The Committee was informed that the New Models of Delivery process is a five-step process; it took around six months from 'deciding' to 'mobilising' a work stream, however each project is different and some may take longer.

6. It was noted that business cases for all new trading models would be considered by Cabinet before a decision was made. It was clarified that not all 'new models' were trading companies, such as the recent partnership arrangement between Buckinghamshire and Surrey's trading standards departments.

It was noted that youth work had been prioritised as Cabinet had previously agreed to look at new models for this service; the service had won a grant from the Cabinet Office to work on this and as the grant needed to be spent before the General Election, this piece of work had been prioritised.

Actions/Further information to be provided:

- Officers to provide Annual Accounts for trading companies that have reported, as part of a report from the Shareholder Board..

Recommendations:

None.

Committee next steps:

The Committee to receive a further update on the Shareholder Board and specific New Models Projects (such as the South East Business Services Partnership) at the appropriate meeting.

20/13 BUDGET MONITORING PAPERS [Item 9]

Witnesses:

Kevin Kilburn, Deputy Chief Finance Officer

Key points raised during the discussion:

1. A report was tabled from the Performance & Finance Sub Group, which met on Monday 2 March 2015. An update was also provided, alongside the report, with a response from officers about queries that had been raised. This update is attached at Annex A to these minutes.
2. With regards to carry forwards, the Committee were informed that property maintenance and IT would most likely be carried forward due to the project management nature of the work.
3. The Deputy Chief Finance Officer commented that the under spend within Property Maintenance was mostly due to the concentration on schools building maintenance.
4. Members received the following update regarding recommendations they had made to Cabinet in January 2015:

Update on Recommendations

- a. That consideration be given to the Decision Making Accountability Model of Organisational Redesign process, promoted by the LGA.

Adult Social Care

- b. That a Resource Allocation Rate of 75% be applied to the Friends, Family & Community Support programme in order to maximise the chances of exceeding the required full-year savings of 20%.
 - The Committee were informed that the target for the Resource Allocation Rate had been stretched already. Officers were concerned that stretching it further this would cause issues and concerns for those affected. It was noted that if this went any further, it could have an impact on users. The Committee agreed after some debate to request the Cabinet to consider this further.
- c. That consideration be given to securing more Continuing Healthcare support for affected clients to reduce social care costs.
 - The Committee noted that there are some potential barriers to continuing health care, it was expressed that if CCG's were supporting more people then there would be less of an impact on the council's services.

Business Services

- d. That consideration be given to further reducing the assumption regarding utilities inflation.
 - The Committee was informed regarding utilities that the inflation had been reduced from 10% to 8%, there was also a further £90k less expenditure than originally budgeted for.
- e. That a further reassessment be carried out regarding the contribution to the self insurance fund to determine whether a further reduction could be made.
 - In relation to self insurance, the Committee was informed the amount the council would self insure for was increased to £500k from £100k. This would be monitored and adjusting this would be considered at the end of March 2016 as part of the actuarial valuation. It was added around £200k would be saved on the premium.

Children, Schools & Families

- f. That the investigation into Special Educational Needs and Disabilities (SEND) transport costs be accelerated so that some of the benefit (for example through the use of personal budgets) can be achieved within the latter part of 2015/16.
 - It was noted that the SEND Transport budget was leading up to the summer refresh; this was an area that would be looked by Committee's during the summer refresh period.
- g. That the Cabinet review current policy and practice to ensure that the School Expansion Programme maximises its use of funds available through Section 106 agreements, Community Infrastructure Levies (CIL) and other related planning and development means.

- It was noted work on this was ongoing and further work was required.
 - The Committee stated Central Government had recently announced changes to housing; this meant possible implications of the new first time buyer schemes on CIL and Local Government funding.
 - It was added that development money would be scrapped to encourage the building of 200 new houses, if there was no CIL money then development would not be possible.
 - It was stated that District and Boroughs had not completed the requirements to establish CIL.
 - The Environment and Infrastructure Committee would look into the concept of CIL and Section 106.
- h. That any reduction in the number of Children's Centres required to achieve the Early Years Service savings be not in an area of significant deprivation or where necessary support is provided.
- The Committee were informed this was ongoing and would be discussed at the Children and Education Select Committee.
 - It was agreed that this recommendation would be reemphasised to Cabinet.
- i. That the Cabinet examine whether further savings can be obtained by 'effective commissioning' so that there is some scope for reconsidering the savings in Early Years and Services for Young People.
- The Committee were informed this was being looked at as part of the summer refresh would consider this. It was expressed there was likely to be savings on both Early Years and Services for Young People.
- j. That the Council should continue to hold a ring-fenced reserve in 2015/16 to meet possible further pressures in Children's Services such as increases in Child Protection referrals.
- It was noted this was being looked at as part of the summer refresh.

Environment & Infrastructure

- k. That any savings proposed for highway winter maintenance be reconsidered on the grounds of public safety.
- The Committee was informed that this recommendation was not accepted by the Cabinet for the time being.
- l. That any significant reduction in the Local Highway Revenue budget be reconsidered, as this will affect our ability locally to respond to ongoing residents' concerns over the state of local roads, drainage and environmental problems.
- It was noted that the service was currently considering ways of handling these savings. The Environment and Transport Select Committee would be discussing this.
5. There was a discussion around Adult Social Care savings, it was stated that £250m is currently spent on social care packages. If a

small saving from this was made it would be used on other service users, it was expressed savings could be made through other streams such as social worker recruitment and retention. The Cabinet Member noted she would take this back to Cabinet.

Hazel Watson left at 12.50pm

6. The Chairman of the Committee said he had attended almost all the COSC and Select Committee Performance and Finance sub groups where savings had been suggested and discussed for each directorate. At those meetings it had been very useful when the relevant Portfolio holders attended and we should make that a recommendation for future meetings of those sub groups. The Committee also thought it would be a good idea for the sub groups to challenge the detailed directorate budgets.

Stephen Cooksey out at 1.03pm

Actions/Further information to be provided:

- None.

Recommendations:

That recommendations B and H above be restated to Cabinet

Committee next steps:

Select Committee Performance & Finance sub groups be reconvened to consider budget matters ahead of the summer refresh.

21/13 DATE OF NEXT MEETING [Item 10]

The date of the next Council Overview and Scrutiny Committee is Wednesday 1 April at 10.30am in the Ashcombe Suite, County Hall.

Meeting ended at: 1.14 pm

Chairman



Council Overview & Scrutiny Committee
23 April 2015

Responses from Cabinet to Committee Recommendations

At the meetings on 29 January 2015 and 4 March 2015, COSC made a series of recommendations to the Cabinet.

The responses are attached to this cover report.

Recommendation:

That the Committee reviews the Cabinet responses and agrees whether any further action should be taken.

Report contact: Helen Rankin, Scrutiny Manager, Legal & Democratic Services

Contact details: 020 8 5419 126, Helen.rankin@surreycc.gov.uk

Sources/background papers: None.

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CABINET RESPONSE TO COUNCIL OVERVIEW AND SCRUTINY COMMITTEE

CARBON AND ENERGY POLICY FROM 2015 TO 2019

(considered by COSC on 29 January 2015)

COMMITTEE RECOMMENDATIONS:

That:

- (a) the Cabinet reviews the targets set out in the Carbon and Energy Policy to ensure they are appropriately ambitious, and then adopts the policy.
- (b) the Council carries out a staff awareness campaign to highlight the costs and CO₂ emissions associated with current energy use and encourage the efficient use of energy.

RESPONSE:

(a) Ambition of the target

Further consideration has been given to the ambition of the target for a 10% net reduction in emissions.

The Council faces a number of challenges in delivering absolute emissions reductions including growth pressures from schools expansion to meet additional needs, increasing IT requirements; whilst at the same time facing reductions in government funding and the need to ensure acceptable rates of return on investment to the council. Further to this, the Council is changing its approach to financing energy efficiency measures in schools and in the future more schools will need to take on debt financing to deliver carbon savings (with associated cost savings funding the repayments) and subsequently delivering savings.

A 10% net emissions reduction is a challenging target for the Council in this context. Progress against the target will be subject to detailed review in Autumn 2016, considering emissions reductions in 2014/15 and 2015/16 since the 2013/14 baseline year, with a view to setting a higher target for the remaining period, if this can continue to deliver both carbon and cost benefit to the County Council.

(b) Staff awareness campaign

Work is now underway to launch and implement a staff awareness campaign to ensure we are using energy as efficiently as possible. This has included research into best practice in other organisations and assessing the opportunities for staff actions to influence energy consumption and the scale of benefit of behaviour change, in relation to the wide range of building structures and management systems in operation across the council's estate.

A campaign will be launched in spring 2015, involving the use of S-net and other communications channels, as appropriate to the target audience.

Mike Goodman
Cabinet Member for Environment and Planning
24 March 2015

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CABINET RESPONSE TO COUNCIL OVERVIEW AND SCRUTINY COMMITTEE

BUDGET MONITORING

(considered by COSC on 4 March 2015)

COMMITTEE RECOMMENDATIONS:

On 4 March 2015, the Committee received a verbal response from the Deputy Chief Finance Officer on the recommendations put to Cabinet. The Committee considered the response, and agreed to restate the following recommendations, with particular emphasis on the section in bold:

(b) That a Resource Allocation Rate of 75% be applied to the Friends, Family & Community Support programme in order to maximise the chances of exceeding the required full-year savings of 20%.

and

(h) That any reduction in the number of Children's Centres required to achieve the Early Years Service savings be not in **an area of significant deprivation or where necessary support is provided.**

RESPONSE:

The responses to the COSC recommendations set out in Annex 1 are as follows:

- (b) The 20% reduction in the Resource Allocation System is a 'stretch target'. This is a period of much change for the adult social care service and other factors will affect its success. Increasing the reduction target by a further 5% would not be a realistic target for the service to achieve.
- (c) Securing more Continuing Healthcare support for affected clients to reduce social care costs is a key aspect of the service's policy. The creation of the Clinical Commissioning Groups (CCGs) that have replaced the Primary Care Trusts has led to previously agreed processes having to be re-worked and agreed. To this end, a central CHC team has been created, funded through an Invest to Save bid, and a new senior manager is being appointed with the task of leading the negotiations with the CCGs.
- (d) A thorough review of energy cost inflation has led to a reduction of the assumption from 10% to 8%, leading to a further £90,000 saving in the Property Services budget. These assumptions will be periodically reviewed to ensure that the impact of any further market changes are captured in planning assumptions.
- (e) Officers have made a further review of the self insurance fund contribution. The new insurance contracts require that the Council insures the first £500,000 of any single claim to be self insured – an increase from £100,000. This has led to a significant saving on the premiums. Any further reduction in the contribution to the self insurance fund will have to be considered following consideration of the impact of this increased self insurance limit. The triennial actuarial review is due in March 2016, and this would be an appropriate time to re-examine the level of contributions to the fund.
- (f) Officers have commenced work on investigating the SEND transport costs. This will be an area that is scrutinised further as a part of the summer refresh of the MTFP and the

general 2016-21 business planning.

- (g) Third party funding and contributions are always considered and sought at the planning stage. The relationship with the District or Borough is vital for securing further funding through CIL.
- (h) The business case for the closure of Children's Centres is still being developed. The recommendations from this will form part of a future Cabinet report.
- (i) The savings targets for Early Years and Services for Young People in the MTFP were carefully considered as part of the 2015/20 business planning process. The Directorate wide budget and most other opportunities for savings were explored. However, given the level of savings required and the timings, these areas were considered to be the most appropriate.
- (j) The ring-fenced reserve was established two years ago as part of a multiyear approach to managing the rising cost of child protection referrals. This has been used to support the Children's Service budgets over the past three years and there has also been a base budget increase of £1m in 2015/16 to address this specific pressure on-going.
- (k) and (l) The savings targets for the Highways service in the MTFP were carefully considered as part of the 2015/20 business planning process. A number of opportunities for savings have been explored within the service and in the Select Committee review process. However, given the level of savings required and the timings, these areas were considered to be the most appropriate.

The Environment and Transport Select Committee will continue to work with the service on identify ways in which to minimise the impact of savings on service delivery and priorities.

David Hodge
Leader of the Council
24 March 2015

CABINET RESPONSE TO COUNCIL OVERVIEW AND SCRUTINY COMMITTEE**DIGITAL TRANSFORMATION PROGRESS UPDATE**

(considered by COSC on 4 March 2015)

COMMITTEE RECOMMENDATIONS:

That the Cabinet Member for Business Services works with the Leader of the Council and partner organisations to encourage all relevant partners and stakeholders to share data for use within the systems.

RESPONSE:

As highlighted by the Committee, engagement of Partners (e.g. Health and Districts and Borough Councils) is a key part of the next stages of the Vulnerable Adults project to ensure the inclusion of necessary data in the event of an emergency incident. The project team, with the help of the project board, chaired by the Head of Emergency Management are engaging with the relevant partners through existing networks and are pro-actively targeting key health providers. The Cabinet Member for Business Services fully supports this engagement programme, representing the project at a Member level where needed and will monitor progress.

David Hodge / Denise Le Gal
Leader of the Council / Cabinet Member for Business Services
24 March 2015

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Council Overview & Scrutiny Committee
23 April 2015

RECOMMENDATIONS TRACKER and FORWARD WORK PROGRAMME

1. The Committee is asked to review its Recommendations Tracker and Forward Work Programme, which are attached.

Recommendations:

That the Committee reviews its work programme and recommendations tracker and makes suggestions for additions or amendments as appropriate

Next Steps:

The Committee will review its work programme and recommendations tracker at each of its meetings.

Report contact:

Helen Rankin, Scrutiny Manager

Contact details: 020 8541 9126, Helen.rankin@surreycc.gov.uk

Sources/background papers: None.

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Council Overview & Scrutiny Committee – Forward Work Programme 2014/15

1 April 2015

- Apprenticeship Internal Audit Report

23 April 2015

- Shareholder Board
- Superfast Broadband
- Apprenticeship Internal Audit Report

3 June 2015

- Appraisals - Full year reporting
- Fairness & Respect Strategy
- Welfare Reform

1 July 2015

- Cabinet Member priorities

Scrutiny Topics

Work commenced September 2013: Welfare Reform: Welfare reform will result in pressure on many Council services as the government changes take effect. What will be the impact on Surrey residents? What could the Council be doing now to minimise the impact?

This work is being undertaken by a Member Task Group throughout autumn 2013. There was an interim report back to Committee in January 2014, a final report was considered at the Committee meeting on 2 April 2014. A number of recommendations were made to Cabinet and an update was circulated to the Committee after the October 2014 meeting. A further and more detailed report is due in April 2015.

An update on the project was presented to the Committee in September 2014. The next progress report is due in March 2015.

Work commenced October 2013: Digital by Default: Like many Councils, Surrey is exploring the benefits and limitations of bringing or delivering services online. How do Surrey residents want to engage with the Council? To what extent should this be reflected in the Council's Digital Strategy? What can we learn from other organisations approach to digital by default?

Feedback from informal sessions with staff was presented to the Committee and information on the Council's 'Better Place to Work' Project was given at meetings in November and December. A further update on staff engagement events has been agreed for Spring 2015.

Work Commenced November 2013 - Staff: Given ongoing austerity, what do employees really feel about working for Surrey? Do employees have the appropriate tools and resources to do their job? What is the impact of employee satisfaction and morale on service delivery? How can Surrey best support and value their employees?

Work commencing December 2013: Budget Savings: Surrey is having to think differently about how it delivers services in light of public sector spending cuts. What is the impact of these cuts and changes on the everyday life of people in Surrey?

The Committee reviewed the changes proposed to the Medium Term Financial Plan 2014-19, prior to agreement by Cabinet. Matters arising from recent select committee budget workshops were collated and reviewed by the Performance and Finance Sub Group, and a series of recommendations made to Cabinet. In September 2014, each Select Committee set up a Performance & Finance Sub Group to undertake targeted scrutiny of budgets.

Adult Social Care Committee looked at this topic in autumn 2013. Following this, Council Overview & Scrutiny Committee considered the topic in December 2013 and agreed to review progress in September 2014 through the Performance & Finance Sub-Group. The Adult Social Care Select Committee is now leading on this work.

Work Commenced December 2013: Social Capital: When resources are scarce, will residents acting collectively to tackle issues within the community plug the gap?

Communication (Internal & External): As a Council, are we communicating the right things, in the right way, to the right people?

The Cabinet agreed a Communications and Engagement Strategy at its meeting on 25 June 2013. The Committee received a report regarding Communications on 30 April 2014.

Trading & Investment: What trading and investment models is Surrey currently utilising and what are the future options for the Council (looking at experiences outside of the County)? What will the governance arrangements be?

An update on the New Models of Delivery Programme was provided in October 2014. A report of the Shareholder Board is to be presented to the Committee in April 2015.

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**COUNCIL OVERVIEW & SELECT COMMITTEE
ACTIONS AND RECOMMENDATIONS TRACKER – UPDATED 15 April 2015**

The recommendations tracker allows Committee Members to monitor responses, actions and outcomes against their recommendations or requests for further actions. The tracker is updated following each Select Committee. Once an action has been completed, it will be shaded out to indicate that it will be removed from the tracker at the next meeting. The next progress check will highlight to members where actions have not been dealt with.

