

**MINUTES OF THE MEETING OF THE CABINET
HELD ON 28 MARCH 2017 AT 2.00 PM
AT ASHCOMBE SUITE, COUNTY HALL, KINGSTON UPON THAMES,
SURREY KT1 2DN.**

These minutes are subject to confirmation by the Cabinet at its next meeting.

Members:

*Mr David Hodge (Chairman)	*Mr John Furey
*Mr Peter Martin (Vice-Chairman)	* Mr Mike Goodman
* Mrs Helyn Clack	* Mrs Linda Kemeny
Mrs Clare Curran	* Ms Denise Le Gal
*Mr Mel Few	*Mr Richard Walsh

Cabinet Associates:

*Mr Tim Evans	*Mrs Kay Hammond
*Mrs Mary Lewis	*Mr Tony Samuels

* = Present

Members in attendance:

Mr Steve Cosser
Mr David Harmer

**PART ONE
IN PUBLIC**

45/17 APOLOGIES FOR ABSENCE [Item 1]

Apologies were received from Mrs Curran.

46/17 MINUTES OF PREVIOUS MEETING: 28 FEBRUARY 2017 [Item 2]

The minutes of the meeting held on 28 February 2017 were confirmed and signed by the Chairman.

47/17 DECLARATIONS OF INTEREST [Item 3]

Mr Martin declared an interest in relation to Item 21 and stated that he would leave the room during the discussion and voting on this item.

Ms Le Gal also declared an interest in relation to Item 21 but stated her intention to participate in the voting and discussion in relation to the item.

48/17 PROCEDURAL MATTERS [Item 4]

a MEMBERS' QUESTIONS [Item 4a]

Four questions were received. The questions and responses are attached as Appendix 1.

Supplementary questions

Q1 Mr Essex noted that many of the Council's services were commissioned out to external suppliers on contracts spanning a number of years. He requested a breakdown of the services which the Council commissions from external providers, including spending on these contracts, by Directorate. The Leader of the Council confirmed that a breakdown of externally commissioned services by directorate would be provided but advised Mr Essex that he was able to request this information directly from officers rather than making a formal request to Cabinet. Ms Le Gal asked that details of the amount of officer time spent on compiling this information also be included in the response to Mr Essex's supplementary question.

Q2 Mr Essex highlighted some inconsistencies between the response to his question and the information provided in the report for item 10 of the Cabinet agenda and requested clarification on these discrepancies. The Leader of the Council indicated that this would be dealt with during the discussions in relation to Item 10.

Q3 Mr Essex felt that there should be greater opportunity for Members of the Council to scrutinise the budget prior to it being voted on by Full Council and suggested that scrutiny boards should be given access to the Equalities Impact Assessments included within Item 10 which gave details of potential implications arising from reductions in the Council's expenditure on specific services. The Leader of the Council highlighted that the Council Overview Board does review the proposed budget in advance of a decision on it being taken by Full Council but advised that a significant amount of information pertinent to the budget setting process only became accessible at the last minute meaning it was not possible for all scrutiny boards to review the budget before this decision.

b PUBLIC QUESTIONS [Item 4b]

No questions were received from members of the public.

c PETITIONS [Item 4c]

No petitions were received.

d REPRESENTATIONS RECEIVED ON REPORTS TO BE CONSIDERED IN PRIVATE [Item 4d]

There were none

49/17 REPORTS FROM SCRUTINY BOARDS, TASK GROUPS, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL [Item 6]

(i) Council Overview Board

Reports were received from the Council Overview Board in relation to the following matters:

- Surrey County Council's investment portfolio and the role of the Council's scrutiny function in reviewing this portfolio;
- the progress of the Sustainability and Review Board and the Medium Term Financial Plan; and
- the Investment Strategy Review.

A response from the Leader of the Council in relation to the Council's investment portfolio was tabled at the meeting and is attached as Appendix 2 to these minutes.

The recommendations from the Council Overview Board in relation to the Medium Term Financial Plan and the Investment Review Strategy are attached as Appendices 3 and 4 respectively and were considered with items 10 and 12 on the agenda to which the recommendations relate.

50/17 SURREY HEARTLANDS SUSTAINABILITY & TRANSFORMATION PLAN [Item 7]

The report was introduced by the Cabinet Member for Wellbeing and Health who highlighted the continuing role that Surrey County Council was playing in the development of the three Sustainability and Transformation Plans (STPs) operating in Surrey and advised that these would lead to closer integration between health and social care services in the county.

The Cabinet Member then read out a statement from Surrey Heartlands STP's Transformation Board regarding the development of the draft text for a Memorandum of Understanding with NHS England and NHS Improvement to devolve responsibilities for the delivery of healthcare services to Surrey Heartlands. The Cabinet was informed that the draft Memorandum of Understanding included details on a range of areas related to the devolution deal including expected improvements in residents' health; the scope of devolution envisaged; governance arrangements; a road map for delivery and transformation funding that would be made available over the next three years to achieve devolution. It was anticipated that the final text for the Memorandum of Understanding would be ready for SCC to sign following County Council elections on 4 May 2017.

The Cabinet Member stressed the importance of having strong governance arrangements in place to ensure that devolution was a success and advised that SCC's past experience of working with Surrey's Clinical Commissioning Groups would be vital for achieving this.

The financial and value for money implications outlined in the report were also highlighted by the Cabinet Member who emphasised that closer integration of health and social care facilitated by devolution would contribute to ensuring that services remained sustainable in the long term.

The Deputy Leader of the Council welcomed the report and opportunities presented by the proposed devolution agreement for Surrey Heartlands stating that closer integration in the delivery of health and social care services could make a real difference for residents.

RESOLVED:

That;

1. the progress that has been made in the development of the Surrey Heartlands Sustainability and Transformation Plan be noted;

2. specific update in relation to the development of a health devolution agreement for Surrey Heartlands and the opportunities that it could bring to residents be considered; and
3. the proposed governance principles for health devolution and asks the Chief Executive, in consultation with the Cabinet Members for Wellbeing and Health; Adults Social Care, Wellbeing and Independence; and Children and Families Wellbeing to take the necessary steps to finalise and implement the new arrangements were endorsed.

Reasons for Decisions:

In the six months since the last STP update to Cabinet, significant progress has been made in the development of the Surrey Heartlands STP.

Recent dialogue with residents (through a deliberative research exercise) has shown that the types of changes under consideration as part of the STP (such as more self and community based care, greater reliance on non-medical services and intervention) were all regarded positively in the context of a more joined up and efficient health and care system that could provide greater access at times that suited residents.

To further the intentions set out in the STP, a dialogue with national partners has taken place to develop a health devolution agreement. The devolution agreement is stated as a key mechanism for enabling the STP aims and ambitions as well as the integration of health and social care.

The Cabinet will be kept informed of progress on the STP, devolution discussions and the associated opportunities being explored.

51/17 CRANLEIGH CHURCH OF ENGLAND PRIMARY SCHOOL [Item 8]

An introduction to the report was provided by the Cabinet Member for Schools, Skills and Educational Achievement who stated that SCC had provided an additional 13,000 school places over the past five years in order to meet rising demand and it was anticipated that a further 11,000 schools places would be required over the next four years. It was proposed to rebuild Cranleigh Church of England Primary School to consolidate it on a single site at Glebelands Secondary School thereby creating an all-through school with 210 additional primary school places. This would help to mitigate growing demand for school places in the area which had arisen as a result of new housing developments around Cranleigh. The construction of the new school would be financed through the sale of the land on the two sites across which Cranleigh C of E Primary School was located coupled with a grant from the Department for Education (DfE) meaning that no additional capital funding would be required from SCC. Mrs Kemeny highlighted that the school also provided specialist support for children with learning disabilities and stated that the proposed rebuild as outlined in the report would enhance and expand support for children with learning disabilities in the area.

