

Notice of Meeting

Council Overview & Scrutiny Committee



Date & time
Wednesday, 17
April 2013
at 10.00 am

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

Contact
Bryan Searle or Andrew Spragg
Room 122, County Hall
Tel 020 8541 9019 or 020 8213
2673

Chief Executive
David McNulty

bryans@surreycc.gov.uk or
andrew.spragg@surreycc.gov.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 bryans@surreycc.gov.uk or andrew.spragg@surreycc.gov.uk.

This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Bryan Searle or Andrew Spragg on 020 8541 9019 or 020 8213 2673.

Members

Mr Mel Few (Chairman), Mr David Harmer (Vice-Chairman), Mr Mark Brett-Warburton, Mr Stephen Cooksey, Mr Steve Cosser, Mrs Clare Curran, Mr Eber A Kington, Dr Zully Grant-Duff, Mrs Sally Ann B Marks, Mr Steve Renshaw, Mr Nick Skellett CBE, Mr Chris Townsend, Mrs Denise Turner-Stewart, Mr Richard Walsh and Mrs Hazel Watson

Ex Officio Members:

Mrs Lavinia Sealy (Chairman of the County Council) and Mr David Munro (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
Contingency Planning	Public Value Review programme and process

PART 1 IN PUBLIC

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2 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.

3 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 (11 April 2013).
2. The deadline for public questions is seven days before the meeting (10 April 2013).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

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

The Committee did not refer any items to the Cabinet at its last meeting, so there are no responses to report.

5 DEMOCRATIC SERVICES: SCRUTINY REPORT 2012/13

(Pages 1
- 12)

Purpose of the report: Scrutiny of Services and Budgets/Performance Management

To scrutinise the effectiveness of Surrey County Council's scrutiny function for the 2012/13 municipal year.

6 STRENGTHENING THE COUNCIL'S APPROACH TO INNOVATION

(Pages
13 - 62)

Purpose of the report: Policy Development and Review

To provide the Committee with details of the papers, 'Strengthening the Council's Approach to Innovation: Update on our Innovation Journey' and 'Strengthening the Council's Approach to Innovation: Models of Delivery'. These were considered by the Cabinet at their meeting on 26 March 2013.

7 FINANCIAL MANAGEMENT NEW TECHNOLOGY PROJECT (Pages 63 - 66)

Purpose of the report: Scrutiny of Services

To update the Committee on progress on the implementation of the Financial Management Reporting and Forecasting Technology

8 SURREY COUNTY COUNCIL AND EAST SUSSEX COUNTY COUNCIL SHARED SERVICE DELIVERY AGREEMENT (Pages 67 - 72)

Purpose of the report: Scrutiny of Services and Budgets

To provide an update on the Shared Service Delivery agreement between Surrey County Council and East Sussex County Council.

9 APPRAISAL DATA - POSITION STATEMENT (Pages 73 - 76)

Purpose of the report: Scrutiny of Services

To provide an update on progress with logging completion rates for the People Strategy promise that 'Everyone will have an annual appraisal'.

10 PROGRESS REPORT FOR BUSINESS CONTINUITY ARRANGEMENTS (Pages 77 - 80)

Purpose of the report: Scrutiny of Services

The purpose of this report is to highlight the progress that has been made regarding Business Continuity in Property Services, Information Management and Technology and Public Health, as part of the agenda setting for the Council Overview and Scrutiny Committee.

11 BUDGET MONITORING (Pages 81 - 104)

Purpose of the report: Scrutiny of Services and Budgets

This report presents the revenue and capital budget monitoring up-date for February 2013 with projected year-end outturn.

12 RECOMMENDATION TRACKER (Pages 105 - 108)

The Committee is asked to monitor progress on the implementation of recommendations from previous meetings.

13 DATE OF NEXT MEETING

The next meeting of the Council Overview & Scrutiny Committee will be a private induction meeting on 7 June 2013 at 10am. There will be a public meeting of the Committee on 3 July 2013 at 10am.

David McNulty
Chief Executive

Published: 9 April 2013

MOBILE TECHNOLOGY – ACCEPTABLE USE

Use of mobile technology (mobiles, BlackBerries, etc.) in meetings can:

- Interfere with the PA and Induction Loop systems
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- Interrupt presentations and debates
- Mean that you miss a key part of the discussion

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Council Overview and Scrutiny Committee
17 April 2013

Scrutiny Annual Report 2012/2013

Purpose of the report: Scrutiny of Services and Budgets/Performance Management

To scrutinise the effectiveness of Surrey County Council's scrutiny function for the 2012/13 municipal year.

The Scrutiny Annual Report 2012/13

1. The Scrutiny Annual Report 2012/13 is attached as **appendix A**.

Recommendations:

2. That the Council Overview and Scrutiny Committee:
- (a) Considers the effectiveness of scrutiny in Surrey over the past municipal year, making recommendations where appropriate.
 - (b) Supports the distribution of the report to all Members, internal Officers (via the s-net) and stakeholders
 - (c) Considers the format of the report and whether any improvements could be made for the future.

Next steps:

Subject to approval from the Council Overview and Scrutiny Committee the report will be distributed as suggested in recommendation 2.2.

Report contact: Bryan Searle, Senior Manager for Scrutiny and Appeals

Contact details: 020 8541 9019

Sources/background papers: None

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Scrutiny Annual Report 2012/2013

Introduction

Last year's Annual Report reflected on the changes which had been made to the structure and membership of Select Committees in order to ensure a strong focus on the Council's key priorities and the improvement of services for the benefit of Surrey residents. Changes were also made to the officer support so that the Committees had the resources they need to carry out their policy development and scrutiny roles effectively. The report looked forward to further successes for scrutiny in driving improvement in the Council, the following pages demonstrate that the Select Committees have continued to provide challenge to the Cabinet and have strengthened their policy development and review role.