Recommendations made to Cabinet

Date of meeting and reference	Item	Recommendations	To	Response	Progress Check On
2 April 2014 COSC 30	REPORT OF THE WELFARE REFORM TASK GROUP: THE IMPACTS OF WELFARE REFORM IN SURREY [ITEM 6]	The Leader of the Council to write to the Secretary of State for Work and Pensions on simplifying the Universal Credit application process and exploring options for a common assessment for claimants across welfare benefits and support.	Leader of the Council	This recommendation was considered by Cabinet at their meeting on 22 April 2014. A response was included in the meeting papers on 30 April 2014. An update was provided as part of the agenda papers for October 2014. A further written update is planned for June 2015.	June 2015
2 July 2014 COSC 51	CABINET MEMBER OBJECTIVES 2014/2015 [ITEM 8]	The Cabinet Member objectives to be amended to address the points agreed by COSC, and a more detailed version to be circulated to the Committee for information.	Cabinet Member for Business Services and New Models of Delivery	The updated objectives were amended and circulated to Members on 31 July 2014 and an update was presented to Members in February 2015. This will now be a standard item on the agenda for COSC every 6 months.	July 2015
29 January 2015 COSC 68	CARBON & ENERGY POLICY [ITEM 7]	That the Cabinet reviews the targets set out in the Carbon & Energy Policy to ensure they	Cabinet	A response is included at Item 5 of the 23 April 2015 COSC agenda.	April 2015

Date of meeting and reference	Item	Recommendations	To	Response	Progress Check On
		are appropriately ambitious			
29 January 2015 COSC 71	BUDGET REVIEW 2015/16	The Committee made 12 recommendations regarding the Budget to Cabinet. These are at Annex 1 to this tracker	Cabinet/The Leader of th Council	A response is included at Item 5 of the 23 April 2015 COSC agenda.	April 2015.
4 March 2015 COSC 72	DIGITAL TRANSFORMATION	That the Cabinet Member for Business Services works with the Leader of the Council and partner organisations to encourage all relevant partners and stakeholders to share data for use within the system.	The Leader of the Council/Cabinet Member for Business Services	A response is included at Item 5 of the 23 April 2015 COSC agenda.	April 2015.

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Select Committee and Officer Actions

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
2 April 2014 COSC 18	REPORT OF THE WELFARE REFORM TASK GROUP: THE IMPACTS OF	Adult Social Care, Children Schools and Families, Libraries, Public Health and Finance teams to continue to monitor impacts of the welfare	Welfare Reform Co-ordination Group	An update was provided as part of the agenda papers for October 2014. A further written update	June 2015

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
	WELFARE REFORM IN SURREY [ITEM 6]	reforms on service users and services, and provide a joint update through the Welfare Reform Co-ordination Group to the Council Overview and Scrutiny Committee meeting in September 2014. Adult Social Care to include a summary of the impact of the welfare reforms on carers and Children Schools and Families to include a summary of the impact of the welfare reforms on care leavers in their updates.		is planned for June 2015.	
2 April 2014 COSC 19	REPORT OF THE WELFARE REFORM TASK GROUP: THE IMPACTS OF WELFARE REFORM IN SURREY [ITEM 6]	The Welfare Reform Co-ordination Group be encouraged to continue to collate data on the impact of the reforms on residents and the cumulative impact of the reforms, and to share information and good practice within the group, and to report on progress to the Council Overview and Scrutiny Committee as part of the update report in September 2014.	Welfare Reform Co-ordination Group	An update was provided as part of the agenda papers for October 2014. A further written update is planned for June 2015.	June 2015
2 April 2014 COSC 20	REPORT OF THE WELFARE REFORM TASK GROUP: THE IMPACTS OF WELFARE REFORM IN SURREY [ITEM 6]	Surrey County Council's Organisational Development Team analyse training needs on welfare reform in the Council and explore how such training can be disseminated throughout affected council services	Organisational Development Team	An update was provided as part of the agenda papers for October 2014. A further written update is planned for March 2015.	June 2015

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
		and ensure consistency with training being delivered by partner organisations.			
2 April 2014 COSC 21	REPORT OF THE WELFARE REFORM TASK GROUP: THE IMPACTS OF WELFARE REFORM IN SURREY [ITEM 6]	Surrey's Welfare Reform Co-ordination Group to work with the Head of Family Services to explore the potential for the Supporting Families Programme (which is being extended through the Public Services Transformation Network) to provide early help/intervention to some of those families who are most severely impacted by the welfare reforms.	Welfare Reform Co-ordination Group/ Head of Family Services	An update was provided as part of the agenda papers for October 2014. A further written update is planned for March 2015.	June 2015
2 April 2014 COSC 23	REPORT OF THE WELFARE REFORM TASK GROUP: THE IMPACTS OF WELFARE REFORM IN SURREY [ITEM 6]	Shared services to provide an update on improvements to the LAS scheme and take up of the fund, as part of the update report to the Council Overview and Scrutiny Committee in September 2014.	Shared Services	An update was provided as part of the agenda papers for October 2014. A further written update is planned for March 2015.	June 2015
2 April 2014 COSC 25	REPORT OF THE WELFARE REFORM TASK GROUP: THE IMPACTS OF WELFARE REFORM IN SURREY [ITEM 6]	The Adult Social Care Committee to closely monitor the delivery of this service by getWIS£ and report back to the Council Overview and Scrutiny Committee as appropriate.	Adult Social Care Select Committee	The Adult Social Care Select Committee received a report on getWIS£ on 26 June 2014. The outcome was fed in to the work of the Welfare Reform Task Group when it reconvened in July 2014.	June 2015

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
2 April 2014 COSC 26	REPORT OF THE WELFARE REFORM TASK GROUP: THE IMPACTS OF WELFARE REFORM IN SURREY [ITEM 6]	<p>Surrey County Council's Adult Social Care Commissioners to work with Surrey's Welfare Reform Co-ordination Group, Public Health and getWi£E to:</p> <p>(a) promote the getWi£E advice and support service to all Surrey GPs through Surrey's 6 Clinical Commissioning Groups; and</p> <p>(b) continue to raise awareness of this service among key partners including District and Borough Housing and Benefits Officers and social housing providers;</p> <p>to ensure Surrey residents receive early help in dealing with the welfare reforms.</p>	Adult Social Care Commissioners/ Welfare Reform Co-ordination Group/Public Health	An update was provided as part of the agenda papers for October 2014. A further written update is planned for March 2015.	June 2015
2 April 2014 COSC 27	REPORT OF THE WELFARE REFORM TASK GROUP: THE IMPACTS OF WELFARE REFORM IN SURREY [ITEM 6]	The Public Health team to report to the Council Overview and Scrutiny Committee with findings from their food access needs assessment, to inform the Committee's work around reviewing the impacts of welfare reform in Surrey.	Public Health	An update was provided as part of the agenda papers for October 2014. A further written update is planned for March 2015.	June 2015
2 April 2014 COSC 28	REPORT OF THE WELFARE REFORM TASK GROUP: THE IMPACTS OF WELFARE REFORM	Surrey County Council to work closely with the Department for Work and Pensions, District and Borough Councils, housing providers and the Voluntary, community and faith sector	Welfare Reform Co-ordination Group	An update was provided as part of the agenda papers for October 2014. A further written update is planned for March	June 2015

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
	IN SURREY [ITEM 6]	<p>to prepare for the introduction of Universal Credit, taking into consideration the concerns and recommendations highlighted in this report, and report back to the Council Overview and Scrutiny Committee on progress. This preparation should include:</p> <p>(a) researching and understanding the need for digital access and support across Surrey;</p> <p>(b) the County Council better understanding the potential demand on IT resources as a result of the introduction of Universal Credit to enable Surrey to properly prepare for this, including reviewing budget provision;</p> <p>(c) reviewing the demand for money management advice and assessing existing service provision, in order to make evidence-based recommendations for sourcing the necessary support; and</p> <p>(d) lobbying central government to ensure that support to access Universal Credit is adequately funded.</p>		2015.	

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
4 June 2014 COSC 43	YEAR-END FINANCIAL BUDGET OUT-TURN 2013/14	<p>That the following process be adopted for scrutiny of year-end performance results:</p> <ul style="list-style-type: none"> • Each Select Committee to scrutinise year-end performance information for the priorities within their remit annually at their May/June meeting, with services providing written explanation of the reasons for any priority rated as red. • That the outcomes of the scrutiny be reported to the Council Overview & Scrutiny Committee annually at its meeting in July. 	Democratic Services	Arrangements have been made for this process to be adopted from May 2015.	June 2015
4 June 2014 COSC 47	REWARD STRATEGY REVIEW 2014-18	Historic data about trends in staff costs and benchmarking data for staff above level S8 to be circulated to Members of the Committee.	Head of HR and Organisational Development	At the Performance & Finance Sub Group meeting in September 2014, the HR Relationship Manager (Adults) advised that the Council were currently looking to appoint a partner to undertake benchmarking. At present, benchmarking was completed on an ad-hoc basis, but there were no systematic checks. It	June 2015

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
				was agreed that data would be shared as and when it became available and that the decision regarding the partner chosen for benchmarking would be announced to the Committee as part of their Pay & Reward updates scheduled for the first half of 2015.	
2 July 2014 COSC 49	FORWARD WORK PROGRAMME AND RECOMMENDATIONS TRACKER	That the Chairman write to the Chief Executive to request his support in ensuring that officers respond in a timely fashion to requests for information by the Committee.	Chairman of the Committee	The Vice Chairman provided a response at the meeting in October, which is noted in the minutes of that meeting. The Chairman is due to provide the Committee with an update following his own meeting with the Chief Executive.	April 2015
11 September 2014 COSC 51	DIGITAL TRANSFORMATION WITHIN SURREY COUNTY COUNCIL	The principles for the project agreed to date be shared with the Committee.	Chief Digital Officer	A report on Digital Transformation was presented to the Committee in March 2015.	March 2015
11 September 2014 COSC 52	DIGITAL TRANSFORMATION WITHIN SURREY COUNTY COUNCIL	That the Committee receive a further progress report on the digital transformation project in six months' time.	Chief Digital Officer	See above.	March 2015

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
3 October 2014 COSC 58	INTERNAL AUDIT REPORTS	Officers would report back to the Committee on the cost to the Council of the delay in signing the new contract with Manpower for the supply of agency staff	Director of People and Development	<p>At the meeting in March 2015, Members raised concern about the reported £900k cost to the Council. The Cabinet Member for Business Services sent the following note to all Members of the Committee in early March:</p> <p><i>It is not an accurate view for anyone to assume that the council has lost £900,000 due to not signing the new agency agreement at the estimated sign-off time. It was not possible to sign the agreement because Manpower and SCC could not come to an agreement over pricing. There were protracted conversations between SCC and Manpower over appropriate levels of pricing for different types of agency workers, particularly those being sought in specialist roles in Children's Services. These conversations were held against a back drop of a growing practice of off-contract agency worker sourcing which was</i></p>	January 2015

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
				<p><i>occurring in Children's Services for operational reasons. Children's were finding it extremely difficult to find suitable, quality social workers so this was a necessary step at the time. However, it had unavoidable consequences for the contract negotiations and this became a major impediment in reaching agreement on the new contract with Manpower.</i></p> <p><i>In hindsight, we believe that this process may have been expedited by at most three or four months but not 18 months. Contract management and oversight of the Manpower contract has subsequently been strengthened in terms of expertise and the level of senior leadership involvement, as a result of our experiences throughout this extremely difficult period.</i></p>	
3 October 2014 COSC 59	INTERNAL AUDIT REPORTS	The process for awarding the future agency staff contract to be shared with the Committee	Director of People and Development	The Strategic HR Relationship Manager will brief the Chairman and Vice Chairman of this Committee on the process as it is	June 2015

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
				developed.	
6 November 2014 COSC 61	APPRAISAL COMPLETION UPDATE REPORT 2013/14	Officers give consideration to spot-checking appraisals on grounds of quality	Director of People and Development	An Internal Audit review found the appraisal process to be "effective". A full report on appraisal completion is due in June 2015.	June 2015
6 November 2014 COSC 64	BUDGET MONITORING REPORT	That information regarding the DMA process be sent to the Strategic Director for Business Services for Consideration	Scrutiny Manager	This	January 2015
6 November 2014 COSC 65	BUDET MONITORING REPORT	The Strategic Director for Business Services to share savings identified through the South East Business Services Partnership with the Committee when available.	Strategic Director for Business Services	A first report on the Shareholder Board and South East Business Services is on the agenda for 23 April 2015.	April 2015
29 January 2015 COSC 69	CARBON AND ENERGY POLICY FOR 2015 TO 2016	The Council carries out a staff awareness campaign to highlight the costs and CO2 emissions associated with current energy use	Trevor Pugh/Julie Fisher	A response is included in Item 5 of this agenda.	June 2015
COSC 70	CABINET MEMBER PRIORITIES	The Committee to scrutinise the detailed business case for South East Business Services ahead of it being presented to Cabinet in July 2015.	Julie Fisher	See response for COSC 65	April 2015

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On

COUNCIL OVERVIEW & SCRUTINY COMMITTEE

Item under consideration: **BUDGET REVIEW 2015/16**

Date Considered: **29 January 2015**

- 1 In September 2014 each of the Council's Select Committees established a time-limited performance & finance sub-group to undertake scrutiny of current services and costs and make recommendations to help the Council meet its savings targets.
- 2 On 29 January 2015 the COSC Performance & Finance Sub Group considered the findings and conclusions of the Select Committee Sub-Groups and **recommends**:
 - a. That consideration be given to the Decision Making Accountability Model of Organisational Redesign process, promoted by the LGA.

Adult Social Care

- b. That a Resource Allocation Rate of 75% be applied to the Friends, Family & Community Support programme in order to maximise the chances of exceeding the required full-year savings of 20%.
- c. That consideration be given to securing more Continuing Healthcare support for affected clients to reduce social care costs.

Business Services

- d. That consideration be given to further reducing the assumption regarding utilities inflation.
- e. That a further reassessment be carried out regarding the contribution to the self insurance fund to determine whether a further reduction could be made.

Children, Schools & Families

- f. That the investigation into Special Educational Needs and Disabilities (SEND) transport costs be accelerated so that some of the benefit (for example through the use of personal budgets) can be achieved within the latter part of 2015/16.
- g. That the Cabinet review current policy and practice to ensure that the School Expansion Programme maximises its use of funds available through Section 106 agreements, Community Infrastructure Levies (CIL) and other related planning and development means.

- h. That any reduction in the number of Children's Centres required to achieve the Early Years Service savings be not in an area of significant deprivation or where necessary support is provided.
- i. That the Cabinet examine whether further savings can be obtained by 'effective commissioning' so that there is some scope for reconsidering the savings in Early Years and Services for Young People.
- j. That the Council should continue to hold a ring-fenced reserve in 2015/16 to meet possible further pressures in Children's Services such as increases in Child Protection referrals.

Environment & Infrastructure

- k. That any savings proposed for highway winter maintenance be reconsidered on the grounds of public safety.
- l. That any significant reduction in the Local Highway Revenue budget be reconsidered, as this will affect our ability locally to respond to ongoing residents' concerns over the state of local roads, drainage and environmental problems.

Nick Skellett
Chairman of the Council Overview & Scrutiny Committee



Council Overview and Scrutiny Committee
23 April 2015

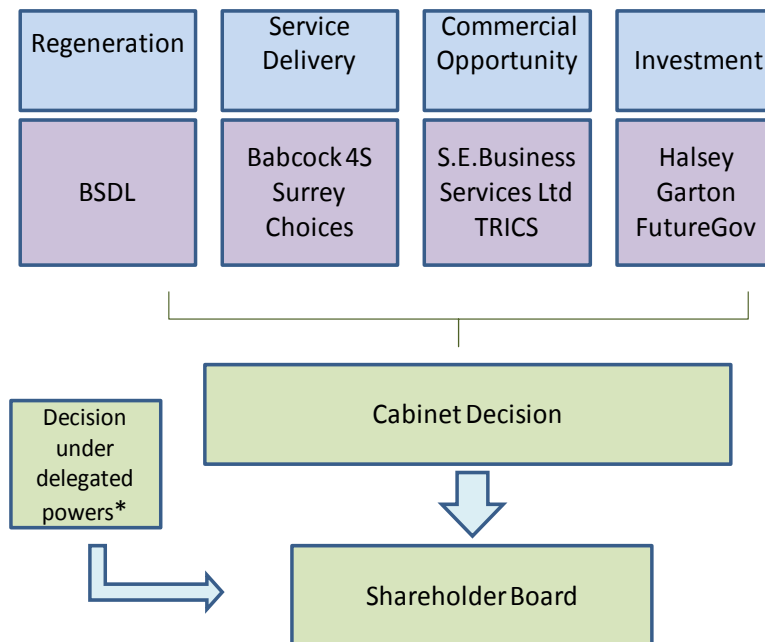
Shareholder Board

Purpose of the report: Scrutiny of the Shareholder Board

To provide an update to Members on the role of the Shareholder Board and its decision-making in relation to companies in which the council has a shareholding.