The Cabinet Associate for Children, Schools and Families indicated her support for the proposal emphasising the excellent work that staff at the school had done in facilitating inclusive education for children with learning disabilities but stressed that the dilapidated state of the school's buildings was placing limitations on the support that staff could provide. A new school was

required in order to support staff in providing as inclusive an educational environment as possible.

The Leader of the Council paid tribute to the work that Mrs Kemeny had done as Cabinet Member for Schools, Skills and Educational Achievement in ensuring that SCC was able to meet the significant growth in demand for school places which had taken place over the past four years.

RESOLVED:

That, subject to the agreement of the detailed financial information for the rebuilding of the school as set out in Part 2 of this agenda, the business case for the rebuilding of Cranleigh Church of England Primary School be approved.

Reasons for Decision

The proposal supports Surrey County Council's statutory obligation to provide sufficient school places to meet the needs of the population in the Cranleigh area.

52/17 FRAMEWORK AGREEMENT FOR RESIDENTIAL PARENTING ASSESSMENTS [Item 9]

An introduction to the item was provided by the Cabinet Member for Schools, Skills and Educational Achievement who stated that the Council aimed to formalise arrangements for conducting Residential Parenting Assessments (RPAs) by agreeing a framework for contracting providers to undertake these assessments. Mrs Kemeny highlighted that spending on RPAs by SCC had increased significantly over recent years and the introduction of this framework was designed to make spending on these assessments more cost-effective. The Cabinet was advised that SCC was an outlier in undertaking more RPAs than other local authorities and that steps were being taken to reduce these. The Courts were, however, able to require local authorities to undertake an RPA and so it was important to ensure that a framework was in place to manage costs in such cases.

Mrs Lewis followed up by detailing the efforts that were being made deliver improvements in Children's Services. This included enhancing the skillset of social workers empowering them to recognise and intervene at earlier stage on potential child safeguarding issues thereby reducing the need for SCC to conduct RPAs.

The Cabinet Members for Wellbeing and Health stressed the importance of County Councillors being aware of their responsibilities as corporate parents and asked whether the induction programme for new Members joining SCC following Council elections would include any information on this. The Cabinet Member for Business Services and Resident Experience stated that informing new Members of their responsibilities in relation to corporate parenting was central to the induction programme.

RESOLVED:

That the establishment of a Framework is endorsed by Cabinet and award of a place on the Framework be made to the two suppliers for Lot 1, as detailed in the Part 2 report.

Reasons for Decision

There is a duty on local authorities to provide parenting assessments under section 38 (6) of the Children Act 1989, when directed by the Courts during care proceedings.

Establishing a new Framework Agreement will facilitate a long term partnership with suppliers, creating the working environment to support continuous improvement for high quality, child centred assessment services.

Value for money will be secured through a clear pricing structure which will help to ensure transparency and clarity around costs with fixed prices for the first two years of the framework. In addition to this, there will be robust contract management.

The recommended awarded providers met the tender evaluation criteria as well as demonstrating their experience and ability to deliver robust and high quality assessment reports that would inform care planning decisions.

Changes to UK procurement regulations (the Public Contracts Regulations 2015) means that spot purchasing services above specified financial thresholds (£589,148 per annum for social services) is no longer an appropriate form of procurement.

53/17 SURREY COUNTY COUNCIL: CORPORATE STRATEGY 2017-2022 [Item 10]

Attention was drawn to the data contained within the Corporate Strategy regarding demand for adult social care services which had increased considerably over the past few years and was expected to rise further. The Cabinet Member for Adult Social Care, Wellbeing and Independence advised that the Government had convened a Social Care Task Group to review figures on the delivery of social care services. The Leader of the Council emphasised the importance of SCC clearly articulating its experience in relation to rising demand on social care and the pressure that this had placed on its services across the board.

Mrs Hammond stressed the difficulty of condensing SCC's Corporate Strategy onto one-page. She highlighted that local authorities had been required to take on a range of additional responsibilities without being properly funded by Central Government to deliver these and advised that the challenges this had created for councils should not be underestimated. The Leader of the Council added that Members have a duty to support residents and the Corporate Strategy provided an outline of how SCC aimed to do this.

The Deputy Leader of the Council drew attention to the inclusion of economic prosperity on the Corporate Strategy and stated that this was perhaps the Council's most important function. He emphasised that Surrey contributes a

great deal of revenue to the Exchequer and indicated that it should get some of this back.

RESOLVED:

That the refreshed version of the Corporate Strategy 2017-2022 was endorsed and recommended for presentation to the County Council meeting on 23 May 2017 for approval.

Reasons for Decision

By reconfirming a long term vision for the county and setting goals and key actions for the next financial year the refreshed Corporate Strategy provides a clear sense of direction for Council staff, residents, businesses and partner organisations. As part of the Council's Policy Framework (as set out in the Constitution) the Corporate Strategy must be approved by the County Council.

54/17 MEDIUM TERM FINANCIAL PLAN 2017 - 2020 AND SUSTAINABILITY REVIEW BOARD REPORT [Item 11]

An addendum as well as an updated table outlining the County Council's projected earmarked reserves and balances were tabled at the meeting, these are attached as appendices 5 and 6 respectively.

The report was introduced by the Leader of the Council who highlighted concerns regarding SCC's financial stability following its funding settlement from Central Government. Of the £2 billion social care support fund announced by the Chancellor during his Budget Statement, SCC was set to receive £7.5 million for 2017/18 which would contribute towards closing the Council's budget gap but savings of £93 million were required for 2017/18. Attention was drawn to the work of the Sustainability Review Board (SRB) who had made a series of recommendations on potential savings.

The Leader of the Council introduced the revised recommendations in the report for consideration by the Cabinet which reflected amendments to the Medium Term Financial Plan (MTFP) as outlined in the table attached as Appendix 5 to these minutes. He highlighted that the decision had been taken to maintain SCC's contribution to the Community Building Grant Scheme for 2017/18 but indicated that it may be necessary to revisit this next year depending on budgetary constraints. Mr David Hodge further advised that SCC would be required to utilise £10 million of its reserves to balance its budget for 2017/18 and that it would be necessary to consider how these reserves could be replenished in future years to ensure that the Council's resilience wasn't negatively affected.

The Leader of the Council also announced his intention to establish a Member-led review into fees and charges levied by the Council to ensure that these were fair. Mr Mel Few stated that the Adult Social Care Directorate generates £46 million a year in revenue for the Council through fees and charges and advised that these have gone up 6% year on year.

The Chairman of the SRB, Mr Nick Harrison, read a statement to the Cabinet highlighting a number of areas where the Council could make significant and

sustained savings. He suggested that the Cabinet consider achieving further budget reductions through the following steps:

- reviewing central services;
- co-locating of services;
- reducing the Council's headcount;
- creating new revenue streams through fees and charges;
- promoting a single services approach; and
- more effective use of benchmarking

Mrs Mary Lewis and Mr Tim Evans, who were also on the SRB, thanked Mr Harrison for his efforts in his role as Chairman of the SRB. They both emphasised the need to work at pace to deliver the savings identified by the SRB and contained within the MTFP so that these were delivered in-year and could contribute to the Council's attempts to save £93 million in 2017/18.