This report has not attempted to list all the work Select Committees have carried out during the year, but it seeks to showcase some particular successes and reflect the range of different approaches which can be taken to help the Council meet the challenges it faces. To do that successfully, Select Committees have to do more than just scrutinise decisions after they have been taken. It is also important that they are involved early in the process to help shape policies and strategies and ensure that when decisions are made they have taken into account a wide range of views and perspectives.

The case studies in this report are structured around the Centre for Public Scrutiny's four principles of good scrutiny. This provides a useful reminder about where the focus of scrutiny should be, but the fact that there are good examples to share against each of those principles is an endorsement of what has been achieved through Select Committees this year. As well as highlighting the successes from the past year, this report acknowledges that further progress can continue to be made. The suggested improvement areas at the end of the report set out some of the challenges in the year ahead to ensure that the scrutiny function builds on past achievements and helps the County Council to continue to adapt to changing circumstances.

After a year of consolidation, 2013/2014 will see further changes to Select Committees as a result of the Council Elections in May 2013. The aim will be to ensure that the newly-elected Members are provided with the training and development they need to perform effectively in their overview & scrutiny role, and that Select Committees make the most of their knowledge, experience and enthusiasm to ensure further success in the coming year.

The Centre for Public Scrutiny has identified four principles of good scrutiny:

1. Provides 'critical-friend' challenge to executive policy-makers and decision-makers.
2. Enables the voice and concerns of the public to be heard.
3. Is carried out by 'independent minded governors' who lead and own the scrutiny role
4. Drives improvement in public services

This annual report highlights the ways in which Select Committees have followed these principles to reach effective outcomes, as well as highlighting ways in which the overview & scrutiny function can continue to improve in the future.

1. Good scrutiny provides 'critical-friend' challenge to executive policy-makers and decision-makers

Good scrutiny should act as a 'critical-friend' to the Cabinet by reviewing decisions and policy and providing evidence-based recommendations in order to promote improved service performance and value for money for residents. The following case studies provide good examples of where scrutiny has effectively exercised its 'critical-friend' role:

Magna Carta

Select Committees have the power to 'call-in' a decision of the Cabinet if they feel it requires further consideration. **The Communities Select Committee** exercised this power in relation to proposals for the County Council to contribute £5m towards building a visitor centre in Runnymede to celebrate the 800th anniversary of the sealing of the Magna Carta.

A number of witnesses were asked to present their views to the Committee, including Borough Members and Officers, special interest groups, and residents. Subsequently, following consideration of the business case for the project and the current financial pressures faced by the County Council, the decision was taken not to invest £5 million to this project but to continue to consider other ways in which to celebrate this important event for Surrey.

Supporting Families

The Children's and Families Select Committee sponsored a cross-select committee task group which has scrutinised the development of the Surrey Family Support Programme. The Surrey Family Support Programme is the name given to the local implementation of the Government's Troubled Families Programme, which seeks to target interventions at those families who have the most needs and cause the most problems within their communities. The task group worked closely with the Head of Family Services who is charged with coordinating the development of the Programme across the county, met with a range of stakeholders and discussed a number of reports and briefing papers. It submitted its final report and recommendations to Cabinet on 26 March 2013.

Every school a good school

After the Cabinet announced its ambition to have all schools recognised as ‘good schools’ by 2017, the **Education Select Committee** has been keen to act as ‘critical friend’ to help ensure that the Council meets this target. As a result, the Committee has focused its work programme on school improvement and performance, and has been working closely with Babcock 4S to ensure Surrey’s Improvement Strategy is implemented successfully. The Committee has also undertaken detailed scrutiny of school performance at all key stages, the final report of which is to be made available to all parents via the Surrey County Council website.

2. Good scrutiny enables the voice and concerns of the public to be heard

By investigating issues of concern to Surrey residents, scrutiny is an important tool through which the public can have their voice heard. The following case studies provide two excellent examples of how scrutiny has focused on issues of public concern over the past year. There is also information on how scrutiny has sought to increase engagement with the people who use our services.

Epsom Hospital

The future of Epsom Hospital is a matter of great concern to many Surrey residents and as a result it has been a major focus of the **Health Scrutiny Committee** this year. The Committee was involved in scrutinising the proposed merger of Epsom with Ashford and St Peter’s Hospitals and was frustrated when this process was halted. A variety of witnesses were invited to the Committee’s January meeting to discuss the way forward which resulted in the Chairman of the Committee releasing a press statement calling on all involved to find a viable and sustainable future for Epsom Hospital.

The future of Epsom Hospital is now under consideration as part of the Better Services Better Value (BSBV) review of the NHS in South West London. The Committee has been scrutinising this review from the beginning due to its representation on the South West London Joint Health Overview and Scrutiny Committee. The Chairman has also been working closely with the MP for Epsom and Ewell to lobby the BSBV team on behalf of Surrey residents.

Fire Public Safety Plan

The Fire and Rescue Public Safety Plan remains an issue of great public interest in Surrey. The **Communities Select Committee** recently examined the progress of phase 1 of this plan as well as the proposed actions for 2013-2016. The Fire and Rescue Service continues to take into account the Committee’s recommendation that it needs to actively engage with stakeholders regarding public reservations about the plan. For example, there has been extensive public and Member consultation recently over the proposed changes to the emergency response cover in Epsom & Ewell and Reigate & Banstead.

Meeting people who use our services

One way in which scrutiny can ensure that it enables the voice and concerns of the public is by regularly meeting with people who use our services. Select Committees have been working to increase the number of site visits and engagement events they have undertaken over the past year.

For example, the Chairman of the **Children's Select Committee** has undertaken a series of 'meet and greets' with our partners and stakeholders to develop wider understanding about scrutiny and to ensure that different voices are heard within the scrutiny process. Members of the Select Committee also directly sought the views of care leavers before reviewing the Care Leavers' Service.