1. The Shareholder Board was created following the report to Cabinet in March 2013 outlining the Council's strategic approach to innovation and evaluating new models of delivery. This strategy set out the Council's approach to continuing to deliver public value in an environment of diminishing financial resources by evaluating different delivery models including the development of the Council's approach to trading.
2. The Council is able to make use of powers granted by section 95 of the Local Government Act 2003 and the Local Government Best Value Authorities (Power to Trade) (England) Order 2009. The powers provided by the Localism Act 2011 broadened the scope of activities upon which the Council can trade. The Cabinet report in March 2013 recognised that the Council had already taken advantage of these powers in the creation of the joint venture company with Babcock International Group PLC to provide school support services.
3. The New Models of Delivery Programme was put in place to enable and assist services in identifying and assessing opportunities. The primary objective of this approach is to deliver public value for Surrey residents and businesses with any profits generated for the Council through trading being available to support the delivery of the Council's medium term financial plan and enhancing financial resilience. The Committee has received regular reports outlining the Council's "5D" approach to innovation. This approach introduces consistency to the appraisal of commercial opportunities and ensures strategic oversight across the Council.
4. The Investment Strategy agreed by Cabinet in July 2013 was also developed in response to the requirement for the Council to maintain its financial resilience in the longer term. This strategy set out the governance arrangements to consider individual investment opportunities and to provide advice to Cabinet on investment decisions. Cabinet approved the creation of a Property Company (Halsey Garton Property Ltd) in May 2014 in order to strengthen the Council's ability to invest in a diversified and balanced portfolio of assets.
5. The decision to create a company or to invest in shares is taken by Cabinet and once established, the Council's Shareholder Board has responsibility for exercising "shareholder control". This control is exercised over all companies owned by the Council, and in relation to any shares held by the Council, whether

these have been created or are held for trading, investment or other purpose. For example, the Council's shareholding interest in the Joint Venture Company Bandstand Square Developments Ltd (BSDL) was established in order to facilitate the regeneration of Woking town centre in partnership with Woking Borough Council and a private developer.



** Future investment activity may also be determined under delegated decision-making*

6. The Shareholder Board safeguards the Council's interest as shareholder and takes decisions in matters that require the approval of the Council as owner of the company. Decisions in relation to the day to day operation of companies are taken by the directors of each company. The Shareholder Board is comprised of 3 members of the Council's Cabinet and the Chief Executive. The Board is supported by officers of the council, including the Section 151 Officer (Director of Finance) and the Monitoring Officer (Director of Legal & Democratic Services). The Terms of Reference for the Shareholder Board are attached to this report as Annex 1.
7. The Shareholder Board meet at least quarterly and receive detailed and comprehensive information and briefings to support their decision-making. The extent of the role of the Shareholder Board in decision-making will depend upon the Council's shareholding and upon terms included in a company's articles of association, or in the other contractual documents such as a Shareholders Agreement in relation to Joint-Venture companies. Annex 2 provides a list of companies in which the Council owns shares, together with some brief details of purpose, date of incorporation and their accounting year-end date.
8. The Council Overview and Scrutiny Committee have a scrutiny function in the relation to the decision-making of the Shareholder Board and in respect of the performance of the Companies for which the Council is the majority shareholder. The Committee may wish to review any significant decisions taken by the Board, but in doing so will need to take into account matters of confidentiality and recognise that some information will be commercially sensitive in nature. Annex 3 to this report provides a summary of the matters considered by the Shareholder Board, including information regarding the key points discussed and the decisions made.

9. The trading results of the companies that are wholly owned by the Council will be consolidated and reported on a Group accounting basis for the first time for the financial year ending 31st March 2015. The Council will therefore receive an annual report on its trading activities, which it will continue to receive on an annual basis thereafter.
10. The Group Accounts will additionally include the results of other companies that are determined to be in the “controlling influence” of the Council. The determination of controlling influence is made in consideration of a number of factors which include; the percentage shareholding, the number of representative directors on the board compared to those of other shareholders and the decision-making that is reserved for the shareholder. On this basis and subject to confirmation with the Council’s external auditor, the Council will also be consolidating the results of Bandstand Square Developments Ltd (BSDL).
11. The Shareholder Board reviews the financial performance of companies bearing in mind contextual factors such as the purpose of the company and the agreed business plan. The Annual Statement of Accounts of each company falling under the remit of the Shareholder Board are appended to this report as Annex 4. Some companies, such as Surrey Choices Ltd, have not yet concluded their first year or part-year of trading and therefore have not yet produced an Annual Statement of Accounts at the time of this report. This is highlighted in the final column of the matrix provided as Annex 2.
12. The Shareholder Board also considers the Council’s Group position, ensuring that the relationship between the Council and its companies are on an “arms-length” basis. For example, the Council must recover the full cost of any accommodation, goods, services and employees supplied to a trading company. Any financial assistance provided must be for a limited period, provided under a formal agreement and made in the expectation of returns in the future.

Recommendation

That the Committee continues to support the Council’s approach to innovation, trading and investment in order to improve the Council’s financial resilience over the longer-term and notes the role of the Shareholder Board and associated governance arrangements.

Report contact:

Susan Smyth, Strategic Finance Manager (Secretary to the Shareholder Board)
 Email: susan.smyth@surreycc.gov.uk

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| Annex 1: | Shareholder Board Terms of Reference |
| Annex 2: | Surrey County Council Shareholdings |
| Annex 3: | Summary of meetings and decisions of the Shareholder Board |
| Annex 4: | Annual Statement of Accounts |

Sources/background papers:

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



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.

The Shareholder Board will also decide whether to accept proposals to submit a bid which, if successful will commit the council to the establishment of a company (which may include a joint venture company) to provide the goods and/or services in accordance with the bid. .

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 Director of Finance, Director of Legal & Democratic Services and the Strategic Director for Business Services will be advisors to the Board to provide open and strong technical advice. Susan Smyth, Strategic Finance Manager, will act as secretary to the Board. 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 achieve appropriate 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.

In respect of the submission of a bid which will commit the council to the establishment of a company (or Joint Venture)

The Shareholder Board will:

1. Evaluate the return and benefits of the proposal, including an evaluation of the proposed profit share in a Joint Venture.
2. Seek to achieve appropriate returns on investment from trading activities.
3. Ensure trading activities are conducted 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 3 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.
8. The Shareholder Board will review the Terms of Reference annually.

V5.2

Last updated: 25.02.2015

Annex 2: Surrey County Council Shareholdings

No.	Company name	Company number	Owner ship stake	Main purpose	Date of incorporation	Financial Year End	Latest Annual Statement of Accounts
1	Babcock 4S Limited	4889149	20%	Service Delivery Joint Venture	05/09/2003	31 March	31.03.2014 Annex 4a
2	Bandstand Square Developments Limited	8005542	24%	Regeneration Special Purpose Vehicle (SPV)	26/03/2012	31 December	31.12.2013 Annex 4b
3	FutureGov. Ltd	6472420	13.1%	Investment	14/01/2008	31 December	31.12.2013 Annex 4c
4	Halsey Garton Property Ltd	9089937	100%	Investment / Development	17/06/2014	31 March	NA Company has not completed first year of trading
5	S.E. Business Services Limited	8578463	100%	Trading	20/06/2013	3 ¹ March	31.03.2014 Annex 4d
6	Surrey Choices Ltd	8931490	100%	Service Delivery Outsourcing	10/03/2014	31 March	NA Company has not completed first year of trading
7	TRICS Consortium Limited	9262594	16.67%	Trading Joint Venture	14/10/2014	30 November	NA Company has not completed first year of trading

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Shareholder Board – Record of Decisions

19 September 2013

Item / Company	Description	Decision	Key Points
Governance	Terms of Reference	Agreed	To agree the initial Terms of Reference for the Board.
S.E.Business Services	Appointment of Directors	Agreed	Appointment of Directors to the Company – John Stebbings & Paul Brocklehurst

17 February 2014 (Extra-ordinary meeting)

Item / Company	Description	Decision	Key Points
S.E.Business Services Ltd	Commercial Opportunity	Agreed	Full discussion regarding the risks and rewards in progressing a commercial opportunity to deliver Fire contingency services, taking into account the mitigation measures. Approval of associated changes required to the Articles of Association.
S.E.Business Services Ltd	Employment of Staff	Agreed	To agree the commencement of employment as a result of TUPE transfer in the delivery of a IT contract (with further employment at the discretion of the Directors)

24 February 2014

Item / Company	Description	Decision	Key Points
Governance	Approval of minutes (also covering September 2013)	Agreed	
Governance	Background Pack	Noted	The Shareholder Board received and discussed a pack of information compiled to provide background information in relation to matters of company administration, for example, including Directors duties, reserved matters, financial arrangements, procurement and employment considerations. This was delivered to enhance understanding of matters that the Shareholder Board may consider in the future.

Item / Company	Description	Decision	Key Points
Governance	Terms of Reference	Agreed	Revisions to the Terms of Reference to cover issues of quorum, regularity of meetings and to recognise new administrative arrangements.
Surrey Choices Ltd	Articles of Association	Agreed	To approve the articles in order to incorporate the company.
Surrey Choices Ltd	Appointment of Directors	Agreed	Appointment of Directors – Simon Laker and Nick Wilson
Surrey Choices Ltd	Pension Scheme	Deferred	Item deferred in order to have a full discussion – the matter under consideration being whether to offer Local Government and Teachers Pensions to new employees of the company and consideration of the impact on the LGPS pension fund.
Surrey Choices Ltd	Financial Arrangements	Noted	Noted -the arrangements will be as per the Cabinet Report
Future Gov Ld	Investment	Noted	To note the delegated decision taken following completion of due-diligence and in accordance with the Cabinet decision, to invest and provide debt financing to the company

24 March 2014

Item / Company	Description	Decision	Key Points
Governance	Approval of minutes	Agreed	
Surrey Choices Ltd	Pension Scheme	Agreed (see details)	<p>Full discussion regarding the pension arrangements for new employees, bearing in mind considerations regarding the impact on the LGPS pension fund and impacts on the commercial standing of the company.</p> <p>The Board agreed to close the LGPS / Teachers Pension scheme to new employees.</p> <p>The Board agreed that the any new scheme would be offered to all new staff on a consistent basis (and rejected the proposal for a deferential scheme for managers).</p> <p>The Board agreed that the details of the new scheme should be presented to the board for approval.</p>

12 May 2014

Item / Company	Description	Decision	Key Points
Governance	Approval of minutes	Agreed	
S.E.Business Services Ltd	Appointment of Director	Agreed	Appointment of a further Director to strengthen governance following the award of a Fire related contract (Liz Mills)
Surrey Choices Ltd	Change of Registered Address	Agreed	Agreed to Director's request to change to the future operational address of the company.

28 July 2014

Item / Company	Description	Decision	Key Points
Governance	Approval of minutes	Agreed	
Future Gov Ltd	Loan funding Tranche	Noted	The Board noted the decision taken, under delegated powers, to make available an advance of the agreed loan funding.
Governance	Company Secretary Services	Agreed	The Board agreed the proposal that Legal Services be appointed as Company Secretary to all wholly owned companies.
S.E.Business Services Ltd	<u>ANNUAL GENERAL MEETING</u> Annual Statement of Accounts (unaudited) Annual Business Plan Dividend Proposal Articles of Association	Agreed Agreed Agreed Agreed	Annual General Meeting of S.E.Business Services to agree matters in accordance with the Articles of Association. The Shareholder Board agreed the Director's proposal for no dividend payment (it being the first part-year of trading for the company) The Board agreed changes to the Articles to amend technical drafting issues in respect of conflicts of interest, and to tidy up the reserved matters into categories to aid understanding.

Item / Company	Description	Decision	Key Points
Surrey Choices Ltd	Director employment	Noted	To note that the TUPE arrangements, effective on the date of commencement of the commissioning contract, will include all senior staff including the Managing Director (Simon Laker).
Babcock 4S Ltd	Contract arrangements	Noted	The Shareholder Board were briefed that consideration is being given to contractual revisions which may impact upon the Shareholder Agreement.

9 September 2014

Item / Company	Description	Decision	Key Points
Governance	Approval of minutes	Agreed	
Surrey Choices Ltd	Go-Live report	Noted	The Shareholder received a presentation on the go-live (commencement of trade)
Surrey Choices Ltd	Contractual arrangements	Noted	The Board received a report confirming that the contractual arrangements for the delivery of services to the council had been satisfactory concluded
Surrey Choices Ltd	Internal Audit Terms of Reference	Noted	
Fire Joint Venture	Cabinet Report	Noted	To discuss and agree the proposed Cabinet report to seek a joint venture partner to progress Fire Training opportunities.
S.E.Business Services Ltd	Commercial Opportunity	Noted	To receive an update on further Fire contingency opportunities and to agree that further contracts of this type require Shareholder Board approval.
TRICS Consortium Ltd	Appointment of Director	Agreed	To appoint Dominic Forbes as the representative director of SCC
Surrey Careers Ltd	Approve sale of shares	Agreed	To approve the sale of SCC's shares in the company in order to proceed to liquidation (mitigating SCC risk against future pension liabilities).

24 November 2014

Item / Company	Description	Decision	Key Points
Governance	Approval of minutes	Agreed	
Future Gov Ltd	Final Loan Tranche	Agreed	Approval of the release of the final agreed loan tranche to the company.
Surrey Choices Ltd	Business Update	Noted	The Shareholder Board received a presentation and update from the Company.
Surrey Choices Ltd	Management Accounts	Noted	The Shareholder Board received draft management accounts and requested that more detailed information be provided in future (to be presented alongside the Business Plan)
Surrey Choices Ltd	Pension arrangements	Noted	The Shareholder Board received an update on the consideration of the pension for new employees.
Surrey Choices Ltd	Procurement Strategy	Deferred	The Shareholder Board requested some amendments to the procurement strategy to recognise the potential Group impact of arrangements
Surrey Choices Ltd	Disability Proposal	Noted	The Shareholder Board noted the discussion document
Babcock 4S Ltd	Annual Statement of Accounts	Noted	
Governance	Shareholder Board Position Statement (Internal Audit)	Noted	The Shareholder Board considered the Internal Audit position statement report and approved associated revisions to the Articles of Association. These revisions are to allow the council to request copies of accounts and other records as of right, without the need for a Shareholder decision or consent from the Directors.
Governance	Articles of Association	Agreed	The Board approved changes to the Articles of Association for the following companies (for the reasons noted above) Surrey Choices Ltd S.E.Business Services Ltd Halsey Garton Property Ltd <i>(Note: the preceding Articles and appointment of Directors for the property company were approved as part of the Cabinet Report).</i>

Item / Company	Description	Decision	Key Points
Governance	Shareholder Board Scope	Agreed	The Shareholder Board noted the report in relation to all council shareholdings and related companies, and understood the Shareholder Board's role in relation to each type of company.

18 December 2014

Item / Company	Description	Decision	Key Points
Governance	Approval of minutes	Agreed	
Governance	Terms of Reference	Agreed	Formal agreement of amendments discussed at the November meeting to amend the quorum of the meeting following consideration of the Internal Audit report.
Bandstand Square Developments Ltd	Reserved Matter-Contract	Agreed	To approve the construction contract for the replacement Fire Station in accordance with the reserved matters of the company.

23 February 2015

Item / Company	Description	Decision	Key Points
Governance	Approval of minutes	Agreed	
Surrey Choices Ltd	<u>GENERAL MEETING</u> Annual Business Plan	Deferred	General Meeting of Surrey Choices Ltd to agree matters in accordance with the Articles of Association. The Shareholder Board requested amendments to the Business Plan, including provision of more detailed financial information.
	Appointment of Auditors	Agreed	The Shareholder Board approved the appointment of Grant Thornton as auditors to the company.
Surrey Choices Ltd	Procurement Strategy	Agreed	
Surrey Choices Ltd	Internal Audit Report	Noted	

Item / Company	Description	Decision	Key Points
S.E.Business Services Ltd	<u>GENERAL MEETING</u> Annual Business Plan Annual Statement of Accounts (audited) Audit Report Appointment of Auditors	Agreed Agreed Noted Agreed	General Meeting of S.E.Business Services Ltd to agree matters in accordance with the Articles of Association. The Shareholder Board approved the appointment of Grant Thornton as auditors to the company (the directors may appoint in the first year).
S.E.Business Services Ltd	Commercial Opportunity	Agreed	The Shareholder Board approved that two opportunities may proceed to contract (at the discretion of the Directors).

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Babcock 4S Limited
Annual report and financial statements

For the year ended 31 March 2014

Company registration number:

04889149

The directors present their strategic report for the year ended 31 March 2014.

Review of the Business

Key performance indicators:

	2014	2013
	£'000	£'000
Turnover	24,005	27,830
Operating profit	2,799	2,708

The company successfully completed its tenth year of operation. The completion of the Lewisham school rollouts in the prior year has led to a decline in turnover. Close resource and cost monitoring has ensured that profits have been maintained.

Going forward, the company faces a number of operational risks in delivering its main contracts and increased competition from its competitors. The company has invested in new growth opportunities in order to maintain current market share and expand into new markets.