The Chairman of the Council Overview Board, Mr Steve Cosser, also read a statement to the Cabinet regarding the MTFP. He acknowledged the challenges facing the Cabinet in deciding on what services budget reductions should fall given the potential impact on residents but stressed that the pace of delivery on these savings must be accelerated if the desired reductions were to be achieved. Mr Cosser further emphasised the need for the Council to undertake a root and branch review of service delivery in order to determine whether further savings could be made to close the Council's extant funding gap. He further suggested that Members should have more involvement in future savings programmes to improve the budget scrutiny process. The Leader of the Council agreed that hard decisions did have to be made in relation to the budget reductions and recognised that the pace of delivery on savings did need to pick up. He did, however, highlight that it was important to maintain funding in areas where money was being spent prudently and making a difference to residents such as Members' grants and local highways budgets. Mr Hodge further stated that the Council had to continue to deliver services while undertaking transformation programmes to realise budgetary savings.

Mr David Harmer, Chairman of the Economic Prosperity, Environment and Highways Board addressed the Cabinet and drew attention to concerns among Members about the proposed reduction to the local highways budget which it was felt would generate other costs for the Council. He instead proposed moving £2 million from the local highways budget to the capital budget for spending on highways projects. The Leader of the Council indicated that he would discuss the practicalities of this proposal with the Section 151 Officer following the meeting.

The Leader of the Council asked each Cabinet Member to provide the financial context for their specific service and received the following updates:

- Mrs Kemeny presented the finances for Children's Services on behalf of the Cabinet Member for Children and Families Wellbeing who had sent her apologies for the meeting. She indicated that demand on Children's Services was relentless stating that the county now had in excess of 900 Looked After Children which placed significant pressures on the Council. This, coupled with its improvement journey meant that Children's Services had a significant projected overspend

for 2017/18. Despite this, it was expected that the Service could make reductions as part of the MTFP while ensuring that vulnerable children remained protected.

- In relation to her own portfolio as Cabinet Member for Schools, Skills and Educational Achievement, Mrs Kemeny stated, that £4 million in savings were projected in the MTFP for the co-commissioning of children's health services. Mrs Kemeny advised the majority of savings for the Schools and Learning Service would be achieved through the Special Educational Needs and Disabilities (SEND) budget through closer collaboration with schools and a project to create a more cost-effective SEND Transport Service. Projected reductions in costs on agency staffing would further help to deliver the service's required savings.
- The Cabinet Member for Highways, Transport and Flooding indicated that the Highways Service would come in £1.8m under budget for 2016/17. He stated that partner organisations such as Local Enterprise Partnerships had been crucial in helping to build and maintain highways infrastructure across the County by generating and securing capital investment for Surrey's roads. Mr John Furey further highlighted the importance of retaining spending on mitigating flood risks in the County through initiatives such as the River Thames Scheme which gave SCC a significant net gain through investment in flood defences.
- Mr Mike Goodman, the Cabinet Member for Environment and Planning, stated that the savings target identified for his portfolio in the MTFP would be challenging to meet and highlighted that community recycling centres and renegotiation of contracts would shoulder the majority of budget reductions.
- Decreased spending on libraries and customer services were outlined in the MTFP for the Cabinet Member for Localities and Community Wellbeing's portfolio although it was emphasised that efforts would be made to minimise the impact of these reductions on frontline service delivery through consultation with residents.
- The Cabinet Member for Wellbeing and Health stated that SCC's Public Health budget allocation from Central Government was substantially less than it should be which would impact negatively on the Council's capacity to promote emotional wellbeing and to tackle unhealthy behaviours.
- The Deputy Leader, Mr Peter Martin, highlighted that budgetary constraints would put pressure on SCC's ability to promote economic growth throughout the County by reducing infrastructure investments.

The Cabinet Associate for Fire and Police Services congratulated the level of detail contained within the Equalities Impact Assessments that was completed by each Directorate and which outlined the adverse effects that the savings SCC was being required to make would have on residents, particularly those with protected characteristics. She suggested that directorates should seek to minimise the impact of services transformations on residents by working collaboratively.

RESOLVED:

That the Cabinet agreed:

1. the release of provisions of £2m and to use reserves of £10m to balance the 2017/18 budget;
2. the amended savings recommended by the Sustainability Review Board, as shown in Table 1 of the submitted report;
3. the capital programme of £387m from 2017 to 2020, which is a reduction of £21m from that approved 7 February 2017;
4. the capital programme includes £150,000 for the Community Buildings Grant Scheme;
5. to only borrow for capital schemes where there is a compelling business case and for officers to review future years' budgets within the capital programme to reduce spending;
6. the 2017/18 service strategies (Annex 1 to the submitted report);
7. the detailed service revenue and capital budgets for the year 2017/18 and indicative budgets for the years 2018-20 including amendments resulting from the Final Local Government Financial Settlement and other Government funding changes announced since 7 February 2017, including the March Budget (Annex 1 to the submitted report);
8. the proactive and systematic engagement of the County Council in responding to proposed changes in local government funding to ensure these changes do not further disadvantage Surrey, and seeking the appropriate recognition of the costs of delivering services in Surrey;
9. the following in relation to the funding of Early Years providers:
 - The Local Authority to retain £4.4m of the Early Years grant to manage the sector and allow for a devolved provision for more targeted support.
 - Fund Early Years providers at rates which are commensurate with the levels of funding in the Early Years DSG:
 1. £4.51 per hour for three and four year olds
 2. £5.88 per hour for two year olds

Change in the distribution of deprivation funding which has been simplified to be based on the Early Years pupil premium funding (paragraph 22 in the submitted report);
10. the publication of the service revenue and capital budgets as the Medium Term Financial Plan 2017-20.

The Cabinet further noted that:

11. the additional funding for adult social care announced in the Chancellor of the Exchequer's Budget 2017;
12. the options for areas for additional savings and service reductions identified by Sustainability Review Board (SRB) in a separate report (Annex 2 to the submitted report);
13. the Director of Finance's letter to the Department for Communities and Local Government confirming that the Adult Social Care Precept will

- be spent entirely on adult social care functions (paragraph 8 and Annex 3 to the submitted report);
- 14. the fees and charges approved under delegated powers (Annex 4 to the submitted report);
- 15. the Cabinet establish a member led task group to review all service fees and charges and to report to the Cabinet in Autumn; and
- 16. the Equality Impact Assessments of the savings proposals within directorate and service budgets (Annex 5 to the submitted report).

Reasons for Decision

The Council has a legal duty to prepare a balanced and sustainable budget and to deliver statutory services to residents.

The Medium Term Financial Plan (MTFP) 2017-20 is a three year budget. It reflects assumptions about the current local and national financial, economic and political environment. Setting a three year budget is a key element of the Council's multi-year approach to financial management and its aim of achieving a sustainable financial position. Regular reporting through the year will enable effective tracking and management of progress with the strategy and the budget.