The **Adults Social Care Committee** Chairman and Vice-Chairman have also undertaken a programme of stakeholder engagement including attending a number of Delivering Empowerment Board meetings. These meetings (for people with physical, sensory and cognitive disabilities) provide a great opportunity for Members to meet people who use our services and gather ideas for the scrutiny work programme.

3. Good scrutiny is carried out by 'independent minded governors' who lead and own the scrutiny role

Good scrutiny needs to be led by Members who understand and champion the role of Select Committees, understand its importance in the democratic process and seek to make improvements to the function wherever possible.

Council Overview and Scrutiny Committee

The **Council Overview & Scrutiny Committee** has the dual role of reviewing the Council's central services (those in the Chief Executive's Office and the Change & Efficiency Directorate) as well as taking a broader view of performance issues across the whole Council. This Council-wide perspective is particularly valuable, as it enables the Committee to assess the impacts of decisions and proposed policies on individual services and balance these with pressures across the County Council as a whole.

Each of the Select Committee Chairmen sits on the Council Overview & Scrutiny Committee, and they take responsibility for informing the Committee of the work they are planning or have carried out, as well as flagging up specific issues for their service areas. Through its scrutiny of financial and performance information, the Council Overview & Scrutiny Committee in turn identifies issues in particular services which it asks relevant Select Committees to look into in more detail. Each Select Committee is responsible for taking the lead on issues relating to the services within its remit, but benefits from the wider perspective that the Council Overview & Scrutiny Committee is able to provide.

A good example of Select Committees and the Council Overview & Scrutiny Committee working together to examine issues at both the directorate- and County-wide level is in relation to the

budget. Each of the Select Committees took responsibility for monitoring its current budget and scrutinising the proposed budgets for 2013/2014 through a range of workshops and reports, and the Council Overview & Scrutiny Committee consolidated the key issues for the Council as a whole and made recommendations to the Cabinet which helped inform the budget-setting process.

The Select Committee Chairmen also meet informally as a group to share good practice and innovative approaches between committees, and generally oversee improvements to scrutiny practices and procedures. Two joint meetings were also held with the Cabinet to discuss ways in which the effectiveness of the scrutiny role could be further improved, and arrangements for sharing information about forthcoming issues at an early stage and ensuring good communication with Strategic Directors were also agreed.

4. Good scrutiny drives improvement in public services

The ultimate aim of good scrutiny should be to result in tangible improvements in public services. The following case studies provide examples of where scrutiny has worked with the Cabinet, Officers and external stakeholders to drive such improvement.

Winter Maintenance

The impact of **the Environment and Transport Select Committee's** Winter Maintenance Task Group's recommendations continue to be recognised on both a local and national level. The Task Group's work, which resulted in a significant drop in complaints to the Highway Service, was shortlisted for a Good Scrutiny Award at the Centre for Public Scrutiny (CfPS) in 2011 in the category of 'Transforming Services', and was also nominated for inclusion in the 'People's Choice Award' for overall impact by delegates at the 2011 annual CfPS conference held in Central London..

The work of the Task Group has also been highlighted internally at Surrey County Council, with it being used as a case study of good practice in the Chief Executive's 6-month report, and the subject of a campaign by internal communications to raise awareness of the role of scrutiny in the organisation.

Support for Carers

The **Adult Social Care Select Committee's** Carers Member Reference Group produced its final report in May 2012, the purpose of which was to monitor an Officer Task and Finish group looking at improving support for Carers. The Members worked closely with the Directorate to monitor the project, with external expertise provided by the Chief Executive of Action for Carers. A recommendation arising from the work of both groups was the establishment of a Carers Practice and Performance Group made up of Adult Social Care officers and external partners. This group meets quarterly to review Directorate performance and follow up any actions to ensure improvements to carers services are continuing. The Group reports back to the Select Committee around every six months. The key performance areas the Group monitors are the numbers of carers 'open' in the AIS social care database and the numbers of carers with an

assessment of their needs. Being 'open' in the database means the carer is known to adult social care and is linked up with the person they are caring for. Having an assessment means they could be offered services to help them in their caring role. As of January 2013, the numbers of carers 'open' in AIS is 5,904, up from 5,801 in March 2012. The number of carers with an assessment has also increased since March 2012 from 1,214 to 2,129.

Utilities Task Group

Acting upon requests from residents and Members, the **Environment and Transport Select Committee** formed a Task Group to consider how the Council could work with utilities companies to better co-ordinate and improve the quality of street works on Surrey's highways. The Task Group surveyed a wide range of stakeholders, including residents and Councillors, in order to form a series of recommendations that addressed the concerns of the people of Surrey. A high response rate was received, and this was due the publicity given to the Task Group in the local media by newspapers, radio stations and websites.

The outcome of the Task Group's work was the formation of recommendations around improving the communication of street works, better reporting mechanisms, approval of a permit scheme and clearer processes for works taking place in areas with special conditions. These proposals were very well received by both the Environment & Transport Select Committee and the Council's Cabinet, with Cabinet Members stating that the Task Group's report should be regarded as an exemplar as to how this kind of work should be conducted in future.

New roles and responsibilities

The scrutiny team has needed to prepare for a number of new roles and responsibilities throughout the course of 2012-2013.

Police and Crime Panel

The Surrey Police and Crime Panel was established in 2012 in accordance with the Police Reform and Social Responsibility Act 2011 which underpins new governance and accountability arrangements for policing in Surrey.

The Panel is a joint committee hosted by Surrey County Council, and consists of one elected councillor from each of Surrey's twelve local authorities and two co-opted independent members. The role of the Panel is to examine the actions and decisions of Surrey's elected Police and Crime Commissioner and to make sure information is available to the public so that they can hold their Commissioner to account. To date, the Panel has overseen the appointment of the Deputy Police and Crime Commissioner, agreed the Police precept for 2013/14 and worked with the Commissioner to develop his statutory Police and Crime Plan.