All the major contracts are subject to performance measurement via the use of a large number of key performance indicators and regular meetings are held with our stakeholders to manage this process.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks and uncertainties. These are managed through the company's operational review process which is supplemented by independent challenge at both Divisional and Group levels and by the Audit and Risk Committee.

The key risks and uncertainties affecting the company are considered to be related to contractual performance and the political and regulatory environment. The company's business is susceptible to individual contract performance. All the company's contracts are affected by changes in government policy, budget allocations and the changing political environment. The directors manage this risk by maintaining regular discussions with the relevant customers and controlling both direct and indirect expenditure as necessary.

Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 64 to 71 of the annual report of Babcock International Group PLC, which does not form part of this report.

Financial risk management

The company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the company.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Babcock International Group PLC are managed by the group finance department. Babcock Group has a policy and procedures manual that sets out guidelines to allow it to manage financial risks and this is applied by the company.

Price risk

The company is exposed to price risk as a result of its operations. This risk is mitigated by specific functions which assess pricing in respect of both selling and procurement activities.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The company also monitors existing customer accounts on an on-going basis and takes appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

Liquidity risk

The company retains access to pooled cash resources to ensure it has sufficient available funds for operations. The company also has access to longer term funding from its ultimate parent undertaking if required.

Interest rate cash flow risk

The company has interest bearing assets in the form of cash balances and interest bearing intercompany receivables. It also has interest bearing liabilities in the form of pension scheme liabilities. Interest bearing assets and liabilities earn and attract interest at a floating rate. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Future developments and strategy

The directors are confident about the future growth of the business. Whilst in the short term the company will continue to be adversely affected by local authority spending cuts, in the longer term the company is well placed to benefit from increased levels of local authority outsourcing.

To generate and preserve value in the longer term the company is committed to developing its people and sustaining talent. As part of the Babcock Group employees are subject to a comprehensive talent management system co-ordinated across the Group.

Environment

As part of the Babcock Group the company complies with Group policies on managing environmental impact. All of the company's operations have environmental management systems that are ISO 14001 certified. Babcock Group has achieved re-certification to the prestigious Carbon Trust Standard for all its UK operations, which include the operations of the company, and continues to work hard to reduce its carbon footprint.

We believe that all our employees and others working on or visiting our operations should be able to return home safe and well at the end of the working day. Respecting the dignity, rights and safety of the company's employees is a key principal of the Babcock Code of Business Conduct, a Group-wide policy that is applicable to all those who work with or within the company.

The company follows Group-wide guidelines setting out our approach to charitable donations, our commitment to the communities in which we operate and the broader interests of our customers. As well as ensuring financial donations are appropriately targeted, they also encourage active engagement in local community support programmes.

By order of the Board 19 September 2014



J McGrath
Director

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2014.

Principal activities

The principal activities of the company are the provision of school support services and the generation of income from other related services.

Results and dividends

The company's results for the year are set out in the profit and loss account on page 9 showing a profit for the financial year after taxation of £2,979,000 (2013: £2,659,000). At 31 March 2014 the company had net assets £5,450,000 (2013: £2,326,000).

A final dividend of £1,578,000 has been proposed for the year ended March 2014. (2013: Final dividend paid of £1,392,000 within the current year).

Review of Business

Information on the review of business can be found in the Strategic report.

Principal risks and uncertainties

Information on the principal risks and uncertainties can be found in the Strategic report.

Financial risk management

Information on the financial risk management can be found in the Strategic report.

Directors of the company

The directors who held office during the year and up to the date of signing the financial statements were as follows:

AS Lewis	(resigned 04 March 2014)
D Olney	(appointed 04 March 2014)
SE Kemp	
J McGrath	(appointed 04 March 2014)
M Liang	
KR Thomas	
S West	resigned 04 March 2014)

Employment of disabled persons

Full and fair consideration is afforded to applications from suitably qualified disabled persons and to their subsequent career advancement within the company. If existing employees become disabled, opportunities are sought to re-train them so as to enable them to continue their current work or to undertake other work within the company which is suited to their aptitude and abilities.

Employee investment and involvement

The development of employee involvement in the company's business is kept under regular review and the directors are committed to encouraging greater involvement by all employees. Formal and informal briefing of employees takes place as appropriate.

The company also takes all reasonable steps to ensure employment conditions are equal in all respects for sex, race, colour, ethnic background, religion or disability.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' protection

Under their respective Articles of Association, the directors of the company are, and were during the year to 31 March 2014, entitled to be indemnified by the company against liabilities and costs incurred in connection with the execution of their duties or the exercise of their powers, to the extent permitted by the Companies Act 2006.

Auditors and the disclosure of information

Each of the directors at the date of approval of this report, as shown on Page 4, confirm the following:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that they have taken all of the steps that they ought to have taken as a director, in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The company has dispensed with the requirement for an Annual General Meeting and the need to appoint auditors annually.

By order of the Board 19 September 2014



J McGrath
Director

Independent auditors' report to the members of Babcock 4S Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Babcock 4S Limited, comprise:

- the balance sheet as at 31 March 2014;
- the profit and loss account and statement of total recognised gains and losses for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual report and financial statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Michael Coffin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
22 September 2014

For the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	24,005	27,830
Cost of sales		<u>(17,588)</u>	<u>(21,494)</u>
Gross profit		6,417	6,336
Administrative expenses		<u>(3,618)</u>	<u>(3,628)</u>
Operating profit		2,799	2,708
Interest receivable and similar income	3	955	857
Interest payable and similar charges	4	<u>-</u>	<u>(10)</u>
Profit on ordinary activities before taxation	5	3,754	3,555
Tax on profit on ordinary activities	8	<u>(775)</u>	<u>(896)</u>
Profit for the financial year	18	<u>2,979</u>	<u>2,659</u>

There is no difference between the profit on ordinary activities before taxation (*2013: profit*) and the profit for the financial year (*2013: profit*) stated above and their historical cost equivalents.

The above results all relate to continuing activities.

Statement of total recognised gains and losses

For the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Profit for the financial year		2,979	2,659
Actuarial gain/(loss) recognised in the pension scheme	25	1,996	(2,448)
Movement on deferred tax relating to pension scheme	16	(459)	587
Total recognised gains relating to the financial year		4,516	798

	Notes	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	-	-
		-	-
Current assets			
Debtors	12	3,957	6,123
Stocks	13	52	60
Cash at bank and in hand	21	12,713	9,673
		16,722	15,856
Creditors – amounts falling due within one year	14	(10,154)	(9,829)
Net current assets		6,568	6,027
Total assets less current liabilities		6,568	6,027
Provisions for liabilities	15	(1,464)	(1,301)
Net assets before pension liability		5,104	4,726
Pension asset (liability)	25	346	(2,400)
Net assets after pension liability		5,450	2,326
Capital and reserves			
Called-up share capital	17	1	1
Share premium account	18	1,999	1,999
Profit and loss account	18	3,450	326
Total shareholders' funds	19	5,450	2,326

The financial statements on pages 9-30 were approved by the board of directors and signed on its behalf by:



J McGrath
Director

19 September 2014

Cash flow statement for the year ended 31 March 2014.

	<i>Notes</i>	2014 £'000	2013 £'000
Net cash inflow/(outflow) from operating activities	20	4,376	(3,956)
Returns on investment and servicing of finance			
Interest received		56	157
Interest paid		-	(10)
Taxation		-	-
Financing			
Intercompany loan repaid		-	10,000
Equity dividends paid		(1,392)	(2,628)
Increase in cash	21	3,040	3,563

1. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the more important company accounting policies which have been consistently applied is set out below.

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Turnover from services rendered is recognised by reference to the stage of completion of the transaction or as the company fulfils contractual obligations. Turnover from services provided on a short-term or one-off basis is recognised when the service is complete.

Long-Term Contracts

Turnover from long term service provision contracts is recognised by reference to the stage of completion of the contract. The stage of completion is determined by the costs incurred on the contract to date, to the extent that such costs represent progress made on the project. A prudent level of profit attributable to the contract activity is recognised if the final outcome of such contracts can be reliably assessed. An expected loss on a contract is recognised immediately in the profit and loss account.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use.

Depreciation is provided on a straight line basis to write off the cost of all tangible fixed assets over their estimated useful lives or contract period if shorter, to their estimated residual value as follows:

Leasehold improvements	7 years
Computer equipment	3 years
Office equipment	7 years

Intangible fixed assets

Intangible fixed assets are stated at cost after amortisation. The intangible fixed assets are amortised on a straight line basis as follows:

(i) Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired), arising in respect of acquisitions, is capitalised. Purchased goodwill is amortised to nil by equal annual instalments over its estimated useful life to a maximum of 20 years. The goodwill capitalised on the company balance sheet is being amortised over 7 years. It is reviewed for impairment at each and every financial year-end, or if events or changes in circumstances indicate that the carrying value may not be recoverable.

1. Accounting policies (continued)

(ii) Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at cost. The intangible fixed assets are then amortised to nil on a straight-line basis over their economic useful lives.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred tax'. **Deferred taxation assets are recognised only to the extent that in the opinion of the directors, there is a reasonable probability that the asset will crystallise in the foreseeable future.** Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been substantively enacted by the balance sheet date.

Pensions costs and other post retirement benefits

The company participates in a number of pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the company, being invested with independent trustee administered funds. The company is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis for all but one of the pension arrangements and therefore, as required by FRS 17 'Retirement benefits', accounts for these schemes as if they were defined contribution arrangements. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

For the scheme where the company is able to identify its share of the underlying assets and liabilities, pension scheme assets are measured using market values and pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme deficit is recognised in full. The amounts charged to operating profit are the current service costs and gains and losses on settlements. They are included as part of staff costs. The interest cost and expected return on assets are shown net of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The company also operates a number of defined contribution pension schemes. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the schemes.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis.

1. Accounting policies (continued)*Dividends on shares presented within shareholders' funds*

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle an obligation and a reliable estimate can be made of the amount of the obligation.

Stocks

Stocks are stated at the lower of cost and net realisable value. When stocks are sold and revenue is recognised, the carrying amount of those stocks is recognised as an expense.

2. Turnover

Turnover represents the amounts, excluding value added tax, derived from the provision of services to customers and is wholly attributable to the principal activities of the company and arises solely within the United Kingdom.

3. Interest receivable and similar income

	2014 £'000	2013 £'000
Bank interest	56	13
Net expected return on pension scheme assets (note 25)	899	700
Loan interest receivable from group undertaking	-	144
	<u>955</u>	<u>857</u>

4. Interest payable and similar charges

	2014 £'000	2013 £'000
Bank interest	-	10
	<u>-</u>	<u>10</u>

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2014 £'000	2013 £'000
Depreciation – owned fixed assets	-	3
Auditors' remuneration		
- audit fees	43	32
Operating lease rentals		
- other	735	738

5. Profit on ordinary activities before taxation (continued)

No fees were paid to the company's auditors, Pricewaterhouse Coopers LLP, and its associates, for services other than statutory audit of the company.

6. Staff costs

The average monthly number of employees (including directors) was:

	2014	2013
	Number	Number
Operations	200	222
Administration and management	31	35
	231	257

Their aggregate remuneration comprised:

	2014	2013
	£'000	£'000
Wages and salaries	8,952	10,240
Social security costs	866	986
Other pension costs	824	832
	10,642	12,058

7. Directors' remuneration

No directors received remuneration from the company in the current year (2013: Nil).

All of the directors of the company are subject to service agreements with, and are remunerated by, other group or related party companies. It is not possible to make an accurate apportionment of their emoluments resulting from services provided to the company.

8. Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Current tax		
UK Corporation tax on profits for the year	581	405
Current tax charge for the year	581	405
Deferred tax:		
Origination and reversal of timing differences	282	454
Adjustment in respect of prior years:	(117)	-
Impact of change in UK tax rate	29	37
Total deferred tax charge	194	491
Tax on profit on ordinary activities	775	896

Factors affecting the current year tax charge

The tax assessed for the year is lower (2013: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2014 of 23% (2013: 24%). The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	3,754	3,555
Tax on profit on ordinary activities at standard UK corporation tax rate of 23% (2013: 24%)	863	853
Effects of:		
Timing differences	(282)	(454)
Expenses not deductible for tax purposes	-	6
Current tax charge for the year	581	405

Factors affecting current and future tax charges

A number of changes to the UK Corporation tax system were announced in the March 2013 budget statement. Legislation to reduce the main rate of corporation tax from 23% to 21% from 1st April 2014 is included in the Finance Act 2013. Further changes to the UK Corporation tax system were announced in the March 2013 budget statement. These included further reductions to the main corporation rate from 21% to 20% by 1st April 2015. These further changes have been substantively enacted at the balance sheet date and therefore the impact is included in these financial statements. As a result of the above all deferred tax balances are restated at 20% at the balance sheet date.

9. Dividends

	2014 £'000	2013 £'000
Interim dividends paid	1,392	2,628

There are two classes of ordinary shares. A shareholders and B shareholders were paid dividends of £1,217 and £2,098 per share respectively. See note 17 for further details.

10. Intangible fixed assets

	Purchased goodwill £'000	Other intangibles £'000	Total £'000
Cost			
At 1 April 2013 and 31 March 2014	700	298	998
Accumulated amortisation			
At 1 April 2013 and 31 March 2014	700	298	998
Net book value			
At 31 March 2013 and 31 March 2014	-	-	-

11. Tangible fixed assets

	Leasehold improve- ments £'000	Computer equipment £'000	Office equipment £'000	Total £'000
Cost				
At 1 April 2013 and 31 March 2014	866	1,168	526	2,560
Accumulated Depreciation				
At 1 April 2013	866	1,168	526	2,560
Charge for the year	-	-	-	-
At 31 March 2014	866	1,168	526	2,560
Net book value				
At 31 March 2014	-	-	-	-
At 31 March 2013	-	-	-	-

12. Debtors

	2014 £'000	2013 £'000
Due within one year:		
Trade debtors	625	852
Amounts owed by group undertakings (note 24)	1,303	2,052
Amounts owed by other related parties (note 24)	1,043	1,587
Other debtors	29	359
Deferred tax (note 16)	276	128
Prepayments and accrued income	681	1,145
	3,957	6,123

The amounts owed by group undertakings are unsecured, interest free and repayable on demand.

13. Stocks

	2014 £'000	2013 £'000
Stocks	52	60

14. Creditors - amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	658	30
Amounts owed to group undertakings (note 24)	1,726	801
Other creditors	446	447
Other taxation and social security	815	1,106
UK corporation tax payable	1,498	917
Accruals and deferred income	5,011	6,528
	10,154	9,829

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15. Provisions for liabilities

	Contract Provisions £'000	Other Provisions £'000	Total £'000
At 1 April 2013	750	551	1,301
Charged to the profit and loss account	375	5	380
Utilised during the year	-	(217)	(217)
At 31 March 2014	1,125	339	1,464

Contract provisions

The closing balance represents a provision for redundancy costs which will crystalize on the expiry of the contracts.

Other provisions

Other provisions comprise Dilapidation provisions on leasehold properties. These provisions are made where the liability can be reasonably estimated. It is expected that the provisions will unwind within a three to eight year period.

16. Deferred taxation

The major components of the deferred tax asset recorded and the potential asset are as follows:

	2014 Provided £'000	2013 Provided £'000	2014 Full potential £'000	2013 Full potential £'000
Accelerated capital allowances	46	64	46	64
Other short term timing differences	230	64	230	64
	276	128	276	128

The movement on the deferred tax asset is as follows:

	Deferred tax on pension scheme (note 25) £'000	Other deferred tax £'000	Total £'000
At 1 April 2013	716	128	844
Charged to the profit and loss account (note 8)	(342)	148	(194)
Recognised in the statement of total recognised gains and losses	(459)	-	(459)
At 31 March 2014	(85)	276	191

Notes to the financial statements (continued)

17. Called-up share capital

	2014 £'000	2013 £'000
Allotted, issued and fully paid		
801 (2013: 801) "A" ordinary shares of £1 each	1	1
199 (2013: 199) "B" ordinary shares of £1 each	-	-
	<u>1</u>	<u>1</u>

Shares classified as equity

The ordinary A and B shares rank pari passu except for;

- In the event that any resolution is put to the shareholders to remove any Director appointed by B shareholders it shall be deemed that each B shareholder carries 1,000 votes on such resolution, and;
- Under the shareholder agreement, B shareholders are entitled to 30% of any dividends declared.