55/17 FINANCE AND BUDGET MONITORING REPORT TO 28 FEBRUARY 2017 [Item 12]

The item was introduced by the Leader of the Council who stated that SCC's forecast position for the end of the 2016/17 financial year was an £6.8 million underspend, a significant improvement on the £22.4 million overspend which had been forecast in September 2016. He stressed, however, that many of the steps taken to return the Council to a balanced budget were one-off measures and that the problem of rising demand on services, particularly social care, represented a significant challenge to the Council's financial stability. Mr Hodge emphasised that despite the significant budget reductions already achieved it was incumbent upon officers and Members to continue to identify and deliver savings in the Council's budget in order to return SCC to a sustainable MTFP. He further stated that the Cabinet would continue to press the case for Surrey to get a fairer funding deal from Central Government.

The Leader of the Council asked each Cabinet Member to provide a statement on the forecast position for their portfolio for the end of the 2016/17 financial year:

- The Cabinet Member for Adult Social Care, Wellbeing and Independence indicated that there had been a £1 million improvement in the projected outturn for Adult Social Care but highlighted that there was still a forecast overspend of £14 million across the Directorate. He stressed that SCC had saved £250 million on adult social care spending over the past few years despite a coeval spike in demand for these services.
- Mrs Kemeny informed the Cabinet that there was a projected overspend of £10 million for Children's Services arising from increased pressure on social work teams. Out of county placements and an increase in the number of asylum seeking children coming into the care of SCC as a corporate parent had also placing additional pressures on the Children's Services budget. The graduation of the first cohort to be trained at the

Council's Social Work Academy did, however, mean that it was likely that spending on locums would reduce significantly in the short term.

- Mr Furey advised that the Highways Service had a projected outturn of - £1.8 million for the year despite increased spending on roads and pavements. Extra funding from the Thames Regional Flooding Funding Committee and contributions from district and borough councils as well as businesses had ensured that investment in funding on flood mitigation measures had been maintained.
- The Cabinet Member for Business Services and Resident Experience stated that there had been underspends in the Orbis Partnership and the New Homes Bonus both of which had been used to balance the budget for 2016/17.
- Mr Goodman indicated that there was anticipated to be a very slight overspend in the budget for his portfolio but that this would not have a material impact on the Council's budget position at the year end.

RESOLVED:

Cabinet noted:

1. The forecast revenue budget outturn for 2016/17 was a £6.8m underspend, an improvement from £3.5m last month (Annex, paragraph 1 to the submitted report).
2. The forecast efficiencies and service reductions for 2016/17 was £66.4m, up by £0.1m from last month (as set out in Annex, paragraph 50 of the submitted report).
3. The Section 151 Officer's commentary and the Monitoring Officer's Legal Implications commentary (as set out in the submitted report, paragraphs 16 to 23).
4. That the transfer of a £2.0m underspend on the New Homes Bonus grant allocated to infrastructure projects to the Budget Equalisation Reserve (Annex, paragraph 27 of the submitted report) be approved.
5. That the reprofiling of £0.15m capital contribution to the Godalming flood alleviation scheme from 2016/17 to 2017/18 (Annex, paragraph 61 of the submitted report) be approved.

Reasons for Decisions

This report is presented to comply with the agreed policy of providing a monthly budget monitoring report to Cabinet for approval and action as necessary.

56/17 INVESTMENT STRATEGY REVIEW [Item 13]

The Chairman of the Council Overview Board (COB) addressed the Cabinet regarding recommendations made in response to the Investment Strategy Review. He stressed that COB should not be deprived of its ability to challenge individual investment decision made by the Council under the new arrangements. Mr Cosser further suggested that the Leader of the Council consider appointing two backbench Members to the Investment Board as a means of increasing its credibility. Mr Hodge responding by stating that COB would retain the ability to scrutinise the Council's overall strategy but not specific investments. He further advised that he would consult the Monitoring Officer on whether backbench Members should be included as part of the Investment Board.

The report was introduced by Ms Denise Le Gal as Cabinet Member for Business Services and Resident Experience. She advised that the Council is seeking to target an annual revenue of £10 million generated through investments and in order to do this it was necessary to increase the rate at which SCC was able to invest in income generation initiatives. A change in governance arrangements will assist in achieving this target and to reflect the delegation of new powers the Investment Advisory Board would be changed to the Investment Board. The Investment Board will be supported by professional advisors, both internal and external, whose costs will be covered by the income generated and the revolving investment fund.

RESOLVED:

That;

1. progressing the Investment Strategy, including arrangements to enable significant growth in the portfolio to reach an income target of £10m per annum by 2020/21 be approved;
2. a revision to the governance arrangements be authorised and authority be delegated by the Leader to the Investment Advisory Board to approve property investment acquisitions, property investment management expenditure, property investment disposals and the provision of finance to its wholly owned property company, Halsey Garton Property Ltd;
3. the name of the board is amended to reflect this delegation and it will be known as the "Investment Board" be approved; and
4. that a property investment advisor be procured by Surrey County Council to provide the necessary skills and level of support required to expand the investment portfolio noting that any upfront expenditure will be drawn from the Revolving Investment & Infrastructure Fund and that the procurement will be undertaken in two stages in line with the growth in the portfolio.

Reasons for Decisions

The proposed arrangements will support the Council to continue to grow its portfolio and increase the level of income received from investments thereby enhancing its financial resilience over the longer term.

The provision of a substantial ongoing and resilient source of income to provide financial support to the Council's front line services is becoming increasingly important. Investments undertaken as a result of the strategy agreed in 2013 are successfully delivering a net income stream to the Council.

57/17 M3 ENTERPRISE ZONE [Item 14]

The Deputy Leader presented the report to Cabinet stating that proposals for the development of a new Enterprise Zone in Surrey would establish an investment programme for the next 25 years. The Business Case developed by Enterprise M3 would be submitted to the Government for formal agreement should it be approved by the Cabinet.

Mr Few indicated his intention to abstain from voting on the item due to concerns raised by residents in his division about plans for new housing

developments in the Longcross part of the Enterprise Zone and the impact that it would have on the surrounding area.

Mr Goodman also stated his intention to abstain from voting on the item and cited concerns raised by residents in his division about increases in the amount of traffic that would arise as a result of the Enterprise Zone. He further suggested that including a junction directly onto the A3 in his division as part of the proposals would help to alleviate congestion in the area.

The Cabinet Member for Highways, Transport and Flooding expressed his support for the creation of the Enterprise Zone stating that it would generate £140 million for the local area over the next 25 years. He further stated that the concerns raised by Mr Few and Mr Goodman would be addressed during the development of the project.

The recommendations were agreed by the Cabinet with seven Members voting with the recommendations and two Members abstaining.

RESOLVED:

Cabinet approved Surrey County Council's agreement that Enterprise M3 should submit the Implementation Plan (included in the Part 2 Annex) to Government.

Reasons for Decision

The M3 EZ is a major opportunity to support economic growth on one of the largest available sites for commercial development in Surrey and to secure additional investment in the area. Over 25 years the further detailed work for the Implementation Plan suggests that the EZ could deliver about 130 new businesses, over 10,000 new jobs and generate an additional £230 million in retained business rates. For the Longcross site there could be 32 new businesses, 4100 new jobs and 90,000 sqm of new floor space with the development generating over £140 million in additional business rate income over the full 25 year period.

Successful implementation of the EZ requires support from all the relevant local authorities. Agreement between SCC and Runnymede about the infrastructure and other interventions that are needed to maximise development on the Longcross site will ensure that the package of measures is well targeted.