In the coming year the Panel will be receiving regular updates on progress made against the agreed Plan and Surrey Police's financial position. The Panel is also responsible for handling and resolving complaints received against the Commissioner and will be closely monitoring his and his Deputy's performance through both formal meetings and focused task groups.

Health Scrutiny Changes

The next year represents significant changes for the NHS, with reformed structures going live on 1 April 2013. In turn, these changes for the NHS present a challenge for the **Health Scrutiny Committee** which needs to ensure it is prepared to hold decision-makers to account in the new health landscape.

As a result the Committee has already begun developing relationships with Clinical Commissioning Groups (CCGs) who will take over commissioning responsibilities from the Primary Care Trust (PCT) in April. The Committee has also developed a Protocol setting out how it will work with the NHS in the event of a major service reconfiguration. This was agreed with the CCGs, acute hospital trusts, the mental health trust and the ambulance trust in March 2013 and ensures that all stakeholders are aware of what engagement needs to take place with scrutiny should they propose a significant change to the delivery of health services in Surrey.

Looking forward

How we can improve

In the same way that scrutiny seeks to ensure continuous improvement in the services reviewed to ensure that they meet the changing challenges they face, Select Committees themselves need to look at how they work to ensure that they provide a valuable resource and maximize their effectiveness. This section outlines some of the improvement areas identified for the coming year and explains the priorities for the Scrutiny Team in Democratic Services in supporting that improvement process.

More robust monitoring of Select Committee recommendations– Although the majority of scrutiny recommendations in 2012/13 have been accepted by Cabinet in principle (48 out of 54 total) there is potential for more robust monitoring of their implementation. Where recommendations are not implemented, the Council Overview and Scrutiny Committee may wish to consider a greater role in holding the Cabinet to account.

It is also worth noting that there is variation in when Select Committees make formal recommendations to Cabinet, with some Chairmen preferring to work more informally by making recommendations directly to Officers or Cabinet Members. If 'recommendations to Cabinet' is a measure by which scrutiny wishes to measure itself, it may be worth the Select Committees Chairman Group clarifying when a formal recommendation should be made.

Increased public engagement – Building on the success of the 'meet and greet' sessions, the scrutiny team will be looking to work with Members to increase the number of opportunities for informal conversation with people who use our services, to help ensure that our work programs reflect their concerns. We will also be looking to improve the information available online regarding scrutiny, ensure reports can be understood by the public as well as ensuring more meetings are held in different venues across the County.

Increased training and development - Democratic Services will be offering a comprehensive scrutiny induction program to both new and returning Members. This will include training in scrutiny principles and methods (including specialist training for finance and performance scrutiny) as well as a full induction into the services within the remit of the Select Committees they sit on. There will also be more informal training opportunities, such as workshops and site visits, on offer to Members throughout the year.

Increased opportunities for external stakeholders to contribute to the scrutiny process – It is important that scrutiny Members hear evidence from a range of people, not just Surrey County Council Officers. Scrutiny needs to continue to build relationships with external stakeholders, so they understand the process and are able and willing to offer their input when appropriate. Members may also wish to explore whether they would like to increase the use of co-opted members on both Select Committees and task groups as it has been recognised (both internally and externally) that they can add great value to the process.

Different ways of working – As is evidenced in this annual report, many of scrutiny's most successful outcomes have come from working outside the formal Select Committee setting. The Scrutiny Team will be working with Members to support them in leading and participating on task group projects, through specialist training and increased guidance and support on the process.

Less is more – Unfortunately, it is not possible to scrutinise everything and those involved in scrutiny must be extremely selective and adopt a rigorous approach to choosing the topics which can have the greatest impact. Criteria have been developed to help Select Committees to decide whether an item should be looked at, and there are a range of different ways for the chosen topic to be reviewed, for example by setting up a task group or taking a report at a more formal committee meeting. Focusing on fewer issues and ensuring that these are the top priority will enable Select Committees to make the best use of their resources and have the greatest impact.

Support for Overview & Scrutiny

The overview and scrutiny function at Surrey County Council is supported by a small but dedicated team sitting within Democratic Services. Select Committees delivering tangible results is a key service priority for 2013/14 and the scrutiny team have agreed to focus on achieving the following objectives in order to realise this aim:

- (a) Scrutiny Induction delivered successfully, ensuring that new and returning Members feel supported and informed in their scrutiny roles.
- (b) Scrutiny produces timely and meaningful recommendations through working collaboratively with services and partners on key issues.
- (c) Stakeholders are engaged in the scrutiny process:
 - Chairmen meet with stakeholders informally to discuss key issues.
 - Stakeholders regularly participate in Select Committees and/or task groups as witnesses.

- (d) Training and guidance is in place which allows Officers throughout the Council to improve their understanding and awareness of the Scrutiny process.
- (e) Scrutiny Officers have good knowledge of scrutiny principles and relevant service areas, and have access to useful templates and guidance.

Select Committee Officer contact details

Adults Social Care	Leah O'Donovan	020 8541 7030
Children and Families	Rachel Yexley	020 8541 9133
Environment and Transport	Tom Pooley	020 8541 9902
Health Scrutiny	Leah O'Donovan	020 8541 7030
Communities	Jisa Prasannan	020 8213 2694
Education	Damian Markland	020 8213 2703
Council Overview and Scrutiny	Bryan Searle	020 8541 9019
Scrutiny Manager:	Rachel Yexley	020 8541 9133
Senior Manager:	Bryan Searle	020 8541 9019

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Council Overview & Scrutiny Committee
17 April 2013

Strengthening the Council's Approach to Innovation

Purpose of the report: Policy Development and Review

To provide the Committee with details of the papers, 'Strengthening the Council' Approach to Innovation: Update on our Innovation Journey' and 'Strengthening the Council' Approach to Innovation: Models of Delivery'. These were considered by the Cabinet at their meeting on 26 March 2013.