18. Reserves

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2013	1	1,999	326	2,326
Profit for the financial year	-	-	2,979	2,979
Dividends paid	-	-	(1,392)	(1,392)
Actuarial gain recognised in the pension scheme	-	-	1,996	1,996
Deferred tax arising on gain in the pension scheme	-	-	(459)	(459)
At 31 March 2014	1	1,999	3,450	5,450

Impact of pension scheme:

	2014 £'000	2013 £'000
Profit and loss reserve excluding pension liability	1,913	2,187
Pension liability movement	1,537	(1,861)
Profit and loss reserve including pension liability	<u>3,450</u>	<u>326</u>

19. Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit for the financial year	2,979	2,659
Dividends paid	(1,392)	(2,628)
Actuarial gain/(loss) recognised on pension scheme (net of taxation)	1,537	(1,861)
Net increase/(decrease) in shareholders' funds	3,124	(1,830)
Opening shareholders' funds	2,326	4,156
Closing shareholders' funds	5,450	2,326

20. Reconciliation of operating profit to net cash inflow from operating activities

	2014 £'000	2013 £'000
Operating profit	2,799	2,708
Depreciation and amortisation	-	3
Decrease in debtors	2,314	241
Decrease/(increase) in stocks	8	(60)
(Decrease) in creditors	(256)	(4,869)
Increase/(decrease) in provisions	163	(1,147)
Difference between pension contributions paid and amount recognised in the profit and loss account	(652)	(832)
Net cash inflow from operating activities	4,376	(3,956)

21. Reconciliation of net cash flow to movement in net funds

	2014 £'000	2013 £'000
Increase in cash in year	3,040	3,563
Net funds at beginning of year	9,673	6,110
Net funds at end of year	12,713	9,673

22. Analysis of net funds

	At 1 April 2013 £'000	Cash flow £'000	At 31 March 2014 £'000
Cash at bank	9,673	3,040	12,713

23. Guarantees and financial commitments

a) Contingent liabilities and capital commitments

At the year end the company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £620.8 million (2013: £658.6 million) provided to certain group companies. In addition, the company at the year end had joint and several liabilities for drawn bank overdraft facilities of other group companies of £nil (2013: £nil).

The company is a member of a wider Babcock VAT Group and as a result is jointly and severally liable with the other members for the VAT liability of the group. At 31 March 2014 the accrued VAT liability of the group was £1,403,712 (2013: £2,086,827).

As at 31 March 2014 the company had no contracted capital commitments (2013: nil).

b) Operating lease commitments

	2014	2014	2013	2013
	Land and	Other	Land and	Other
	buildings	£'000	buildings	£'000
	£'000	£'000	£'000	£'000
Annual commitments under non-cancellable operating leases expiring as:				
- within one year	-	-	-	-
- between two and five years	568	155	568	150
	568	155	568	150

24. Related party disclosures

During the year the company entered into transactions with related parties. These consisted of subsidiaries of Babcock International Group PLC and also with Surrey County Council. All transactions were on an arm's length basis. Transactions during the year and the balances outstanding at 31 March 2014 with these related parties are set out below.

The following amounts were charged to the company for services received relating to head office costs and other recharges:

Notes to the financial statements (continued)

24. Related party disclosures (continued)

	2014 £'000	2013 £'000
Babcock Careers Guidance Limited (formerly Careers Enterprise Limited)	27	44
Babcock Pension Trust Limited	25	-
Babcock Careers Management Limited	-	49
Babcock Civil Infrastructure Limited	23	-
Babcock Education and Skills Limited	24	13
Babcock Education and Skills (Training) Limited	20	-
Babcock Corporate Services Limited	396	689
Babcock International Group PLC	63	12
Babcock Learning and Development Partnership LLP	21	-
VT (UK) Limited	20	22
Surrey County Council	201	75
Babcock Infrastructure Services Limited	-	89
Babcock Training Limited	97	116

In addition to the transactions above, the company paid a fellow Babcock Subsidiary (Babcock Training Limited) £2,724,000 in respect of the companies 2013/14 VAT Liabilities. (2013: £3,474,000). This amount was paid to the Babcock Training Limited who settled the VAT liability on the companies' behalf.

The following amounts were charged by the company for services rendered in connection with the company's principal activities and recharge of costs:

	2014 £'000	2013 £'000
Babcock Careers Guidance Limited (formerly Careers Enterprise Limited)	4	30
Surrey County Council	16,065	15,165
Babcock Civil Infrastructure Limited	10	-
Cavendish Nuclear	1	-
Babcock Education and Skills (Training) Limited	1,641	7,289
Babcock International Group PLC	-	6
Babcock Land Limited	4	2
Babcock Support Services Limited	105	81
Babcock Aerospace (Flag)	1	-
Babcock Learning & Development Partnership LLP	159	172
Guidance Services Limited	-	2
Babcock Careers Guidance (South) Limited (formerly Careers Enterprise Futures Limited)	-	1
VT Flagship Limited	4	24
Babcock Training Limited	280	244

24. Related party disclosures (continued)

The following balances were owed to related parties at the year-end:

	2014 £'000	2013 £'000
Babcock Careers Management Limited	-	(61)
Babcock Corporate Services Limited	(63)	(715)
Babcock International Group Limited	(53)	(14)
Babcock Education and Skills Limited	(24)	-
Babcock Infrastructure Services Limited	-	-
VT (UK) Limited	(3)	(7)
Babcock Careers Guidance Limited	-	(4)
Babcock Training Limited	(1,583)	-

The following balances were owed by related parties at year-end:

	2014 £'000	2013 £'000
Babcock Careers Guidance Limited (formerly Careers Enterprise Limited)	7	-
Cavendish Nuclear	1	-
Babcock Civil Infrastructure Limited	1	-
Babcock Careers Management Limited	61	-
Babcock Support Services Limited	20	23
Babcock Learning & Development Partnership LLP	158	120
Babcock Land Limited	2	-
Babcock Skills Development & Training Limited	4	2
Babcock Education and Skills (Training) Limited	1,048	1,618
Babcock Training Limited	-	258
Surrey County Council	1,043	1,587
Babcock Lifeskills Limited	-	16
VT Flagship Limited	1	15

25. Pension commitmentsTeachers' Pension Scheme

The company participates in TPS (a national teachers pension scheme providing benefits based on final pensionable pay). The company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. As permitted by FRS 17 'Retirement Benefits' the scheme is accounted for by the company as if the scheme was a defined contribution scheme. The total cost of pension contributions for employees of the company during the year was £74,000 (2013: £105,000) and there was a creditor of £15,000 (2013: £10,000) in the balance sheet.

25. Pension commitments (continued)

Local Government Pension Scheme – Waltham Forest Pension Fund

The company did participate in the Local Government Pension Scheme (LGPS), a centralised defined benefits scheme with the assets held in separate trustee-administered funds. On 1 April 2008 a number of employees of the London Borough of Waltham Forest transferred to the company, but continued to be members of the Waltham Forest Pension Fund. The company's liability is capped at the payments actually made and the funding risk remains with the local authority accordingly. This scheme is accounted for by the company as if the scheme is a defined contribution scheme. The total cost of pension contributions for employees of the company during the year was £nil (2013: £20,000) and there was a creditor of £nil (2013: £nil) in the balance sheet. As at 30th September 2012 all final members of the scheme had exited the business.

Babcock Defined Contribution scheme (formerly Shipbuilding Industries Pension Scheme)

The company also participates in the Babcock Defined Contribution scheme, which was formerly known as the Shipbuilding Industries Pension Scheme (SIPS). The pension cost charge for the year includes contributions made by the company to that fund amounting to £285,000 (2013: £289,000) and there was a creditor of £nil (2013: £25,000) in the balance sheet.

Group wide pension schemes

The company, as at 1 April 2008, became a member of two pension schemes providing benefits based on final pensionable pay. These schemes were subsequently merged into the main Babcock International Group Defined Benefit Scheme. The latest full actuarial valuation for the BIG scheme was carried out as at 1 April 2010 (pre transfer) by a qualified independent actuary. This valuation showed a funding shortfall of £43.7million. This represents the liability to Babcock International Group PLC as a whole and does not represent the liability to the company. The pension charge for the year was £28,000 (2013: £nil) and there was a creditor of £3,000 (2013: £2,000) in the balance sheet.

Local Government Pension Scheme – Surrey Pension Fund

The company also participates in the Local Government Pension Scheme (LGPS), a centralised defined benefits scheme with the assets held in separate trustee-administered funds. During the period ended 31 March 2005 a number of employees of Surrey County Council transferred to the company, but continued to be members of the Surrey Pension Fund. Under the terms and conditions of the transfer, the associated pension fund assets and liabilities are separately identifiable and segregated for funding purposes.

The last formal valuation was carried out at 31 March 2010 and was updated for accounting purposes to 2013 by a qualified independent actuary, using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The market value of the entire LGPS scheme's assets (not just the Surrey Pension Fund section) was £1.94 billion and the actuarial value of those assets represented 72% of the liability for benefits after allowing for expected future increases in earnings.

25. Pension commitments (continued)

The latest LGPS scheme valuations have been updated by the actuaries on an FRS 17 basis as at 31 March 2013.

The movement in the defined benefit obligation over the year is as follows:

	2014	2013
	£'000	£'000
Opening present value of the funded defined benefit obligations	35,295	29,700
Current service cost	437	418
Interest cost	1,551	1,400
Employee contributions	219	235
Actuarial (gain)/loss on assumptions	(1,931)	4,333
Benefits paid	(811)	(791)
Closing present value of the defined benefit obligation	34,760	35,295

The movement in the fair value of funded plan assets of the year is as follows:

	2014	2013
	£'000	£'000
Opening fair value of assets	32,325	27,600
Expected return on assets	2,450	2,100
Actuarial gains/(losses)	55	1,931
Employer contributions	1,089	1,250
Employee contributions	219	235
Benefits paid	(811)	(791)
Closing fair value of assets	35,327	32,325

The major assumptions used in these valuations were:

	2014	2013
Rate of increase in salaries	2.40%	2.60%
Rate of increase in pension payments	2.23%	2.41%
Discount rate	4.50%	4.40%
Inflation assumption	2.10%	2.30%
Long term return on equities	8.40%	8.40%
Long term return on corporate bonds	4.50%	4.34%
Life expectancy from age 65 (male aged 65)	21.90 years	21.90 years
Life expectancy from age 65 (male aged 45)	23.90 years	23.90 years

25. Pension commitments (continued)

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Present value of funded obligations	34,760	35,295	29,700	28,611	36,484
Fair value of employer assets	(35,327)	(32,325)	(27,600)	(27,194)	(27,321)
Net underfunding in funded plans	(567)	2,970	2,100	1,417	9,163
Present value of unfunded obligations	136	146	100	200	218
(Gain)/Deficit in the scheme	(431)	3,116	2,200	1,617	9,381
Related deferred tax asset (note 16)	85	(716)	(528)	(421)	(2,627)
Net pension (asset)/liability	(346)	2,400	1,672	1,196	6,754

An analysis of the amount charged to operating profit is as follows:

	2014 £'000	2013 £'000
Current service cost	437	418
	437	418

An analysis of the amount credited to other financing cost is as follows:

	2014 £'000	2013 £'000
Expected return on pension scheme assets	2,450	2,100
Interest on pension scheme liabilities	(1,551)	(1,400)
Net return	899	700

An analysis of the amount which has been recognised in the statement of total recognised gains and losses (STRGL) is as follows:

	2014 £'000	2013 £'000
Actuarial gain/(loss) recognised in STRGL	1,996	(2,448)

25. Pension commitments (continued)

An analysis of the movement in scheme during the year is as follows:

	2014	2013
	£'000	£'000
Deficit in scheme at beginning of year	(3,116)	(2,200)
Current service cost	(437)	(418)
Employer contributions	1,089	1,250
Net return on assets	899	700
Actuarial gain/(loss) (funded plans)	1,986	(2,402)
Actuarial gain/(loss) (unfunded obligations)	10	(46)
Gain/(Deficit) in scheme at end of the year	431	(3,116)

A history of experience gains and losses at 31 March 2014 is as follows:

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets	55	1,931	(2,760)	(3,061)	6,613
Value of assets	35,327	32,325	27,600	27,194	27,321
Percentage of scheme assets	0%	6%	-10%	-11.3%	24.2%
Experience gains on scheme liabilities	-	-	-	1	1
Total present value of liabilities (funded)	34,760	35,295	29,600	28,611	36,702
Percentage of present value of scheme liabilities	0.0%	0.0%	0.0%	0.0%	0.0%
Actuarial gains/(losses) recognised in STRGL	1,996	(2,448)	(2,049)	8,005	(4,597)
Total present value of liabilities (funded)	34,760	35,295	29,600	28,611	36,702
Percentage of present value of scheme liabilities	6%	7%	7%	28.0%	12.5%

The Expected Return on Assets is the sum of the yield on a cash return and a risk premium and is assessed by our Actuaries. Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners.

The fund allocation of the assets of the scheme is as follows:

	2014	% of total	2013	% of total
	£'000	assets	£'000	assets
Equities	27,072	77%	23,804	74%
Property	2,015	6%	1,843	5%
Corporate and Government Bonds	5,726	16%	5,760	18%
Other assets	514	1%	918	3%
Fair value of assets	35,327		32,325	

25. Pension commitments (continued)

The actual return on scheme assets in the year was a gain of £2,505,000. (2013: £4,031,000).

History of plans

The history of the plans for the current and prior years is as follows:

Balance sheet

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Present value of scheme liabilities	(35,758)	(35,441)	(29,800)	(28,811)	(36,702)
Fair value of scheme assets	35,327	32,325	27,600	27,194	27,321
Surplus/(deficit) in the scheme	431	(3,116)	(2,200)	(1,617)	(9,381)
Experience gains/(losses) on assets	1,996	(2,448)	(2,760)	(3,061)	6,613
Experience gains/(losses) on liabilities	-	-	-	1	1

The company expects to contribute approximately £1,250,000 to its defined benefit plans in the next financial year.

26. Ultimate parent undertaking

Until 8 August 2012, the company's immediate parent undertaking was Babcock Education and Skills Limited, a company registered in England and Wales. On 8 August 2012 the company was acquired by Babcock Education Holdings Limited as part of a re-organisation of the Babcock group corporate structure, and this company (also registered in England and Wales) became the company's immediate parent undertaking from that date.

The company's ultimate parent company and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the company are consolidated is that headed by Babcock International Group PLC.

Copies of Babcock International Group PLC Financial Statements are available from the following address:

The Company Secretary
Babcock International Group PLC
33 Wigmore Street
London W1U 1QX

Report of the Directors and
Unaudited Financial Statements for the Year Ended 31 December 2013
for
Futuregov. Ltd

Contents of the Financial Statements
for the Year Ended 31 December 2013

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DIRECTORS:

D Campbell
Ms C Bishop
Ms J A Fisher
J M Ludlow
A Crawford

REGISTERED OFFICE:

Suite A
3 King Street
Castle Herdingham
Essex
CO9 3ER

BUSINESS ADDRESS:

69b Harthan Road
London
N7 9JJ

REGISTERED NUMBER:

06472420

ACCOUNTANTS:

Applestones
Suite A
3 King Street
Castle Hedingham
Essex
CO9 3ER

Futuregov. Ltd

Report of the Directors
for the Year Ended 31 December 2013

The directors present their report with the financial statements of the company for the year ended 31 December 2013.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report.

D Campbell
Ms C Bishop

Other changes in directors holding office are as follows:

Ms J A Fisher , J M Ludlow and A Crawford were appointed as directors after 31 December 2013 but prior to the date of this report.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

D Campbell - Director

4 July 2014

Futuregov. Ltd

Profit and Loss Account
for the Year Ended 31 December 2013

	Notes	31.12.13 £	31.12.12 £
TURNOVER		946,921	702,498
Cost of sales		<u>684,620</u>	<u>545,926</u>
GROSS PROFIT		262,301	156,572
Administrative expenses		<u>181,456</u>	<u>101,037</u>
OPERATING PROFIT	2	80,845	55,535
Interest payable and similar charges		<u>56</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		80,789	55,535
Tax on profit on ordinary activities	3	<u>16,292</u>	<u>11,071</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>64,497</u></u>	<u><u>44,464</u></u>

The notes form part of these financial statements

Balance Sheet
31 December 2013

	Notes	31.12.13 £	£	31.12.12 £	£
FIXED ASSETS					
Tangible assets	5		1,869		1,004
CURRENT ASSETS					
Debtors	6	35,044		12,172	
Cash in hand		92,703		31,967	
		<u>127,747</u>		<u>44,139</u>	
CREDITORS					
Amounts falling due within one year	7	<u>123,765</u>		<u>43,947</u>	
NET CURRENT ASSETS			<u>3,982</u>		<u>192</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,851</u>		<u>1,196</u>
CAPITAL AND RESERVES					
Called up share capital	8		100		100
Profit and loss account	9		5,751		1,096
SHAREHOLDERS' FUNDS			<u>5,851</u>		<u>1,196</u>

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2013.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2013 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board of Directors on 4 July 2014 and were signed on its behalf by:

D Campbell - Director

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery etc - 25% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

2. OPERATING PROFIT

The operating profit is stated after charging:

	31.12.13	31.12.12
	£	£
Depreciation - owned assets	1,183	335
	<u> </u>	<u> </u>
Directors' remuneration and other benefits etc	15,240	14,760
	<u> </u>	<u> </u>

3. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	31.12.13	31.12.12
	£	£
Current tax:		
UK corporation tax	16,292	11,071
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	16,292	11,071
	<u> </u>	<u> </u>

4. DIVIDENDS

	31.12.13	31.12.12
	£	£
Final	59,842	51,000
	<u> </u>	<u> </u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2013

5. **TANGIBLE FIXED ASSETS**

Plant and
machinery
etc
£

COST

At 1 January 2013

2,685

Additions

2,048

At 31 December 2013

4,733

DEPRECIATION

At 1 January 2013

1,681

Charge for year

1,183

At 31 December 2013

2,864

NET BOOK VALUE

At 31 December 2013

1,869

At 31 December 2012

1,004

6. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

31.12.13

31.12.12

£

£

Trade debtors

31,794

12,172

Other debtors

3,250

-

35,044

12,172

7. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

31.12.13

31.12.12

£

£

Taxation and social security

65,293

28,938

Other creditors

58,472

15,009

123,765

43,947

8. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:

Class:

Nominal

31.12.13

31.12.12

value:

£

£

100

Ordinary

£1

100

100

9. **RESERVES**

	Profit and loss account £
At 1 January 2013	1,096
Profit for the year	64,497
Dividends	<u>(59,842)</u>
At 31 December 2013	<u><u>5,751</u></u>

Futuregov. Ltd

Report of the Accountants to the Directors of
Futuregov. Ltd

As described on the balance sheet you are responsible for the preparation of the financial statements for the year ended 31 December 2013 set out on pages three to seven and you consider that the company is exempt from an audit.