58/17 SURREY LOCAL FLOOD RISK MANAGEMENT STRATEGY [Item 15]

The report was introduced by Mr Furey, Cabinet Member for Highways, Transport and Flooding who highlighted many of Surrey's towns and villages were at risk of flooding. He emphasised the importance of local flood forums as a means of managing flood risk and ensuring that local knowledge and expertise were utilised in the creation and development of flood mitigation measures. There was seventeen local flood forums operating in Surrey but the hope was to double this number to ensure access to on the ground guidance and direction from local residents in flood.

Mrs Clack requested clarification in relation to how the recommendations in the report would support the work of local flood forums. The Cabinet Member

for Highways, Transport and Flooding advised that the strategy would improve channels of communication between SCC and individual local flood forums thereby enabling the Council to use this information in order to develop appropriate flood alleviation measures.

The Leader of the Council detailed his work on the 2007 Flood Review undertaken by SCC which highlighted 743 potential flood spots in the county. He inquired about mitigating the flood risk to Surrey with significantly less money available in order to do this and proposed a proactive approach to working with Central Government and local partners in order to secure the necessary funding in order to develop flood alleviation measures where they were required. Mr Furey responded by highlighting the transformative work that had taken place throughout the county to improve how the Council and its partners responding to flooding.

RESOLVED:

That;

1. the refreshed Local Flood Risk Management Strategy for Surrey be approved; and
2. Cabinet notes that the Council should consider options to strengthen and maintain future flood risk management work and that a report be presented to the Cabinet at its meeting in September 2017.

Reasons for Decisions

In its capacity as LLFA SCC has a duty to develop a strategy for flood risk management under the Flood and Water Management Act (2010). It also has to adopt a co-ordinated and co-operative approach to flood risk management with other Risk Management Authorities (RMA) under sections 9 and 13 of the same Act. The LFRMS sets actions and objectives to facilitate this.

Surrey's Corporate Strategy 2016-2021 states that 'investing in flood and maintenance schemes' is a priority under its Resident Experience goal. The refreshed LFRMS sets out the method for delivering this across the responsible authorities.

Flooding is a significant concern to the residents of Surrey. Approximately 1500 properties were flooded in the events of 2013/14 and more have been flooded since in localised incidents. It remains a high profile topic and it is important that SCC has a clear and up to date LFRMS that sets out priorities for flood risk management.

59/17 LEADER / DEPUTY LEADER / CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING [Item 16]

This Annex set out the decisions taken by individual Cabinet Members since the last meeting of the Cabinet. Members were given the opportunity to comment on them.

RESOLVED:

That the decisions taken by Cabinet Members since the last meeting, as set out in Annex 1 of the submitted report, be noted.

Reasons for Decision

To inform the Cabinet of decisions taken by Cabinet Members under delegated authority.

60/17 EXCLUSION OF THE PUBLIC [Item 17]

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

61/17 CRANLEIGH CHURCH OF ENGLAND PRIMARY SCHOOL [Item 18]

The Cabinet Member for Schools, Skills and Educational Achievement advised that the report set out the financial parameters for building the school and stated that it would be funded by the sale of land from Cranleigh C of E Primary School's existing sites.

RESOLVED:

That;

1. the self-funding business case for re-building of Cranleigh C of E Primary School, Cranleigh at a total cost as set out in the Part 2 report, be approved;
2. the arrangements by which a variation of up to 10% of the total value may be agreed by the Deputy Chief Executive and Strategic Director for Children, Schools and Families, in consultation with the Cabinet Member for Schools, Skills and Educational Achievement, the Cabinet Member for Business Services and Resident Experience and the Leader of the Council be approved.

Reasons for Decisions

The project will provide a much needed new facility to replace and combine the two currently separate infant and junior school sites. The project will also support Surrey County Council's (SCC) statutory obligation to provide sufficient school places to meet the needs of the population in the Cranleigh area.

62/17 FRAMEWORK AGREEMENT FOR RESIDENTIAL PARENTING ASSESSMENTS [Item 19]

The Cabinet Member for Schools, Skills and Educational Achievement indicated that the report requested agreement from Cabinet for the inclusion of two suppliers on Lot 1 of the Residential Parenting Assessments (RPAs). She reiterated that SCC was an outlier in the number of RPAs it conducted and that the Council would seek to reduce these.

RESOLVED:

That a Framework for Lot 1 be awarded to two suppliers in accordance with the financial details as set out in the Part 2 Report.

Reasons for Decision

There is a duty on local authorities to provide parenting assessments under section 38 (6) of the Children Act 1989, when directed by the Courts during care proceedings.

Establishing a new Framework Agreement will facilitate a long term partnership with suppliers, creating the working environment to support continuous improvement for high quality, child centred assessment services.

Value for money will be secured through a clear pricing structure which will help to ensure transparency and clarity around costs with fixed prices for the first two years of the framework. In addition to this, there will be robust contract management.

The recommended awarded providers met the tender evaluation criteria as well as demonstrating their experience and ability to deliver robust and high quality assessment reports that would inform care planning decisions.

Changes to UK procurement regulations (the Public Contracts Regulations 2015) means that spot purchasing services above specified financial thresholds (£589,148 per annum for social services) is no longer an appropriate form of procurement.

63/17 M3 ENTERPRISE ZONE [Item 20]

The Deputy Leader stated that the Part 2 report included the Business Plan for the M3 Enterprise Zone which would be submitted to Central Government. This was confidential due to the inclusion of specific financial information related to the proposals.

The recommendations were agreed by the Cabinet with seven Members voting with the recommendations and two Members abstaining.

RESOLVED:

That Surrey County Council's agreement that Enterprise M3 should submit the Implementation Plan to Government., as attached to the Part 2 report, be approved.

Reasons for Decision

The M3 EZ is a major opportunity to support economic growth on one of the largest available sites for commercial development in Surrey and to secure additional investment in the area. Over 25 years the further detailed work for the Implementation Plan suggests that the EZ could deliver about 130 new businesses, over 10,000 new jobs and generate an additional £230 million in retained business rates. For the Longcross site there could be 32 new businesses, 4100 new jobs and 90,000 sqm of new floor space with the

development generating over £140 million in additional business rate income over the full 25 year period.

Successful implementation of the EZ requires support from all the relevant local authorities. Agreement between SCC and Runnymede about the infrastructure and other interventions that are needed to maximise development on the Longcross site will ensure that the package of measures is well targeted.

64/17 PARTIAL RE-FINANCING OF SURREY'S PFI WASTE CONTRACT [Item 21]

The report was introduced by the Cabinet Member for Environment and Planning who stated that the refinancing of the SCC's PFI Waste contracts would help to contribute to the savings that the Council was required to make.

RESOLVED:

That;

1. the outline business case for the partial refinancing of Surrey's PFI waste contract be approved; and
2. authority be delegated to the Strategic Director for Environment & Infrastructure, Director of Legal, Democratic and Cultural Services and the Director of Finance, in consultation with the Cabinet Member for Environment and Planning to agree the detailed terms of the transaction including the sign off from DEFRA with a Variation Business Case.

Reasons for Decisions

These recommendations will help towards SCC achieving the required savings needed from the waste service, as outlined in the Medium Term Financial Plan. The partial refinancing will reduce the Council's Annual Unitary Charge payment to Suez, and will therefore improve the value for money and affordability of the existing waste PFI contract to the council and residents.