Introduction:

1. The attached documents are the papers, 'Strengthening the Council' Approach to Innovation: Update on our Innovation Journey' and 'Strengthening the Council' Approach to Innovation: Models of Delivery'. These were considered by the Cabinet at their meeting on 26 March 2013.
2. The proposed recommendations contained within the paper were agreed by the Cabinet.

Recommendations:

That the Committee scrutinise the Cabinet papers and make recommendations as necessary.

Report contact: David Hodge, Leader of the Council
Julie Fisher, Strategic Director for Change and Efficiency

Contact details: 020 8541 9550

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COVER SHEET AND INTRODUCTION FOR ITEMS 8 AND 9

STRENGTHENING THE COUNCIL'S APPROACH TO INNOVATION

Surrey County Council places a **relentless focus on delivering public value** for its residents and the need for establishing more cost effective ways of delivering services has never been greater.

Although the council has successfully delivered significant efficiency savings in recent years (£68m in 2010/11, £61m in 2011/12, £66m forecast for 2012/13) the budget assumptions for the next Medium Term Financial Plan (MTFP 2013-18) include significant further savings of £240m. The need for these savings arises from increased demands for council services (e.g. the impact of an ageing population) and a reduction in the grant received from central government. The continuing national economic challenges and revisions to the basis for local government funding add further uncertainty around the level of funding the council will receive in the future.

In preparing for this challenge the council has adopted a **strategy of strengthening** - investing in staff and developing effective partnerships - enabling it to continue to **secure economic growth and a prosperous future for Surrey and protect the vulnerable**.

The key to strengthening the organisation will be its ability to innovate. The council has already delivered many examples of innovative solutions to the challenges it has faced. Building on and learning from those examples, the council has developed a strategic framework for innovation, approved by the Cabinet on 27 November 2012 – items 8 and 9 which follow on today's Cabinet agenda provide an update on progress in implementing the recommendations from that report:

- **Item 8 – Update on our innovation journey:** this report provides an update across the seven action areas highlighted in the *Strengthening the Council's approach to innovation* Cabinet Report (27 November 2012). This includes the findings and proposed actions from the recent Local Government Association coordinated peer challenge event.
- **Item 9 – Models of delivery:** recognising the scale of the challenges ahead and anticipating the needs of the future, this report focuses on how the council proposes to use the most effective delivery model to provide services for residents while ensuring public value. The report describes the different delivery models already being used by the council; examples of successes it has achieved so far; and makes recommendations to provide the foundations for the council to develop its approach to trading.

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SURREY COUNTY COUNCIL

CABINET

DATE: 26 MARCH 2013

REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL

LEAD OFFICER: JULIE FISHER, STRATEGIC DIRECTOR FOR CHANGE AND EFFICIENCY

SUBJECT: STRENGTHENING THE COUNCIL'S APPROACH TO INNOVATION: UPDATE ON OUR INNOVATION JOURNEY



SUMMARY OF ISSUE:

On 27 November 2012 the Cabinet approved the development of a strategic framework to achieve a strong "One Team" approach to innovation ("ideas into action to improve lives in Surrey"). This recognises that over the coming years the Council will need to continue to strengthen its capacity and capability to innovate in order to continue improving outcomes and value for money for Surrey's residents.

Significant progress has been made to establish the strategic innovation framework and begin developing new ideas and approaches. This progress was recognised by a small team of expert peers who visited the Council in February to assess progress and plans on innovation. The peer team shared some helpful recommendations and this report describes how these recommendations will be incorporated into the continued work to strengthen the Council's innovation capacity and capability.

RECOMMENDATIONS:

It is recommended that:

1. The Cabinet acknowledges the good progress made so far to strengthen innovation capacity and capability and welcomes the findings from the peer challenge
2. The Chief Executive and Strategic Director for Change and Efficiency continue to work with colleagues to develop and implement the strategic framework for innovation, incorporating the recommendations from the peer challenge
3. The learning and evaluation from innovation work will be reported back to Cabinet and Council via the Chief Executive's six monthly progress reports, the next of which will be published in the summer

REASON FOR RECOMMENDATIONS:

To further refine and strengthen the Council's approach to innovation so it can exploit new opportunities, navigate significant challenges and achieve improved outcomes and value for money for Surrey's residents.

DETAILS:

Background

1. On 27 November 2012 the Cabinet agreed the development of a strategic framework to achieve a strong “One Team” approach to innovation. It was recognised that over the coming years the Council will need to continue to strengthen its capacity and capability to innovate in order to continue improving outcomes and value for money for Surrey’s residents.
2. The framework reflects the fact that this will require a sustained effort over the long term, building on the foundations that are in place, learning from experiences and adapting approaches over time.
3. Over the last four months significant progress has been made to establish the strategic innovation framework and begin developing new ideas and approaches. Successful test workshops have been completed, the tools and methodology to support innovation have been developed and a brand for the work has been designed (known as “Shift”). A peer challenge exercise has also been completed to test progress so far and help shape the next phase of work.
4. Progress updates are described against each of the seven components of the strategic framework for innovation in the rest of the report.

The components of the Strategic Innovation Framework

Leadership	(i) All efforts to innovate will focus on achieving the core purpose and objectives in the Corporate Strategy
	(ii) A cross-Council “innovation projects programme” will be developed
Culture	(iii) To create the right climate for innovation the council’s values and People Strategy will continue to be embedded
Skills and Tools	(iv) The council’s training and development programme will be further developed with a strong focus on innovation capability
	(v) Tools, methods and IT infrastructure will be further developed to support innovation
Catalysts to accelerate progress	(vi) Introduction of an “innovation hub” approach
	(vii) A small team of expert peers will visit the council in February 2013 as part of an LGA co-ordinated Peer Challenge and will test progress and plans on innovation

Progress updates

Leadership

(i) All efforts to innovate will focus on achieving the core purpose and objectives in the Corporate Strategy.