In accordance with your instructions, we have compiled these unaudited financial statements in order to assist you to fulfil your statutory responsibilities, from the accounting records and information and explanations supplied to us.

Applestones
Suite A
3 King Street
Castle Hedingham
Essex
CO9 3ER

Date:

Trading and Profit and Loss Account
for the Year Ended 31 December 2013

	31.12.13		31.12.12	
	£	£	£	£
Sales		946,921		702,498
Cost of sales				
Sub contractors	684,620		508,926	
Project management	-		37,000	
	<u> </u>	684,620	<u> </u>	545,926
GROSS PROFIT		262,301		156,572
Expenditure				
Use of residence as office	416		416	
Office rental	59,609		26,867	
Directors' salaries	15,240		14,760	
Telephone	2,384		3,125	
Post and stationery	2,544		2,565	
Advertising & marketing	-		1,658	
Website expenses	5,843		1,376	
Insurance	4,579		113	
Travel & subsistence	37,068		28,517	
Repairs and renewals	105		335	
Conference costs	2,584		4,651	
Software	3,345		1,944	
Web hosting	14,016		966	
Event sponsorship	150		1,135	
Fixtures & Fittings expensed	1,571		-	
Corporate consulting	12,792		-	
Sundry expenses	1,014		47	
Annual Return filing fee	13		13	
Subscriptions	936		-	
Trade registrations	2,608		-	
Accountancy	2,900		1,918	
Other professional fees	7,931		-	
Legal fees	-		8,761	
Depreciation of tangible fixed assets				
Computer equipment	1,183		335	
Entertainment	1,595		935	
Donations	-		400	
	<u> </u>	180,426	<u> </u>	100,837
		81,875		55,735
Finance costs				
Bank charges	1,030		200	
Bank interest	56		-	
	<u> </u>	1,086	<u> </u>	200
NET PROFIT		80,789		55,535
		<u> </u>		<u> </u>

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**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
FOR
BANDSTAND SQUARE DEVELOPMENTS LIMITED**

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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Trading and Profit and Loss Account	12

BANDSTAND SQUARE DEVELOPMENTS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013**

DIRECTORS: J A Fisher
D Hodge
R J Kingsbury
P A H Robinson
J T A Robinson
J Robinson
E Robinson
R N Morgan

SECRETARY: P L Hearn

REGISTERED OFFICE: 5 Olympus Court
Olympus Avenue
Tachbrook Park
Leamington Spa
Warwickshire
CV34 6RZ

REGISTERED NUMBER: 08005542 (England and Wales)

AUDITORS: Hamlyns LLP
Statutory Auditor
Chartered Accountants
Sundial House
High Street
Horsell
Woking
Surrey
GU21 4SU

SOLICITORS: Anderson Strathern LLP
1 Rutland Court
Edinburgh
EH3 8EY

BANDSTAND SQUARE DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report with the financial statements of the company for the year ended 31 December 2013.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report.

P A H Robinson
J T A Robinson
R N Morgan

Other changes in directors holding office are as follows:

J A Fisher - appointed 27 February 2013
D Hodge - appointed 27 February 2013
R J Kingsbury - appointed 27 February 2013
J Robinson - appointed 27 February 2013
E Robinson - appointed 27 February 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

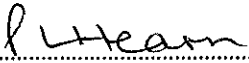
The auditors, Hamlyns LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

BANDSTAND SQUARE DEVELOPMENTS LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013**

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:


.....
P L Hearn - Secretary

Date: 27 JANUARY 2015

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BANDSTAND SQUARE DEVELOPMENTS LIMITED**

7

We have audited the financial statements of Bandstand Square Developments Limited for the year ended 31 December 2013 on pages six to eleven. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BANDSTAND SQUARE DEVELOPMENTS LIMITED**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.



David Cooper (Senior Statutory Auditor)
for and on behalf of Hamlyns LLP
Statutory Auditor
Chartered Accountants
Sundial House
High Street
Horsell
Woking
Surrey
GU21 4SU

Date: *27 January 2015*

BANDSTAND SQUARE DEVELOPMENTS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	Year Ended 31.12.13 £	Period 26.3.12 to 31.12.12 £
TURNOVER		2,798,205	78,354
Cost of sales		<u>2,515,709</u>	<u>40,581</u>
GROSS PROFIT		282,496	37,773
Administrative expenses		<u>25,292</u>	<u>12,518</u>
OPERATING PROFIT	2	257,204	25,255
Interest receivable and similar income		<u>191</u>	<u>1,180</u>
		257,395	26,435
Interest payable and similar charges		<u>257,395</u>	<u>26,435</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Tax on profit on ordinary activities	3	<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		-	-

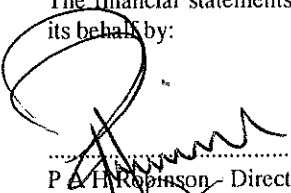
The notes form part of these financial statements

BALANCE SHEET
31 DECEMBER 2013

	Notes	2013		2012	
		£	£	£	£
FIXED ASSETS					
Investments	4		2		-
CURRENT ASSETS					
Stocks		15,185,700		11,425,421	
Debtors	5	1,953,582		161,322	
Cash at bank		361,089		488,773	
		<u>17,500,371</u>		<u>12,075,516</u>	
CREDITORS					
Amounts falling due within one year	6	2,719,225		572,122	
NET CURRENT ASSETS			<u>14,781,146</u>		<u>11,503,394</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>14,781,148</u>		<u>11,503,394</u>
CREDITORS					
Amounts falling due after more than one year	7		<u>14,751,148</u>		<u>11,473,394</u>
NET ASSETS			<u><u>30,000</u></u>		<u><u>30,000</u></u>
CAPITAL AND RESERVES					
Called up share capital	9		<u>30,000</u>		<u>30,000</u>
SHAREHOLDERS' FUNDS			<u><u>30,000</u></u>		<u><u>30,000</u></u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board of Directors on 27 January 2015 and were signed on its behalf by:


.....
P A H Robinson - Director


.....
J T A Robinson - Director

The notes form part of these financial statements

BANDSTAND SQUARE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Exemption from preparing a cash flow statement

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

Turnover

Turnover comprises of development sales and incidental rents and service charges received from owned property pending redevelopment stated net of VAT.

The sale of redeveloped sites will be included in turnover in the period in which they are sold and the sales contract becomes unconditional.

Stocks and work in progress

Work in progress comprises of the purchase cost of freehold redevelopment sites, together with the costs incurred in the acquisition of those sites, their redevelopment costs incurred to date and the capitalisation of applicable overhead expenditure.

Work in progress is stated at the lower of cost or net realisable value after making provision for any permanent diminution of value net of VAT.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses which are foreseen. Contract work in progress is stated as costs incurred less those transferred to the profit and loss account after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on accounts.

2. OPERATING PROFIT

The operating profit is stated after charging:

	Year Ended 31.12.13	Period 26.3.12 to 31.12.12
	£	£
Auditors' remuneration	<u>5,000</u>	<u>5,000</u>
Directors' remuneration and other benefits etc	<u>-</u>	<u>-</u>

3. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2013 nor for the period ended 31 December 2012.

BANDSTAND SQUARE DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

4. FIXED ASSET INVESTMENTS		Shares in group undertakings £
COST		
Additions		2
At 31 December 2013		<u>2</u>
NET BOOK VALUE		
At 31 December 2013		<u><u>2</u></u>
5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
	2013	2012
	£	£
Trade debtors	64,683	66,758
Amounts owed by group undertakings	759,072	-
Amounts owed by participating interests	496,455	-
Other debtors	633,372	94,564
	<u>1,953,582</u>	<u>161,322</u>
6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
	2013	2012
	£	£
Trade creditors	2,255,680	323,877
Amounts owed to group undertakings	148,805	7,500
Amounts owed to participating interests	296,152	-
Other creditors	18,588	240,745
	<u>2,719,225</u>	<u>572,122</u>
7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
	2013	2012
	£	£
Amounts owed to participating interests	14,751,148	11,473,394
	<u>14,751,148</u>	<u>11,473,394</u>

BANDSTAND SQUARE DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

8. SECURED DEBTS

The following secured debts are included within creditors:

	2013	2012
	£	£
Woking Borough Council loan	<u>14,751,148</u>	<u>11,473,394</u>

On 27 February 2013 the company entered into a Revolving Facility Agreement with Woking Borough Council (as security trustee) and Surrey County Council to refinance the existing Woking Borough Council loans and to provide additional loan finance.

The loans from Woking Borough Council are secured by legal charges over all the company's properties and assets which comprise of Globe House, Victoria Way Woking, GU21 6DD and the former Post Office, Market Square, Woking, GU21 6DG.

These properties are included in stock at cost plus development costs incurred at the balance sheet date amounting to £15,185,700 (2012 - £11,425,421).

Interest on the various new loans is calculated as the greater of 4.5% per annum or 4% plus the Public Works Loan Board standard new loan maturity rate for new loans of over 5 but not over 5.5 years less the rate of any Certainty discount rate available to the lender from the Public Works Loan Board.

9. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2013	2012
			£	£
7,200	A Ordinary	£1	7,200	14,400
15,600	B Ordinary	£1	15,600	15,600
7,200	C Ordinary	£1	7,200	-
			<u>30,000</u>	<u>30,000</u>

On 27 February 2013 7,200 A ordinary shares of £1 each were re-designated as C ordinary shares of £1 each.

The A, B and C Ordinary shares rank pari passu and confer on the holder the right to receive notice of, attend and vote at general meetings of the company. Each share entitles the holder to one vote. Each class has the right to participate in dividend distributions and the right to participate in a distribution of the assets on winding up.

Under the Articles of Association, class A and C shareholders are entitled to appoint two directors and class B shareholders are entitled to appoint four directors.

No class of share is redeemable.

10. RESERVES

	Profit and loss account
	£
Profit for the year	-
At 31 December 2013	<u>-</u>

BANDSTAND SQUARE DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

11. HOLDING AND ULTIMATE PARENT COMPANY

Moyallen Holdings Limited (incorporated in Northern Ireland) is regarded by the directors as being the company's ultimate parent company.

Copies of the financial statements of Moyallen Holdings Limited are available from Companies House. The Moyallen Holdings Limited group of companies has an overall net loss and net liabilities position at 31 December 2013. The group's bankers have agreed to support the group's property owning companies for a further two years.

BANDSTAND SQUARE DEVELOPMENTS LIMITED

**TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Year Ended 31.12.13		Period 26.3.12 to 31.12.12	
	£	£	£	£
Turnover				
Development sales	2,353,128		-	
Rent receivable	264,175		44,064	
Services charges	180,902		34,290	
		<u>2,798,205</u>		<u>78,354</u>
Cost of sales				
Opening work in progress	11,425,421		-	
Property purchase and related costs	(1,248)		10,677,194	
Building costs	1,793,186		43,900	
Sundry project costs	820,136		58,589	
Architects fees	1,256,691		223,470	
Surveyors and engineers fees	1,288,776		221,833	
Project management fee	122,304		-	
Legal fees	287,713		67,810	
Service charges	180,902		34,562	
Rates and water	-		6,019	
Interest payable	527,528		132,625	
		<u>17,701,409</u>	<u>11,466,002</u>	
Closing work in progress	(15,185,700)		(11,425,421)	
		<u>2,515,709</u>	<u>40,581</u>	
GROSS PROFIT		282,496		37,773
Other income				
Other interest	138		-	
Interest receivable	53		1,180	
		<u>191</u>	<u>1,180</u>	
		282,687		38,953
Expenditure				
Insurance	2,009		-	
Sundry expenses	412		-	
Accountancy	17,500		7,500	
Auditors' remuneration	5,000		5,000	
		<u>24,921</u>	<u>12,500</u>	
		257,766		26,453
Finance costs				
Bank charges	371		18	
Loan interest	257,395		26,435	
		<u>257,766</u>	<u>26,453</u>	
NET PROFIT		-		-

This page does not form part of the statutory financial statements

S.E. Business Services Limited

**Company Registration Number:
08578463 (England and Wales)**

**Report of the Directors and
Audited Financial Statements**

**Period of accounts
Start date: 20 June 2013
End date: 31 March 2014**

**S.E. Business Services Limited
Contents of the Financial Statements
for the Period Ended 31 March 2014**

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Report of the Directors	4 to 5
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Statement of Total Recognised Gains and Losses	7
Balance Sheet	8
Audit Report	9 to 10
Notes to the Financial Statements	11 to 13

**S.E. Business Services Limited
Company Information
for the Period Ended 31 March 2014**

Directors: J Stebbings
P Brocklehurst

Registered office: County Hall
Penrhyn Road
Kingston Upon Thames
Surrey
KT1 2DN

Company Registration Number: 08578463 (England and Wales)

**S.E. Business Services Limited
Directors' Report
for the Period Ended 31 March 2014**

The directors present their report with the financial statements of the company for the period ended 31 March 2014.

Principal activities

The principal activities of the company in the period under review were:
Professional Business Services including IT managed services, data centre hosting and fire and rescue resilience services.

Directors

The directors shown below have held office during the whole of the period from 20 June 2013 to 31 March 2014

J Stebbings

P Brocklehurst

Political and charitable donations

None

Company policy on the employment of disabled persons

It is the company's policy to give employment to disabled persons wherever practicable and to make all reasonable adjustments to enable a person with a disability to perform to their highest ability.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Auditor

Grant Thornton UK LLP offers themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by part 15 of the Companies Act 2006.

This report was approved by the board of directors on 12/12/2014

And Signed On Behalf Of The Board By:

Name:

Paul Brumby

Status:

Director

S.E. Business Services Limited
Profit and Loss Account
for the Period Ended 31 March 2014

	Notes	2013/14 £
Turnover:		972,311
Cost of sales:	2	<u>(768,170)</u>
Gross Profit/(Loss):		204,141
Administrative expenses:		<u>(18,171)</u>
Operating Profit		185,970
Interest Payable and Similar Charges	3	<u>(1,275)</u>
Profit / (Loss) on ordinary activities before taxation:		184,695
Tax on Profit / (Loss) on ordinary activities:	4	<u>(36,939)</u>
Profit / (Loss) on ordinary activities after taxation:		<u><u>147,756</u></u>

The notes form part of these financial statements

**S.E. Business Services Limited
Statement of Total Recognised Gains and Losses
for the Period Ended 31 March 2014**

Statement of total recognised gains and losses

The company does not have any gains and losses other than Profit and Loss for the period to report.

S.E. Business Services Limited
Balance sheet as at 31 March 2014

	Notes	2014	
		£	£
Current Assets			
Debtors	5	539,017	
Cash at Bank and In Hand		104,938	
			643,955
Creditors Amounts Falling Due Within One Year	6+7	(496,198)	
		(496,198)	
Net Current Assets			147,757
Total Assets less Current Liabilities			147,757
Capital and Reserves			
Called Up Equity Share Capital	8		1
Profit and Loss Account			147,756
Shareholders' Funds	10		147,757

These accounts have been prepared in accordance with the special provisions in part 15 of Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities January 2015 (which allows for early adoption).

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts
The financial statements were approved by the Board of Directors on 12/12/2014

SIGNED ON BEHALF OF THE BOARD BY:

Name: 
Status: Director

The notes form part of these financial statements



Independent auditor's report to the members of S. E. Business Services Limited

We have audited the financial statements of S. E. Business Services Limited for the period ended 31 March 2014 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities effective January 2015 (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Directors' Report.

Grant Thornton UK LLP

Christian Heeger

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Gatwick

12 December 2014

**S.E. Business Services Limited
Notes to the Financial Statements
for the Period Ended 31 March 2014**

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

Turnover

The turnover shown in the profit and loss account represents revenue earned during the period, exclusive of VAT.

Going Concern

The company has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Cost of Sales and Staff Costs

	2013/14
	£
Cost of Sales	738,355
Wages and Salaries	26,226
Social Security Costs	2,582
Pension Costs	1,007
	<u>768,170</u>

S.E. Business Services has three full time employees, two of whom have been enrolled in a National Employment Savings Trust (NEST) pension scheme. In addition the company has two directors who were unpaid.

3. Interest Payable and Similar Charges

Interest was payable on an intergroup loan between S.E. Business Services Limited and Surrey County Council.