65/17 PROPERTY TRANSACTION [Item 22]

Mr Peter Martin left the room for the discussion on this item.

The Cabinet Member for Business Services and Resident Experience commended this transaction, which had been through the Investment Advisory Board, to Cabinet.

RESOLVED:

That:

1. Cabinet's approval for Surrey County Council's acquisition of a long leasehold interest as highlighted in the submitted report in accordance with the details outlined in that report be reaffirmed;
2. Cabinet's approval for the funding and reimbursement arrangements for Surrey County Council in relation to the acquisition of the leasehold

be reaffirmed; and

3. Approval be delegated to agree appropriate contractual and financial arrangements to the Chief Property Officer, in consultation with the Leader, Director of Finance and the Director of Legal & Democratic Services, following the completion of all necessary due diligence and upon exchange of agreements to lease, subject to a minimum rental value threshold being exceeded.

Reasons for Decisions

The proposed acquisition of the leasehold supports economic prosperity, one of Surrey County Council's corporate priorities.

66/17 PUBLICITY FOR PART 2 ITEMS [Item 23]

It was agreed that non-exempt information may be made available to the press and public, where appropriate.

[Meeting closed at 16:45]

Chairman

CABINET – 28 MARCH 2017

PROCEDURAL MATTERS

Member Questions

Question (1) from Jonathan Essex (Redhill East)

Please set out the savings for 2017/18 by directorate, and how they are split by in house savings and savings from changes to procurement/commissioning.

Reply:

The Council has not planned, nor analysed its savings plans between in house and procurement or commissioning.

The analysis in Annex 1 to the MTFP report sets out the savings by service. Aggregation by directorate gives the following analysis.

Directorate	2017/18 £000	2018/19 £000	2019/20 £000
Adult Social Care & Public Health	-27,615	-18,567	-9,689
Children, Schools & Families	-22,130	-15,169	-9,720
Environment & Infrastructure	-12,487	-7,516	-2,743
Communities	-685	-600	-172
Strategic Leadership	-485	-217	-124
Legal, Democratic & Cultural Services	-650	-1,142	-389
Orbis	-4,764	-2,996	0
Central Income & Expenditure	-24,684	-2,684	-3,002
Total savings	-93,500	-48,891	-25,838

David Hodge
Leader of the Council
28 March 2017

Question (2) from Jonathan Essex (Redhill East)

The Section 151 officer in the budget report to February council noted that the budget was unsustainable going forward and that the amount of reserves held by the council are at a minimum and could not be reduced. In the light of this, please confirm why it is now proposed to release a further £19.5m from reserves to balance the 2017/18 budget?

Reply:

Since writing her report to Council in February, a number of things have come to light which enable the Director of Finance to propose use of £19.5m to

balance the council's 2017/18 budget. The £19.5m comprises £11m released from provisions and £8.5m from reserves.

Provisions are sums set aside for future liabilities where the timing or amounts are uncertain. Provisions are the best estimate of the expenditure needed to settle the liability. Following a review of the council's provisions, the Director of Finance is satisfied the council no longer needs the provisions for potential liabilities relating to injury awards and to equal pay. The reduction in these provisions releases £11m, which the council will use to support 2017/18. The remaining £8.5m the council plans to use to balance 2017/18 comprises: additional retained business rates income, the 2016/17 revenue underspend and a small balance that may be necessary from existing reserves, depending on the outturn position.

After the Full County Council meeting in February, the council's 2017/18 retained business rates income was confirmed as over £4m higher than budgeted. The council plans to appropriate this amount to reserves in 2017/18. As at 28 February 2017, the council forecast -£6.8m revenue underspend for 2016/17. If this position continues to outturn, the council could make a small contribution to reserves. The forecast balance of the council's total earmarked reserves as at 31 March 2017 was £65.8. The likely amount (if any) the council would need to draw from this, does not have an unacceptable impact on the council's overall level of reserves.

As at 28 February 2017, the forecast underspend has risen to -£7m. If the council maintains this position, it should add a small net amount to its total reserves and improve its overall financial resilience.

David Hodge
Leader of the Council
28 March 2017

Question (3) from Jonathan Essex (Redhill East)
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In the last year, there have been five Member briefings on the budget prior to the setting of the budget envelope at the February 2017 council meeting - please confirm when a similar budget briefing will be given to Members to explain the rationale and details of the proposed savings/cuts as set out in the MTFP.

Reply:

As has been pointed out, the Cabinet seek to keep all Members informed during the budget planning process and that is the reason why we held the five Member seminars. These seminars are designed to provide Members with the major issues the council is facing for its budget. This has included changes to funding, the impact of increased pressures, and also the total amount of savings required to create a balanced and sustainable budget. These seminars are not the appropriate forum to look at the detail of budget savings. The appropriate place to do this is in the Scrutiny Boards, which is what the boards have done and have provided their recommendations to the Cabinet.

Looking forward, these all member seminars will continue as we plan the 2018/19 budget in order to provide Members with a clear understanding of the financial and budget issues faced by the council. This information will provide the necessary context for their work in scrutiny boards.

David Hodge
Leader of the Council
28 March 2017

Question (4) from Colin Kemp (Goldsworth East and Horsell Village)

'The proposed changes to fire cover in the Spelthorne area has been a topic of great interest to the Resident Experience Board; throughout Performance and Finance Sub-Group meetings and full Board public meetings, Members have been made aware of the complications and delays around the development of the new Fordbridge fire station.

The Fordbridge project was approved by Cabinet in 2014. It was originally expected that a new fire station would be operational within the Spelthorne area, achieving savings in 2015/16. Surrey County Council have managed the pressure caused by the delay through other savings, of which the fire service contributed. However, as the council could not continue to meet this financial pressure the public were consulted over the closure of Staines fire station, before the completion of Fordbridge fire station.

After listening to public opinion, the Leader took the decision to honour the original commitment made by Cabinet, to keep Staines fire station open until the new Fordbridge fire station became operational. Though the Board understood this decision, Members and residents are aware that this leaves a significant financial pressure outstanding of approximately £900k per year.

Can the Cabinet please provide some clarification on how this financial pressure is being managed; whether this pressure is held against Surrey Fire and Rescue Service's budget, or another Council service, and if so, which; and when is the new Fordbridge fire station due to become operational?'

Reply:

The Council has identified £93m of savings and service reductions as part of the £123m needed to move toward a balanced and sustainable budget. Despite the additional funding for adult social care and the savings identified by the Sustainability Review Board, further actions are still required to achieve a balanced budget for 2017/18 and a sustainable budget for future years. The decision to keep Staines fire station open until the new Fordbridge station becomes operational adds to the financial challenge for the forthcoming year and further savings will be required to be identified. The saving is being held against the Fire & Rescue budget since the saving is achievable in later years once the new station is open.

The new Fordbridge station is forecast to become operational in the summer of 2018 dependent upon there being no further unexpected delays or problems on site.