5. The work on innovation is being developed to ensure that it supports the council’s [One County One Team Corporate Strategy 2012-17](#). A refreshed Corporate Strategy will be presented to Cabinet in June and Council in July.

(ii) A cross-Council “innovation projects programme” will be developed.

6. Work has begun on a small number of “test” projects which will help develop and refine the approach to innovation. For example, as part of the Families Support Programme a pilot is being run using “Patchwork”, a web based information sharing tool which connects professionals and agencies around individual families. This will provide broader learning about technology assisted change that may be applied elsewhere across the Council and with partners.
7. Initial workshops have also been held on a number of topics including Special Educational Needs Transport and the use of digital technology by Cultural Services.
8. The learning from the initial “test” projects will be used to help guide future innovation work. The Strategic Director for Change and Efficiency is co-ordinating the development of a programme of future projects, ensuring focus on a range of issues that need attention to help the council deliver its strategic objectives.
9. To ensure strong “one-team” leadership through what will be a challenging and complex period of change the Corporate Leadership Team have agreed some specific cross-Council leadership roles:
 - Commissioning - Strategic Director for Children Schools and Families and Strategic Director for Adult Social Care
 - Continuous Improvement - Strategic Director for Environment and Infrastructure and Strategic Director for Customers and Communities
 - Partnerships - Assistant Chief Executive
 - Innovation and trading - Strategic Director for Change and Efficiency
10. The Chief Executive will continue take an oversight role, working closely with Strategic Directors - in particular on partnerships, innovation and trading - and advising Members. Also note that the Strategic Director for Customers and Communities will continue in the role of Mole Valley District Council’s Interim Chief Executive until March 2014.
11. Leadership focus on these cross-cutting themes will help ensure the Council can continue to deliver its critical day-to-day responsibilities effectively, whilst also strengthening its capacity and capability in readiness for the future challenges it faces.

Culture

(iii) To create the right climate for innovation the Council’s values and People Strategy will continue to be embedded.

12. The Corporate Strategy sets out the goal that the Council - all its Members and Officers - work together with a strong “one team ethos”. This extends beyond organisational boundaries and the Council has continued to work in partnership with residents, communities, businesses and other organisations to deliver improved outcomes and value for the county. The Council’s values – listen, responsibility, trust, respect – continue to be embedded and provide the vital underpinning ethos for new ways of working and service delivery.

13. The People Strategy supports the psychological contract (the perceptions and mutual expectations) between the organisation and employees. Delivery of the 12 People Strategy promises is integral to developing a culture in which employees are able to work in dynamic and flexible ways, finding new solutions to challenges and working in partnership with a wide variety of agencies. This is being achieved through projects and targeted interventions in specific areas such as appraisal and managers' development.
14. The current workforce planning approach has facilitated discussions with staff and identified a strong organisation-wide appetite for innovation and the desire for a culture of creativity, trust and independence with investment in continually developing and improving ways of working. The HR and Organisational Development Service will continue to work with Directorates to develop the culture and skills that foster innovation including exploring how the council recognises and rewards 'innovators'.

Skills and tools

(iv) The Council's training and development programme will be further developed with a strong focus on innovation capability.

15. Work is underway to incorporate innovation training into the STARS training and development programme. In addition, activities are being designed to give individuals the skills to recognise the relevance and impact of innovation in their work and equip them with the tools and techniques to drive innovation.
16. A programme of work is underway to build understanding of roles and impact of actions between Officers and Members. This includes a half day workshop promoting; 'one team: working together' which equips officers to 'think resident, think councillor' and equips councillors to 'think resident, think officer'. Supporting this will be further activities such as shadowing and coaching. The council is also reviewing its existing customer service training to ensure it meets the highest standards.

(v) Tools, methods and IT infrastructure will be further developed to support innovation.

17. The model and method for structured innovation has been further developed (see Annex A). It reflects the brand and visual identity for the innovation work which is now known as "Shift".
18. Within this cycle creative new ideas at the "discovery" phase provide the crucial spark but they need to be developed, designed, tested, decided on and delivered before they can improve outcomes for Surrey's residents. In practice the process of innovation is complex and varied but this model will ensure a common understanding and methodology to the Council's approach.
19. The tools and techniques that can be applied at each of the stages of innovation have been further developed and a campaign launched on the s-net (intranet) so staff and Members can share their experiences of using the tools and making improvements. A prototype website (www.shiftsurrey.org) has also been developed in order to provide an accessible place for sharing innovation tools and learning within and outside of the Council.
20. Work has continued to develop IT infrastructure and solutions that support innovation, with the Technology Boards for each Directorate helping to drive and co-ordinating planning. For example, the 'Modern Worker' programme is

enabling council staff and Members to work more flexibly by equipping them with mobile devices, mobile apps (e.g. the youth worker app), using bring your own devices (byod), collaborative tools such as gotomeeting, huddle and egress so residents benefit from a more efficient and effective services. The initiative won a national innovation award from the Society for Information Technology Management in December 2012.

21. Elsewhere, two new data centres have gone live and equipment is being moved in from Surrey's Borough and District Councils and East Sussex County Council. Another project – called UNICORN - is bringing together over 40 different networks across the county to reduce costs and enable joint working, and the Supply2Surrey and Build Surrey websites have been launched to help local businesses bid for public sector contracts and take on apprentices.
22. In addition IMT have revised the equipment replacement fund contributions to enable more regular refresh of staff and Member IT equipment. A new Digital Reward scheme for all staff will also be launched to enable cost effective access to personal IT and mobile phone technology for all staff.

Catalysts to accelerate progress

(vi) Introduction of an “innovation hub” approach.