	2013/14
	£
Interest on loan	1,135
Misc. Bank Charges	140
	<u>1,275</u>

4. Taxation

The tax charge on the profit on ordinary activities for this period was as follows:

	2013/14
	£
UK Corporation Tax	36,939
Deferred Tax	-
Tax on profit (loss) on ordinary activities	<u>36,939</u>
Profit (loss) on ordinary activities before taxation	<u>184,695</u>
Rate of tax for the period	20%
Profit (loss) on ordinary activities before taxation multiplied by the rate of tax for the period	36,939
Expenses not deductible for tax purposes	-
Accelerated capital allowances	-
Adjustments in respect of prior periods	-
Current tax charge (credit)	<u>36,939</u>

5. Debtors

	2014
	£
Trade Debtors	490,127
VAT	7,586
Prepayments and Accrued Income	41,304
	<u>539,017</u>

All amounts are due within one year

6. Loans and Overdraft

An intergroup loan of £100,000 has been provided from Surrey County Council to S.E. Business Services Limited. This was repaid in full on the 30 September 2014.

7. Creditors

	2014
	£
Corporation Tax	36,939
Deferred Income	100,477
Loan	100,000
Trade Creditors	258,782
	<u>496,198</u>

All amounts are due within one year.

8. Called Up Share Capital

Allotted and called up

Class	Number of Shares	Nominal Value per Share	Total
Ordinary	1	1	1

The authorised share capital of S.E. Business Services Limited consists of 100 ordinary shares with a nominal value of £1, of which 1 ordinary share has been issued at par.

9. Related Party Disclosures

The company is 100% owned by Surrey County Council. No transactions between these parties are to be disclosed under the provisions of the Financial Reporting Standard 8.

10. Reconciliation of movement in shareholders' funds

	2014
	£
Opening shareholders' funds	1
Share capital issued in the year	-
Exchange differences	-
Profit for the year	147,756
Dividends paid	-
Closing shareholders' funds	<u><u>147,757</u></u>



Council Overview & Scrutiny Committee
23 April 2015

Superfast Surrey Broadband Programme Update

Purpose of the report: Scrutiny of Performance

The purpose of this report is to provide the committee with an update on the rollout, remaining issues and next steps relating to the Superfast Surrey Broadband Programme.

Introduction

In 2012 Surrey County Council (SCC) signed a contract with BT to deliver fibre broadband infrastructure to 84,112 homes and business throughout the county that were excluded from commercial broadband rollout plans. The contract requires Openreach, acting as BT's delivery agent, to deploy fibre broadband coverage to 98.6% of the premises within the identified Intervention Area (IA). Of those premises covered, 93.9% must achieve a minimum download speed of 15 Mbps. The contract is divided into a series of quarterly milestones and recognises that there are a number of premises that are particularly challenging or difficult to reach and that may take longer to plan and deliver than those in the main deployment.

BDUK and BT Group now believe that the County of Surrey is the best connected county in Great Britain.

Contractual Targets and Current Performance

The number of premises within the intervention area (84,112) was defined in 2012 using data provided by SCC, together with responses relating to existing and proposed coverage provided by commercial infrastructure providers. During the life of the programme, the understanding of these data sets has matured, with a recognition that some premises, initially believed to be excluded from the commercial deployments, were in fact already connected to the fibre network. The overall impact of these changes has been a reduction in the contractual target to 82,487 premises.

However, it also became apparent that, within the IA postcodes, the number of premises had increased. These increases have been as a result of new properties being constructed, as well as the identification of instances in the original data of multiple occupancy premises being represented as single dwellings. As a result, the total number of premises that will be connected to the fibre network as part of the Superfast Surrey Programme will be more than the original target, it will have increased to approximately 86,000 premises. The objective of the programme has always been to cover all of the premises within the IA postcodes to the fibre network, with the minimum achievement being delivery of the contractual targets.

The Superfast Surrey Programme completed the main deployment phase on 31 December 2014, covering 81,759 premises and by 31 March 2015 this number had increased to 84,000 premises. This figure will be confirmed once the contractual documentation in April 2015 has been received and verified.

2015/2016

During the first quarter of 2015/16 work will continue to complete the connection of as many of the remaining premises as possible. Of these remaining approximately 2000 premises, 1,368 are particularly challenging and have been the subject of a bespoke planning review. Table 1 below indicates the current status of this work:

Status	Description	No of premises
Green	Connection solution identified	789
Amber	Still under review	533
Red	No viable connection	46

Table 1

Coverage

The current status of this review shows that the Superfast Surrey Programme will deliver fibre coverage to a minimum of 99.3% of the updated IA contractual target (see Annex A), exceeding the 98.6% target. The table at Annex A shows the percentage of IA premises and the number of cabinets connected to the fibre network in each Borough or District. It should be noted that these percentages are likely to improve as solutions are identified for some of those still under review.

Speeds

The Superfast Surrey Programme not only monitors performance against fibre broadband coverage but also the speeds that are being achieved. The programme is on track to achieve the contractual speed target of 93.9% of premises within the IA obtaining download speeds of 15Mbps or above, although the final level of achievement cannot be calculated until the conclusion of all delivery. Annex B shows the percentage of IA premises in each District or Borough able to access fibre services and

connection speeds of 15Mbps or above. Note that these results are based on the main deployment phase only (up to end of Q3 2014/15).

Take-up of Broadband Services within the Intervention Area

The Superfast Surrey programme has undertaken a proactive demand stimulation campaign utilising e-mails, social media, presentations, direct mail and a website. At the end of March 2015, this campaign has resulted in 27% of premises that have been connected as part of the programme taking up a fibre based service. This is amongst the highest take up figures in the UK. When comparative figures were last published by BDUK in December 2014 that was based on data obtained between September and November 2014, take-up in the Superfast Surrey IA was at 19% and the average take-up for the other 38 listed BDUK contracts was around 8%.

Take-up is important because the Superfast Surrey contract includes a clawback mechanism. This is a requirement of the EC Broadband guidelines to ensure that a successful supplier is not over compensated. Claw-back allows money to be returned and reinvested into adding further coverage once a certain percentage of take-up has been achieved.

Surrey Premises on slow speeds or not connected to the network

IA Premises achieving download speeds below 15Mbps

The contract recognises that, although covered by the fibre network, up to 6.1% of the premises within the IA may not be able to access speeds of 15Mbps or more equating to approximately 5,000 premises. The principle reason for these slower speeds is the length of the telephone line between the cabinet and the property and due to the distribution of Openreach cabinets, this issue is generally more prevalent in the more rural areas of the county.

IA Premises not connected to the fibre network

At the outset of the Superfast Surrey programme in 2012, it was estimated that there were approximately 1,200 premises for which Openreach had not been able to identify a fibre solution. This was reflected in the fibre coverage target of 98.6%. Detailed analysis of the IA as the deployment has progressed revealed the challenge in identifying these individual properties and the difficulty of finding solutions. As Table 1 indicates, solutions have been found for 789 of these premises. The maximum number of IA premises that will not be covered by the fibre network at the conclusion of the current deployment is 579. Of these, 46 premises have no viable solution and 533 are still under review with work continuing to resolve as many of these as possible.

BT Commercial Programme

Surrey County Council has no oversight of BT's commercial fibre broadband deployment. However, throughout the past two years, residents and businesses within BT's commercial deployment area have provided feedback to Surrey County Council relating to broadband connection and speed issues. This has highlighted two issues: a number of cabinets are no longer being upgraded; and the prevalence of premises with slow speeds due to long telephone lines. Due to state aid funding regulations, the Superfast Surrey Programme is not permitted to address these issues because they do not fall within the existing IA. Surrey County Council has no reliable data to understand the extent of the issues identified.

Future of Programme

Identification of Options

In December 2014, the Superfast Surrey Programme Team were tasked by the Portfolio Lead, the Deputy Leader and the Assistant Chief Executive with the completion of the programme and with the identification of options for the use of any remaining funds to either focus on the existing IA or to broaden the scope of the programme.

In producing the recommendations, the Superfast Surrey team considered that:

- Any decision on the use of funding should be taken using the best available information on coverage and speed.
- Any decision taken should reflect value for money
- Any decision needs to be consistent and as fair as possible to businesses and residents in Surrey.

These principles were applied to the following three options:

1. Spend all of any remaining original programme funds on improving speeds for premises within the original IA that are unable to access fibre download speeds of 15mbps or above
2. Spend some of the remaining programme funds immediately (pre new OMR) on improving the percentage of premises achieving 15mbps within the original IA beyond the contractual minimum and all or some of the remaining funds and clawback on addressing connection and/or speeds throughout Surrey (not restricted to existing IA)
3. Utilise all of the remaining original programme funds and clawback on addressing connection and/or speeds throughout Surrey (not restricted to existing IA).

The Portfolio Lead and the Assistant Chief Executive agreed that utilising the remaining funds and any clawback funding should be considered as the preferred option to address coverage and speeds across Surrey (Option 3).

Open Market Review (OMR)

In order to deliver Option 3, it will be necessary for SCC to obtain State Aid approval to further extend broadband coverage across the County following a process laid down by Broadband Delivery UK (BDUK). The first stage is to request current and future broadband coverage information from existing infrastructure providers in an Open Market Review (OMR). This is the only way to establish a clear understanding of the latest position regarding existing and planned fibre coverage throughout the county.

Once the broadband coverage and speed responses are analysed, a map will be produced and uploaded to the Superfast Surrey website as part of the public consultation process. This will be the opportunity for residents, businesses as well as any other infrastructure providers to contact the Superfast Surrey team by email to provide additional information that may further inform the understanding of broadband coverage across the County.

Following the public consultation phase, the Superfast Surrey team will then agree with BT Group, as part of the existing contract and within the constraints of available funding, how to target those areas identified as not having current or proposed broadband coverage or access to download speeds of 15 Mbps or above. The proposed deployment will need to be signed off by Broadband Delivery UK (BDUK) as being compliant with State Aid Funding regulations before any deployment can commence. The timeline is described in Next Steps.

Any deployment would be unlikely to take place before the end of 2015.

Recommendations:

1. Committee to note the status of the Superfast Surrey rollout.
2. Committee to note the requirements associated with obtaining State Aid Funding approval for extension of the Superfast Surrey Broadband Programme including the undertaking of an Open Market Review (OMR), clarification and analysis of submissions, public consultation, negotiation with BT Group for contract changes and BDUK State Aid sign-off.

Next steps:

1. April 2015 - The OMR will commence with a letter being sent to service providers asking for detailed information on their current and planned broadband rollout.
2. June / July 2015 – SCC will collate, clarify and analyse the responses, producing a postcode level map of broadband coverage across Surrey.
3. August 2015 – SCC will commence a public consultation period (minimum of one month) to gather any additional information relating to broadband coverage across Surrey.

4. September 2015 – SCC will commence negotiations with BT Group to agree a contract change to incorporate the newly defined Intervention Area and delivery targets for sign off by BDUK.
5. October 2015 - BT Group will commence planning of rollout to new IA.

Report contact: Graham Cook, Superfast Surrey Project Manager

Contact details: 020 8541 7621, graham.cook@surreycc.gov.uk

ANNEX A

Percentage of contractual THP covered by the fibre network by Borough and District at conclusion of the Superfast Surrey Programme.

DISTRICT	Intervention Area THPs	THP connected to fibre network at end of programme	Percentage delivery
Elmbridge	3686	3671	99.59%
Epsom and Ewell	1151	1109	96.35%
Guildford	13535	13494	99.70%
Mole Valley	7924	7857	99.15%
Reigate and Banstead	6650	6558	98.62%
Runnymede	5385	5355	99.44%
Spelthorne	2012	2003	99.55%
Surrey Heath	5377	5335	99.22%
Tandridge	20193	20087	99.48%
Waverley	14344	14228	99.19%
Woking	2189	2182	99.68%
No district info from GIS data	41	41	100.00%
Grand Total	82487	81920	99.31%

Number of Cabinets stood as part of the Superfast Surrey Programme

<u>Borough / District</u>	<u>Cabs Stood</u>
Elmbridge	28
Epsom and Ewell	11
Guildford	87
Mole Valley	50
Reigate and Banstead	45
Runnymede	39
Spelthorne	28
Surrey Heath	48
Tandridge	98
Waverley	76
Woking	33
Grand Total	543

Annex B

Percentage of IA Premises within the District or Borough able to access fibre services or able to achieve 15 Mbps or above

District / Borough	% of premises with access to fibre based services (10Mbps or above)	% of premises with 15Mbps or above
Elmbridge	97.95%	96.19%
Epsom and Ewell	99.49%	99.49%
Guildford	96.16%	93.93%
Mole Valley	93.95%	90.55%
Reigate and Banstead	97.99%	97.03%
Runnymede	98.71%	97.73%
Spelthorne	99.86%	99.86%
Surrey Heath	95.61%	94.73%
Tandridge	93.85%	91.67%
Waverley	90.65%	88.45%
Woking	97.14%	96.62%



Council Overview and Scrutiny Committee
23 April 2015

Apprenticeship Scheme Management Action Plan

Purpose of the report: Scrutiny of Services

To review the summary of audit findings and Management Action Plan produced as a result of an internal audit review of the Apprenticeship Scheme

Introduction:

1. It has been agreed by the Chairmen of the Council's Select Committees that any relevant Internal Audit reports that have attracted an audit opinion of either "Major Improvement Needed" or "Unsatisfactory", and/or those with high priority recommendations, will be considered for inclusion on the Committee's work programme.

Context:

2. Internal Audit undertook a review of Apprenticeship Scheme in October 2014. The report produced as a result of this review attracted an audit opinion of **some improvement needed**. There were three high priority recommendations made. A summary of the audit findings and recommendations is attached as **Annex A**. The agreed Management Action Plan is attached as **Annex B**. The supporting audit report has been previously circulated to committee members.
3. Officers from the service and Internal Audit will be available at the meeting, and the Select Committee is asked to review the actions being taken to address the audit recommendations made.

Recommendations:

4. That the Committee review the audit report and Management Action Plan and makes recommendations as necessary.

Next steps:

The Committee will continue to have oversight of any relevant audit report that has attracted an audit opinion of either “Major Improvement Needed” or “Unsatisfactory”, and/or those with high priority recommendations.

Report contact: Helen Rankin, Scrutiny Manager

Contact details: 020 8541 9126

Sources/background papers: Apprenticeship Scheme

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Apprenticeship Scheme	<p>In Surrey there are three main elements to the council's involvement with apprenticeships:</p> <ul style="list-style-type: none"> • Surrey's own directly employed by the council apprentices are part of a scheme managed by HR. • Apprentices placed with our suppliers are supported by a scheme managed by Procurement. • Apprentices working with organisations we don't have a procurement relationship with are supported by Youth Services. 	<p>The council's apprenticeship scheme has been successful in increasing the number of apprenticeships in Surrey exceeding the 2013/14 target of 500 new apprenticeships. Risks are well managed with staff, apprentices, and supporting organisations reporting general contentment with the training, process and employment support available.</p> <p>Changes to the grant funding available could result in fewer apprenticeship places being available.</p> <p>Changes in funding arrangements offer an opportunity to consider how the scheme should be managed going forwards.</p> <p>There is not currently a set of objectives or subsequent metrics guiding and measuring the success of the scheme.</p> <p>There was no central monitoring of the reasons for leaving an SCC apprenticeship.</p>	Some Improvement Needed	<p>Consider how to mitigate the risks associated with funding changes. (H)</p> <p>Consider creating a permanent apprentice placement and support function that oversees all areas of the scheme. (H)</p> <p>Develop a strategy overarching the three apprenticeship schemes in Surrey. (H)</p> <p>Periodically report on the "Reasons for Leaving" of apprentices with a particular focus on negative outcomes to ensure wider corporate learning. (M)</p>

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MANAGEMENT ACTION PLAN

Directorate:	Business Services
Audit report:	Apprenticeship Scheme
Dated:	28/10/2014

PRIORITY RATINGS

Priority High (H) - major control weakness requiring immediate implementation of recommendation

Priority Medium (M) - existing procedures have a negative impact on internal control or the efficient use of resources

Priority Low (L) - recommendation represents good practice but its implementation is not fundamental to internal control

I agree to the actions below and accept overall accountability for their timely completion. I will inform Internal Audit if timescales are likely to be missed.

The auditor agrees that the actions set out below are satisfactory.