Richard Walsh
Cabinet Member for Localities and Community Wellbeing
28 March 2017

CABINET RESPONSE TO COUNCIL OVERVIEW BOARD

**SCRUTINY IN A NEW ENVIRONMENT TASK GROUP
RECOMMENDATIONS**

(Considered by the Council Overview Board on 1 March 2017)

COMMITTEE RECOMMENDATIONS:

That Cabinet review:

- a) the terms of reference for the Shareholder Board and consider the inclusion of a mechanism for tracking the performance of individual investments, and specifically the Property Investment Portfolio.
- b) the terms of reference for the Shareholder Board and consider the requirement that it report regularly, at least annually, to Cabinet on the performance of individual investments - and specifically the Property Investment Portfolio held by the Council - including with reference to each original business case and the Investment Strategy stated aims.

Future scrutiny role and Constitution changes:

- c) Annual reviews of the Shareholder Board (including a review of each LATC's performance) in the context of the Investment Strategy should be undertaken by the Council Overview Board in line with the constitution.
- d) Following this report the Constitution of Surrey County Council should be explicit in permitting the Council Overview Board to require Directors and Chief Executives of wholly owned LATCs (or trading companies where the Council has a controlling interest) to attend as witnesses to programmed agenda items to allow COB to fulfil its existing constitutional role to "review the performance of and hold to account any trading companies established by the Council."
- e) The Council Overview Board recommends that Scrutiny Boards consider conducting enquiries on proposals to commission services from wholly owned LATCs, at the initial stage when the business case is formulated. Long-term, once contracts are awarded, the boards should consider incorporating in their programme of work regular overview and scrutiny of service delivery.
- f) To carry out this work Scrutiny Boards should also be given the role to review the performance of trading companies that deliver relevant services under their remit. As above, the Constitution should be explicit in permitting Scrutiny Boards to access company financial information as part of their enquiries and to require Directors and Chief Executives of wholly owned LATCs (or trading companies where the Council has a controlling interest) to attend as witnesses to programmed agenda items.

RESPONSE:

The Cabinet would like to thank COB for their recommendations and for their work in reviewing the role of scrutiny in new models of delivery.

The council's investment portfolio is managed by the Investment Advisory Board rather than the Shareholder Board since the portfolio is the combination of assets held by the council and assets held by the council's wholly owned Property Company.

The investment performance is reported each month to Cabinet as part of the financial monitoring report. The Cabinet are considering a paper at their meeting today which includes an update to the terms of reference for the Investment Advisory Board, which will become known as the Investment Board. If approved the Investment Board will produce an annual performance report for the consideration of Cabinet and for the purposes of scrutiny.

The Committee will be aware that the Shareholder Board have produced two annual reports, in 2015 and 2016, which have been considered by Cabinet and scrutinised by COB. A further annual report will be provided in June 2017 which will provide comment about performance compared to expectations.

The Shareholder Board will continue to make information and its members available for attendance at COB meetings in order to aid its scrutiny role and will support reasonable requests from COB for the attendance of appropriate company officers to provide information to COB, however a change to COB's terms of reference would be a matter for Council rather than Cabinet.

David Hodge
Leader of the Council
28 March 2017

COUNCIL OVERVIEW BOARD

**Item under consideration: PROGRESS OF THE SUSTAINABILITY
REVIEW BOARD AND THE MEDIUM TERM
FINANCIAL PLAN 2017-22**

Date Considered: 27 March 2017

- 1 At its meeting on 27 March 2017 the Council Overview Board considered the Medium Term Financial Plan 2017-2022 and the report of the Sustainability Review Board.
- 2 The Council Overview Board recognises and shares the desire of the Cabinet to provide the best services possible for Surrey residents and understands the difficulties that there have been in reducing this offer. However, all the evidence the Board has considered confirms that the pace of change must accelerate significantly in the new Council and that there must be fundamental reviews of how frontline and support services are provided and the use and retention of council owned assets.
- 3 The Board further recommended that:
 - a) Cabinet notes the very strong resistance of the Council Overview Board to the notion that local member allocation and local committee highways schemes should be completely removed because of its disproportionate and detrimental impact on local communities and asks the Cabinet to not to proceed with this proposal.
 - b) That the Cabinet provide a commitment to early discussions in the new Council to improve the scrutiny process so as to afford all members a role and sense of ownership in the savings process required to achieve a sustainable budget.
 - c) Cabinet provides assurance that the enhanced tracking of savings, consultations and equality impact assessments in budget monitoring reports will be available to scrutiny boards

STEVE COSSER

Chairman of the Council Overview Board

COUNCIL OVERVIEW BOARD

Item under consideration: INVESTMENT STRATEGY REVIEW

Date Considered: 27 March 2017

- 1 At its meeting on 27 March 2017 the Council Overview Board considered the Investment Strategy Review paper prepared for Cabinet.
- 2 The Council Overview Board welcomes the proposal to produce an annual report on the investment portfolio as previously suggested to the Cabinet by the Board.
- 3 The Board recommended that the Council Overview Board retains the right to scrutinise individual investment proposals on property acquisitions before a decision is taken.
- 4 The Board also recommends that Cabinet review the proposed membership of the Investment Board to:
 - a) replace the two specified Cabinet posts to two Cabinet Members with appropriate knowledge.
 - b) include a Member of the Council who is not a member of the Cabinet

STEVE COSSER

Chairman of the Council Overview Board

**MEDIUM TERM FINANCIAL PLAN 2017 -2022 AND SUSTAINABILITY
REVIEW BOARD REPORT – ADDENDUM**

Following the publication of the Medium Term Financial Plan and Sustainability Review Board report, a number of events have occurred that has led to a change in the recommendations. These are explained below.

Sustainability Review Board

10. The Cabinet would like to thank the Sustainability Review Board (SRB) for all their work in such a short period of time, and the recommendations the SRB has proposed.
11. The Cabinet notes the ambition of these recommendations, both in achieving immediate savings and also plans for the longer term. The cabinet recognises that the proposals to move Heritage and Arts and Music to self-funding basis will not be achieved during 2017/18 and that the feasibility of these proposals will be developed during the year.
12. The Cabinet also recognises the value of small sums invested in highways by elected members in their own divisions. Therefore the Cabinet will not take that proposal forward.
13. Table 1 below sets out the SRB's proposals and the cabinet's recommended additional savings for 2017/18:

Table 1

<u>Function</u>	<u>Description</u>	<u>SRB</u> <u>2017/18</u> <u>saving</u>	<u>Cabinet</u> <u>2017/18</u> <u>savings</u>
Communications	Stop Surrey Matters Move to digital communications wherever possible, including print on demand service of key documents. Paper-free committee meetings by end of first year of new council.	£250,000	£250,000
Members Allocations	Propose to stop for next two years and then review <i>Cabinet – Reduce allocation to £6,000</i>	£729,000	£243,000
Community Improvement Fund	Propose to stop in 2017/18 and then review.	£264,000	£264,000
Surrey Growth Strategy	Propose a review of this – saving based on removing full budget <i>Cabinet – Reduce budget by £300,000 but allow 16/17 carry forward of underspending</i>	Up to £670,000	£300,000
Local Committee Highways Schemes	Propose to stop in 2017/18 and then review.	£450,000	£0
Fire Contingency crewing/specialist rescue	Remove this provision.	£418,000	£418,000
Heritage	Target for service to be self-funding by end of 2017/18.	Up to £1,381,000	£0
Arts & Music	Target for service to be self-funding by end of 2017/18.	Up to £394,000	£0
Total Full-Year Effect		£4,556,000	£1,475,000

14. The Cabinet notes the urgency for the transformation programme and accepts the SRB's indicative figures for a contribution to savings in the fourth quarter of 2017/18 of up to £9.0m.