23. The most innovative organisations design specific structures and processes to support and manage different types of innovation. A common feature is the use of innovation and design hubs – small units with flexible resources embedded within the organisation to support colleagues who are testing, developing and implementing new ideas.
24. To test this idea within the council officers from the Policy and Performance Service (Chief Executive's Office) have begun connecting with wider groups of colleagues across the Council in order to bring together the people and skills needed to address key problems. This is purposefully being developed through flexible networks, rather than being structured in a hierarchical manner.
25. Building on the Smarter Working programme, which is identifying and developing smart use of technology and physical spaces across the county, a space in County Hall has been designated to support innovation projects. As part of the overall building refurbishment adaptations have been made so that this provides the kind of flexible working conditions demonstrated to be effective by leading innovative organisations.

(vii) A small team of expert peers visited the council in February 2013 as part of an LGA co-ordinated Peer Challenge and tested progress and plans on innovation

26. As part of the Council's commitment to improve its services for residents a peer challenge was arranged and took place 26 February to 1 March 2013. The peer challenge, coordinated by the Local Government Association (LGA), looked at the Council's capacity and capability covering financial planning and viability, political and managerial leadership, governance and decision-making and organisational capacity. The peer team, which included the Managing Partner of the Innovation Unit (<http://www.innovationunit.org>), also assessed the Council's progress and plans on innovation.

27. Annex B contains the initial feedback from the peer team (a final report is expected from the LGA by the end of March 2013). The initial feedback included the following summary statement:

- There is universal recognition that the council has made huge strides in the last four years.
- It is seen to have 'laid the foundations for it now to take off'.
- In seeking to take the council to the next level it is important that everybody takes a greater responsibility and bears in mind the requirement to continue to 'raise their game'.

28. The Leader and Chief Executive will ensure all key points raised in the final report are fully addressed and an update on progress will be provided as part of the Chief Executive's next six-monthly report to Council in the summer.

Next steps

29. The Chief Executive and Strategic Director for Change and Efficiency will continue to work with Members, colleagues and stakeholders to develop and implement the strategic framework for innovation, incorporating the recommendations from the peer challenge.

30. Over the next few months the "test" projects and new ways of working will be taken forward. The learning and evaluation from this work will be reported back to Cabinet and Council via the Chief Executive's next six monthly progress report to be published in the summer. This next report will also update on progress on all the recommendations from the peer challenge.

31. As this new approach develops workshops will be arranged for Members, staff and stakeholders to ensure full engagement and involvement. As the programme evolves, regular and proactive communication and engagement activities will take place with residents and other stakeholders on a project by project basis. Select Committee will play an important role in scrutinising the delivery of projects.

32. As and when new innovative proposals are formulated these will be presented to Cabinet and Council as appropriate.

CONSULTATION:

33. The proposals were developed following discussion with the following groups:

- Elected Members
- Corporate Board
- Groups of staff from across the council through interviews and workshops

RISK MANAGEMENT AND IMPLICATIONS:

34. The associated risks are being managed through the council's risk management processes.

35. The Council needs to strengthen its innovation capacity and capability in order to mitigate the risks posed by the financial challenges it faces and ensure services are sustained and improved. Effective risk management will be a key and integral part of strengthening the council's approach to

innovation and any risks associated with specific new innovations will be assessed in each case when the proposals are brought forward.

36. More generally an increased focus on innovation will require the council to develop more sophisticated understanding of the opportunities and risks associated with new approaches.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

37. As the framework is implemented over the coming months business cases will be developed for investments designed to deliver value for money.
38. Any financial implications associated with specific new service innovations will be assessed in each case when the proposals are brought forward.

SECTION 151 OFFICER COMMENTARY

39. The Chief Finance Officer confirms that the full financial implications of each innovation business case will be assessed on a case by case basis and approved through appropriate governance processes in due course. Further, it is important that the council has the right resource (in terms of skills and capacity) in place to deliver this ambitious innovations programme and I confirm that these will be reported once the strategic framework has been more fully developed.

LEGAL IMPLICATIONS – MONITORING OFFICER

40. There are no direct legal implications/legislative requirements arising from this report.

EQUALITIES AND DIVERSITY

41. Equality Impact Assessments will be completed for specific future proposals as appropriate. At this stage no Equality Impact Assessment was completed as there are no immediate or direct impacts on services for residents or on council staff.

OTHER IMPLICATIONS:

42. The potential implications for the following council priorities and policy areas have been considered. There are no direct implications arising from this report but the planned work on innovation will help to identify and implement improvement opportunities across the priority and policy areas.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No significant implications arising from this report
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report
Public Health	No significant implications arising from this report
Climate change	No significant implications arising from this report
Carbon emissions	No significant implications arising from this report

WHAT HAPPENS NEXT:

43. Pending approval of the recommendations in this report the following will happen.

- The Chief Executive and Strategic Director for Change and Efficiency will continue to work with Members, colleagues and stakeholders to develop and implement the strategic framework for innovation, incorporating the recommendations from the peer challenge.
- Over the next five months the “test” projects and new ways of working will be taken forward. The learning and evaluation from this work will be reported back to Cabinet and Council via the Chief Executive’s next six monthly progress report published in the summer. This next report will also update on progress on all the recommendations from the peer challenge.
- As this new approach develops workshops will be arranged for staff, Members and stakeholders to ensure full engagement and involvement. A programme of regular and proactive communication and engagement activities will be completed to support this.
- As and when new innovative proposals are formulated these will be presented to Cabinet and Council as appropriate.