Lead Responsible Officer (HOS): Carmel Millar

Auditor

Dan Wilson

Date

Date

Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Update Feb 2015
	<p>Consideration should be given to how the council will mitigate the risks associated with the funding changes.</p> <p>Management should specifically consider how funding might best be applied to maintain the scheme.</p>	High	Finance & Payroll have been asked to assist in the review of the funding changes on the impact on budgets & PAYE. Contact has been made with the National Apprenticeship service to understand more about the detail of how the funding will work.	April 2015	Details of the funding changes have yet to be confirmed, it is possible that the decision to fund via employers rather than training companies may be withdrawn
	Consideration should be given to creating a permanent apprentice placement and support function within the council that oversees all areas of the scheme - giving	High	A shift session bringing together the leads of all three apprenticeship schemes was held on 8 th October. A	Timescale for recruitment of PM: December 2014 <i>not</i>	Responsibility for SCC's employment offer to young people has been given to

MANAGEMENT ACTION PLAN

Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Update Feb 2015
	clear responsibility for management and strategy going forwards for the scheme.		conversation was had around are we maximising the opportunities for young people and the outcome is for a Project Manager to be recruited to look at a new operating model.	<i>progressed due to change in management. New entrants coordinator to be recruited to instead.</i>	the Strategic HR&OD Relationship Manager who has responsibility for the corporate Recruitment and Retention Strategy. This change only took place in December 2014 but already a Strategy that sets out responsibility for the three strands of the apprenticeship scheme has been drafted for consultation with stakeholders in March 2015.
	Management should develop a strategy overarching the three apprenticeship schemes in Surrey.	High	The Project Manager to be recruited will be recruited to deliver on this element	April 2015	See above.
5.19	The Auditor recommends that as future management arrangements for the scheme are agreed, the new management pull together the various pieces of work and combine them into a structured program focussed not just on creating apprenticeships but also delivering effective apprenticeships in line with an agreed strategy.	Medium	The Project Manager to be recruited will be responsible for this element	April 2015	See above.
5.25	Management should examine the information available from exit interviews/HR records for failed	Medium	This element will be incorporated into the role of the vacant Workforce Adviser responsible for	<i>Recruitment process commenced</i>	This will be part of the responsibility of the New Entrants coordinator post

MANAGEMENT ACTION PLAN

Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Update Feb 2015
	(dismissed/failed probation) apprenticeships and develop support based on the results.		apprentices – currently being recruited.	<i>Feb 2015</i>	which is being recruited to. However given an apprenticeship may be a young person's first experience of entering the workforce it is not unusual that some young people may find it is not the right role/choice for them or that they struggle to maintain the necessary standards to succeed. Outcomes of the apprenticeship schemes are still important to monitor and benchmark.
5.32	Management should periodically report on the 'Reasons for Leaving' of Apprentices with a particular focus on negative outcomes and subsequent policy/procedural changes to ameliorate any concerning outcomes. Particular attention should be paid to the recruitment processes employed.	Medium	This element will be incorporated into the role of the vacant Workforce Adviser responsible for apprentices – currently being recruited.	<i>Recruitment process commenced Feb 2015</i>	This element will be incorporated into the role of the vacant New Entrants Coordinator responsible for apprentices – currently being recruited to.
5.41	Management should consider consolidating responsibility for reporting apprenticeship figures in line with any management responsibility consolidation.	Medium	Policy & Performance are already reviewing how we provide data in conjunction with the Programme Lead, Lucy Mustoe	<i>Complete</i>	Lucy Mustoe and policy and performance have agreed new reporting arrangements and these are in operation.
5.42	Management should consider reporting a broader suite of information relating to apprentices in line with the objectives defined in an overarching strategy.	Medium	This will be incorporated into the reporting as above, once agreed.	<i>To be agreed April 2015</i>	Information is provided on apprenticeships and the national graduate scheme. Once new strategy is agreed

MANAGEMENT ACTION PLAN

Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Update Feb 2015
					this can be reviewed.
5.48	<p>If HR centrally advertise and provide CVs to managers for the recruitment of apprentices they should either be clear that they do no checks or they should perform a complete eligibility check.</p> <p>Where individuals deliberately embellish their CVs with false information, particularly dishonestly claiming they have qualifications, consideration should be given to whether they are suitable for the recruitment process as soon as this is identified.</p>	Low	The recruitment process will continue to be embedded within services, with support from Recruitment. Should issues arise around individual candidates, advice will be sought from HR Advisory team.	<i>To be agreed by March 2015</i>	Currently recruitment of apprentices is on hold pending a campaign in March to recruit for September 2015. An agreement will be reached with recruitment as to the level of screening which is appropriate. Responsibility for recruitment decisions lies with the recruiting manager, however they will need guidance on scheme restrictions.
5.55	As part of the considerations for the strategy to be developed management should consider their goals for developing apprentices and the relative value of qualifications.	Low	This will be part of the strategy developed by the Project Manager.	<i>The draft strategy covers a range of qualification levels</i>	This has been considered in drafting the new strategy. Currently there is demand for level 2, 3 and 4 qualifications. There remains a gap in those with lower entry level qualifications being unable to access apprenticeships for which a traineeship offer will be developed.
5.58	The data supports the idea that the council predominantly employs apprentices under the age of 21, however management may wish to consider if the scheme would deliver greater benefit if it focussed on younger apprentices under the age of 19.	Low	Given the rise in participation age, greater access to schools is required to raise the profile of apprenticeships as an option for under 19's. This element will be incorporated into the role of the vacant Workforce Adviser	<i>Not to be progressed at this time.</i>	As an employer feedback from SCC services suggests that supporting young people aged 16-18 in the workplace would be challenging and given the sensitive nature of much of our work 18+ is a sensible target. In promoting apprentices

MANAGEMENT ACTION PLAN

Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Update Feb 2015
			responsible for apprentices – currently being recruited.		across the County there may be other settings that can support 14-18 year olds better.
5.66	<p>Although the council is not currently reporting on the equalities data for apprentices the Auditor found sufficient evidence of equitable recruitment of people with disabilities and across gender. Going forwards management should consider how equalities data could be used to maximise the equity and efficacy of the scheme.</p> <p>Consideration should be given to the completion of an equality impact assessment for any future incarnation of the apprenticeship scheme.</p>	Low	An EIA will be undertaken by the Project Manager once recruited and the decision as to how the three schemes will be run is agreed.	<i>December 2015</i>	An EIA will be done on the strategy once agreed and E&D monitoring of the scheme will continue.

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Council Overview & Scrutiny Committee
23 April 2015

**FUTURE GOVERNANCE OF BASINGSTOKE CANAL
TASK GROUP**

The Environment & Transport Select Committee has identified the future governance of the Basingstoke Canal as a topic for a task and finish group. This scoping document is presented to the Council Overview & Scrutiny Committee to review.

Recommendation:

That the Committee reviews the scoping document for the Task Group and approves, subject to any comments, additions or amendments.

Next Steps:

The Environment & Transport Select Committee to agree membership of the task and finish group.

Report contact: Huma Younis, Scrutiny Officer, Legal & Democratic Services

Contact details: 020 8 5132 725, huma.younis@surreycc.gov.uk

Sources/background papers: None.

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Select Committee Task and Finish Group Scoping Document

The process for establishing a task and finish group is:

1. The Select Committee identifies a potential topic for a task and finish group
2. The Select Committee Chairman and the Scrutiny Officer complete the scoping template.
3. The Council Overview and Scrutiny Committee reviews the scoping document
4. The Select Committee agrees membership of the task and finish group.

Review Topic: Future Governance of the Basingstoke Canal
Select Committee(s) Environment and Transport Select Committee
<p>Relevant background</p> <p>The Basingstoke Canal is located in the south of England, to the southwest of London. The navigable section runs from West Byfleet in Surrey to the east, following a course of 32 miles through Woking, Brookwood, Mytchett, Ash, Fleet and Crookham, then Odiham, finally ending up at Greywell in Hampshire to the west. Surrey and Hampshire took joint ownership of the Canal in the mid 1970s and currently have joint management of the Canal, with the day to day maintenance and operation of the Canal undertaken by the Basingstoke Canal Authority (BCA).</p> <p>29 miles of the 32 mile Canal is designated as ‘Site of Specific Scientific Interest’. This places significant legal duties on both County Councils as owners under the Wildlife & Countryside Act 1981 to preserve and enhance the features of the Site of Special Scientific Interest and take general account of biodiversity in all operations. The Occupiers Liability Act 1954 and National Parks & Access to the Countryside Act 1949 also place a general duty of care upon the county council to maintain Surrey land in a safe condition and make the land available for public recreation.</p> <p>In recent times discussions have taken place around possible income generating opportunities for the Canal which has included the redevelopment of the Basingstoke Canal centre. As part of these discussions both local authorities have agreed to discuss the future management of the Canal.</p>

Why this is a scrutiny item

75% of the BCA's funding is from annual revenue grants given by each of the partner authorities. In the current economic climate this is unsustainable for Surrey and therefore the county council must look at the future sustainability of the Canal and their management position in relation to this. It is recognised that there are many positive benefits to be gained from the Basingstoke Canal and a range of redevelopment options to generate income from the Canal have been identified to increase long term sustainability of the Canal.

JBA consultancy has been commissioned to investigate the value of the Canal; the conclusion so far is that there is a huge amount of benefit to be gained from the Canal. As part of the scrutiny process both Surrey and Hampshire county council have agreed to discuss and consider the most effective option for the future management of the Canal.

The task group's key objective is to ensure the county council makes an informative decision around the future management of the Basingstoke Canal.

What question is the task group aiming to answer?

What position should Surrey county council take in terms of the future management of the Basingstoke Canal?

There is currently a joint partnership arrangement in place between Surrey and Hampshire. The task group could recommend that the current arrangements remain or recommend another model of governance.

Aim

To review the draft business plan from JBA Consultancy on the Basingstoke Canal and recommend the most effective governance option for the future management of the Canal which brings benefits to both the county council and Surrey residents.

Objectives

The task group will develop a range of governance options for the future management of the Basingstoke Canal and will recommend the most effective management option for Surrey county council.

Scope (within / out of)

The task group will consider the most effective governance option for Surrey county council. In order to recommend a governance option the task group will need to consider and analyse the draft business plan on the value of the Canal. Along with a range of witness sessions, both will provide a source for evaluating different models of ownership in the medium term future.

Although the Canal is jointly owned by Hampshire and Surrey, recommendations around the governance position Hampshire should take will be out of scope.

Outcomes for Surrey / Benefits

The recommendations of this Task Group will enable the county council to decide whether they continue their involvement with the Basingstoke Canal or make changes to the current joint ownership model.

The following corporate objectives will benefit in particular from the work of the Task Group:

Economic Prosperity- 'Surrey's economy remains strong and sustainable'. In the uncertain economic climate the county council must make savings but also create a sustainable future with income generation opportunities. The work of the task group will take account of future sustainability and value for money for both the county council and residents.

Resident Experience- 'Residents in Surrey experience public services that are easy to use, responsive and value for money'. The task group will ensure that any recommendations made improve resident's experiences and provide value for money for residents.

Proposed work plan

It is important to clearly allocate who is responsible for the work, to ensure that Members and officers can plan the resources needed to support the task group.

Timescale	Task	Responsible
May 2015	Brief task group on outcomes from consultancy report and update on the future management of the Canal.	Officers
Round 1- June 2015	Initial witness sessions/evidence gathering from internal officers/cabinet member.	Task Group
Round 2- June/ July/ Early August 2015	Witness sessions/evidence gathering from external partners.	Task Group
Late August/ September 2015	Report writing and submission of recommendations to Select Committee/Cabinet.	Task Group

Draft list of Witnesses

- Countryside Group Manager
- Strategic Manager for the Basingstoke Canal
- Basingstoke Canal Manager
- Assistant Director for Environment
- Cabinet Member for Environment and Planning
- SCC Procurement Department
- Head of Countryside, Hampshire CC
- Hampshire Finance Service
- Basingstoke Canal Society
- JBA Consultancy
- Inland Waterways Association
- Residential Boat Owners Association
- Canal and River Trust

Useful Documents

- Report to the Environment and Transport Select Committee: Basingstoke Canal Update Report (12.03.2015)
- Report to the Basingstoke Canal JMC: Canal Centre Redevelopment Proposals (16.10.2014)

Potential barriers to success (Risks / Dependencies)

- Progress of the Task Group is dependent on officer and witness availability.
- The final officer report with recommendations on the future management of the Basingstoke Canal will be submitted to Cabinet in September 2015. This means final recommendations from the task group will need to be submitted and circulated by late August/ early September.

Equalities implications

- No discernible impacts have been identified; however the task group will need to consider the impact on changes to governance on residents/Canal users.

Task Group Members	Tbc
Spokesman for the Group	David Harmer
Scrutiny Officer	Huma Younis



Council Overview and Scrutiny Committee
23 April 2015

BUDGET MONITORING REPORT

Purpose of the report: To agree recommendations made by the Performance & Finance Sub Group

Introduction:

1. On 30 March 2015 the Council Overview & Scrutiny Committee's Performance & Finance Sub Group reviewed the following:
 - Quarter 3 Business Report 2014/15
 - Budget Monitoring report to the end of February 2015.
2. The Budget Monitoring papers were published as part of the 24 March 2015 Cabinet agenda. These papers are available here:

<http://mycouncil.surreycc.gov.uk/ieListDocuments.aspx?CId=120&MId=3695&Ver=4> (paper copies are available on request).

3. The report of the Council Overview & Scrutiny Committee is attached to this cover report.

Recommendations

The Committee is asked to consider whether it wishes to make any recommendations regarding the Finance and Budget Monitoring Report for February 2015.

Report contact: Helen Rankin, Scrutiny Manager

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Council Overview & Scrutiny Committee

1pm, 23 April 2015

- 1 At its meeting on Monday 30 March 2015, the Performance & Finance Sub-Group reviewed the budget monitoring report for February 2015, as well as the detailed monitoring reports for the three areas within the Committee's remit: Business Services; Chief Executive's Office; and Central Income & Expenditure. The Sub-Group also considered the Quarter Three Business Report for 2014/15.

Quarter Three Business Report 2014/15

- 2 The Sub-Group noted that there had been some increases staff sickness in particular areas of the organisation, with a particular spike in July. The high absence figure for the Customer & Communities Directorate was due to Cultural Services, who traditionally have very low sickness rates, being moved into the Chief Executive's Office directorate. The Surrey Fire & Rescue Service and Contact Centre figures were included in Customer & Communities Directorate, and it was noted that there was a trend nationwide of higher absence rates in these areas. Overall, officers confirmed that the figures were broadly consistent with previous years, however would report back whether SF&RS and Contact Centre staff sickness had increased significantly within the last year.
- 3 With regards to the resident survey results, Members requested further detail regarding the decrease in satisfaction rates amongst residents who were served by SCC staff. It was noted that this figure (which had decreased in 2014/15 to 66% from 70%), represented views regarding service received from employees, rather than the outcome of the service. It was agreed that officers would report a summary of which services had suffered a loss of confidence in the resident survey at the next meeting of the Sub-Group.
- 4 It was noted that the target around 'repairing road defects' was rated 'red' in Q3, but expected to be 'green' by year-end. This was largely due to the relationship with the contractor charged with pothole repairs in the County and it was noted that two jet patchers had been engaged to ensure that the target was met by the end of Q4. It was clarified that the Public Health target was rated 'amber' due to falling short on certain nationally determined targets, such as health check completion. Members were not satisfied that the commentary for Adult Social Care Priority 5 (prepare for the implementation of the new Care Bill cap...) adequately explained how the prediction of a 'green' rating would be achieved at year-end. Officers would explore this in more detail and report back at the next meeting.
- 5 The Sub-Group noted that performance against Fire Service wait time targets was listed as 'Red'. Due to the critical nature of this target, there was no 'Amber' rating and anything that was less than 'Green' was listed as 'Red'. As a result, the Sub-Group recommended

That the Communities Select Committee seek assurance from the Cabinet Member regarding performance against this particular target.

- 6 The Sub-Group was critical of the format and layout of the current quarterly business report, stating that it was not easy to access for residents. Officers agreed and explained that a new interactive, online version would be launched for the following year's reporting. A progress update was requested on the launch of the new system, at a future meeting. One aspect of the new system that Members felt was particularly important, was that all services consistently updated it as a matter of routine – and not just when there was 'good news' to report.

Budget Monitoring

The Sub-Group reviewed the budget monitoring report to the end of month 11 for Business Services, Chief Executive's Office and Central Income & Expenditure. It was noted that there was an underspend of £0.6m forecast within Business Services, £1.5m within Chief Executive's Office and a balanced budget within Central Income & Expenditure.

- 7 Members noted from the papers that the position appeared to be slightly better than expected at budget decision time. For example, less interest payable (by £2.6m), overstatement of creditors (£1.8m), relocation allowances lower (£0.4m), better than expected 2014/15 MTFP savings in adults and other services. It was recognised that some underspend needed to be carried forward, however, Members thought it would be useful to view a list of unanticipated improvements and how these had been allocated to various pots of money, post-budget to determine whether a recommendation could be made around redistributing some of these savings to front line services such as Children's Centres and Youth Services. It was therefore agreed, that the following recommendation would be made to Cabinet:

That

Cabinet consider whether the Council could use any of the small improvements to the Council's budgetary position that were unanticipated when it set the budget, to mitigate some of the savings in children's centres and youth services

8. There was some discussion at the Sub-Group meeting about recent comments regarding spend on the Magna Carta celebrations at Full Council. The Sub-Group recommended

That

- 1. A full breakdown of the costings of the 2015 Magna Carta celebrations be shared with the Sub-Group and Chairman of the Communities Select Committee.**

9. In addition, the Sub-Group requested further information, including a breakdown on overspend on redundancy cases during the 2014/15 period. This would be provided to the Sub-Group at the next meeting.

Nick Skellett
Chairman of the Performance & Finance Sub-Group