Balancing 2017/18

15. The level of risks and liabilities faced by the council is increasing. On reflection, there is a need to maintain provisions for future uncertainties. Therefore, only £2m of provisions will be released, which can be used to support the budget in 2017/18.
16. The remaining balance of £10.0m will be met from the Budget Equalisation Reserve.
17. The use of these reserves will reduce the total earmarked reserves marginally compared to the level expected in February 2017, to £59.1m. This balance remains a minimum safe level of reserves for a county of this size and budget as well as with the current level of financial uncertainty.

Capital Budget

18. The Cabinet recognises the importance that small sums of capital investment can have on residents' experience and the partnership working with District and Boroughs. It is therefore proposing to reinstate the £150,000 contribution for Community Buildings Grant Scheme for 2017/18.

Recommendations

The changes described above will lead to amended recommendations. Recommendation 1 in the publicised paper has changed, as shown below. There is also an additional recommendations, which is now Recommendations 2 and 4. There is an additional recommendation 15 in regards to the review of fees and charges. All other recommendations remain the same.

It is recommended Cabinet approves:

1. the release of provisions of £2m and to use reserves of £10m to balance the 2017/18 budget;
2. the amended savings recommended by the Sustainability Review Board, as shown in Table 1 above;
3. the capital programme of £387m from 2017 to 2020, which is a reduction of £21m from that approved 7 February 2017;
4. the capital programme includes £150,000 for the Community Buildings Grant Scheme;

5. to only borrow for capital schemes where there is a compelling business case and for officers to review future years' budgets within the capital programme to reduce spending;
6. the 2017/18 service strategies (Annex 1);
7. the detailed service revenue and capital budgets for the year 2017/18 and indicative budgets for the years 2018-20 including amendments resulting from the Final Local Government Financial Settlement and other Government funding changes announced since 7 February 2017, including the March Budget (Annex 1);
8. the proactive and systematic engagement of the County Council in responding to proposed changes in local government funding to ensure these changes do not further disadvantage Surrey, and seeking the appropriate recognition of the costs of delivering services in Surrey;
9. the following in relation to the funding of Early Years providers:
 - The Local Authority to retain £4.4m of the Early Years grant to manage the sector and allow for a devolved provision for more targeted support.
 - Fund Early Years providers at rates which are commensurate with the levels of funding in the Early Years DSG:
 - £4.51 per hour for three and four year olds
 - £5.88 per hour for two year olds

Change in the distribution of deprivation funding which has been simplified to be based on the Early Years pupil premium funding (paragraph 22);
10. the publication of the service revenue and capital budgets as the Medium Term Financial Plan 2017-20.

It is further recommended that Cabinet notes:

11. the additional funding for adult social care announced in the Chancellor of the Exchequer's Budget 2017;
12. the options for areas for additional savings and service reductions identified by Sustainability Review Board (SRB) in a separate report (Annex 2);
13. the Director of Finance's letter to the Department for Communities and Local Government confirming that the Adult Social Care Precept will be spent entirely on adult social care functions (paragraph 8 and Annex 3);

14. the fees and charges approved under delegated powers (Annex 4);
15. the Cabinet establish a member led task group to review all service fees and charges and to report to the Cabinet in Autumn; and
16. the Equality Impact Assessments of the savings proposals within directorate and service budgets (Annex 5).

Projected Earmarked Reserves and Balances

	Opening Balance at	Forecast balance	Approved use to support 2017/18 budget	Forecast 01-Apr- 17
	01-Apr-16 £m	31-Mar-17 £m	£m	£m
Revolving Infrastructure & Investment Fund	11.1	11.1		11.1
Budget Equalisation Reserve	6.9	15.2	-8.5	6.7
Eco Park Sinking Fund	5.8	4.4		4.4
Insurance Reserve	6.5	7.7		7.7
Investment Renewals Reserve	8.8	2.1		2.1
General Capital Reserve	5.2	5.2		5.2
Street lighting PFI Reserve	5.1	4.4		4.4
Vehicle Replacement Reserve	3.9	3.0		3.0
Economic Downturn Reserve	9.2	9.2		9.2
Public Health Reserve	2.7	0.0		0.0
Economic Prosperity Reserve	2.5	2.5		2.5
Equipment Replacement Reserve	2.1	2.0		2.0
Child Protection Reserve	1.1	0.0		0.0
Business Rate Appeals Reserve	1.3	1.3		1.3
Interest Rate Reserve	1.0	1.0		1.0
Earmarked Reserves	73.2	69.1	-8.5	60.6
General Fund Balance	21.3	21.3	0.0	21.3

Purpose of earmarked reserves

Revolving Infrastructure & Investment Fund is to provide the revenue costs of funding infrastructure and investment initiatives that will deliver savings and enhance income in the longer term. Currently, the council transfers net income generated by the portfolio to the reserve.

Budget Equalisation Reserve supports future years' revenue budgets from unapplied income and budget carry forwards.

Eco Park Sinking Fund is to fund the future of the council's waste disposal strategy from surpluses in initial years.

Insurance Reserve holds the balance resulting from a temporary surplus or deficit on the council's self insurance fund and is assessed by an actuary for

the possible liabilities the council may face. It specifically holds £3.5m to cover potential losses from the financial failure of Municipal Mutual Insurance (MMI) in 1992 and also possible claims against the council. The company had limited funds to meet its liabilities, consequently, future claims against policy years covered by MMI may not be fully paid, so would be funded from this reserve. The balance on this reserve represents the latest assessed possible liability.

Projected Earmarked Reserves and Balances

Investment Renewals Reserve enables investments in service developments to make savings in the future. The reserve makes loans to services or invest to save projects, which may be repayable. The recovery of the loan is tailored to the requirements of each business case, which is subject to robust challenge before approval as part of the council's governance arrangements.

General Capital Reserve holds capital resources, other than capital receipts, available to fund future capital expenditure.

Street Light Private Finance Initiative (PFI) Reserve holds the balance of the street lighting PFI grant income over and above that used to finance the PFI to date. The balance will be used when future expenditure in year exceeds the grant income due in that same year.

Vehicle Replacement Reserve enables the future cost of vehicle replacement to be spread over the life of existing assets through annual revenue contributions.

Economic Downturn Reserve is to allay the risks of erosion in the council's tax base due to the impact of the localisation of council tax benefit and a down turn in the economy.

Child Protection Reserve provided funding for additional staffing costs as a result of the increased number of children subject to a child protection order. This reserve was to fund the costs until 2015/16, when the base budget was be increased to cover these costs. The final balance in this reserve was drawn-down during 2016/17.

Public Health Reserve holds any carry forward of unspent Public Health Grant from previous years, being used to fund activities in future years.

Economic Prosperity Reserve provides funding for projects that will increase economic development in the county.

Equipment Replacement Reserve enables services to set aside revenue budgets to meet future replacement costs of large items of equipment. Services make annual revenue contributions to the reserve and make withdrawals to fund purchases.

Business Rate Appeals Reserve mitigates against volatility in business rates income (driven by the volume and value of successful valuation appeals). The council bears 10% of any appeals losses (districts and

boroughs 40% and central government 50%) and has set aside £1.25m against potential business rates valuation appeals.

Interest Rate Reserve enables the council to fund its capital programme from borrowing in the event of an expected change in interest rates or other borrowing conditions.

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