Lead Officer:

Julie Fisher, Strategic Director for Change and Efficiency
Tel: 020 8541 9550

Consulted:

Elected Members
Corporate Board
Groups of staff from across the council through interviews / focus groups

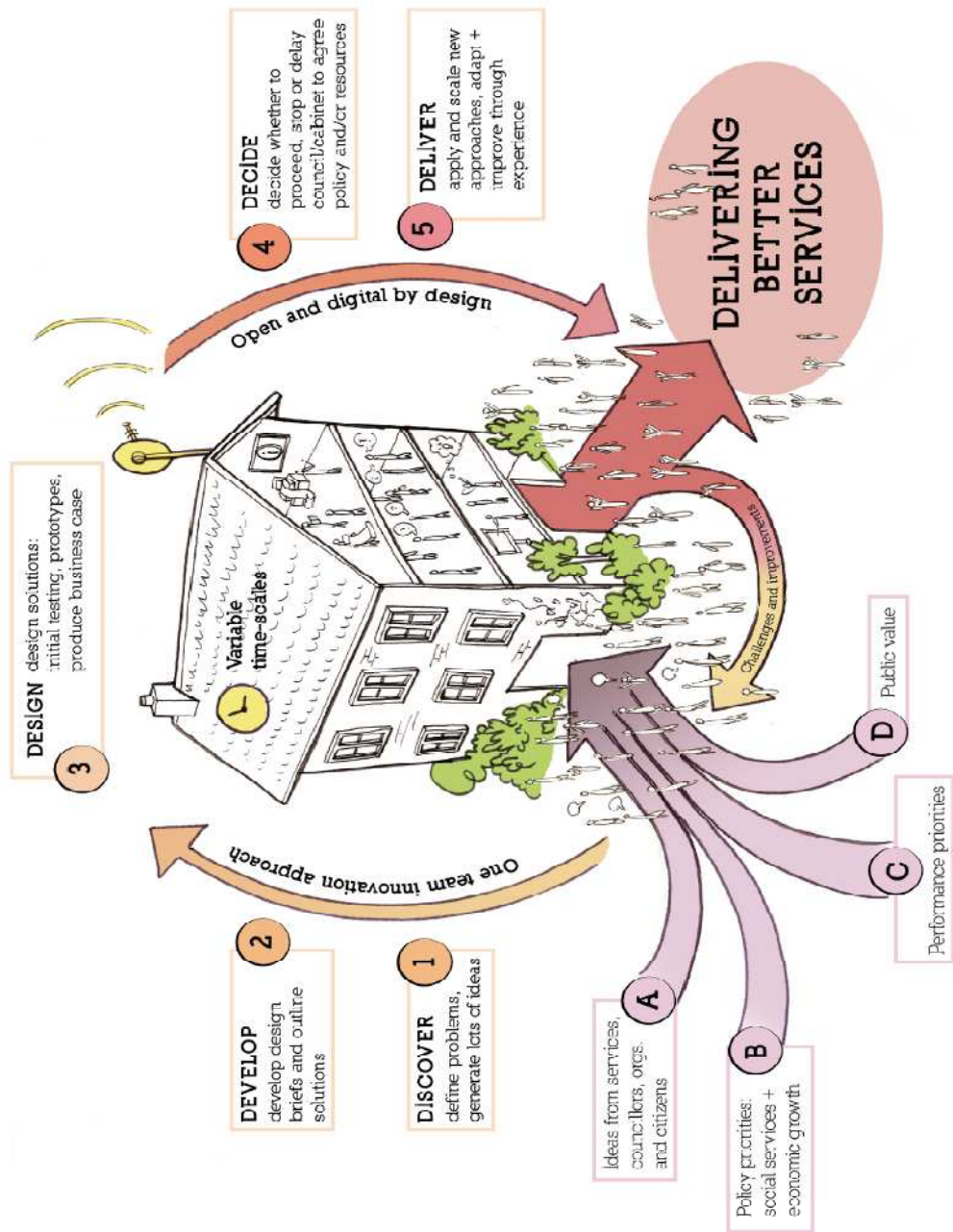
Annexes:

Annex A: The “5Ds” innovation cycle
Annex B: Initial feedback presentation from the LGA peer challenge team

Sources/background papers:

One County One Team: Strengthening the Council’s Approach to Innovation, report to Cabinet 27 November 2012
One County One Team Corporate Strategy 2012-17, report to Council 7 February 2012

Annex A: The “5Ds” innovation cycle



Surrey County Council

Corporate peer challenge – February and
March 2013

1st March 2013

www.local.gov.uk

Peer challenge team

- Caroline Tapster, former Chief Executive, Hertfordshire County Council
- Councillor Martin Tett, Leader of Buckinghamshire County Council (Conservative)
- Councillor Simon Henig, Leader of Durham County Council (Labour)
- Paul Naylor, Deputy Chief Executive, Ashford Borough Council
- John Craig, Managing Partner, Innovation Unit
- Chris Bowron, Programme Manager, Local Government Association

Introduction

- One of the early corporate peer challenges as part of the new offer around sector led improvement
- We have been made to feel welcome and have been well supported
- People have been very open and honest
- Our feedback is based on what we have heard, seen and read

The process

- Background reading was provided to the team in advance
- The council drew up a timetable of on-site activity with interviews and workshops that we have followed
- We have met with a range of elected members, staff and partners
- We have assimilated the evidence we have gathered into a set of broad themes for presentation to yourselves today
- There is the opportunity for discussion of our findings following the presentation
- The council will wish to consider how it shares the outcomes from our activities and what will be different as a result
- Our draft report will follow shortly

The 'scope' for the peer challenge

- The peer team will consider the core components that all corporate peer challenges cover:
 - Understanding of local context and priority setting
 - Financial planning and viability
 - Political and managerial leadership
 - Governance and decision-making
 - Organisational capacity
- In order to tailor the challenge specifically to Surrey, the team will consider these components in the context of 'an organisation that wants to become innovative'

A story of progress in Surrey (1)

- There is universal recognition that the council has made huge strides in the last four years, particularly with regard to its culture
- It is seen to have ‘laid the foundations for it now to take off’
- The Leader and Chief Executive are seen as having been integral to the turnaround
- Relationships between elected members and officers at all levels are seen now to be effective
- There is a clear commitment to investing in people and the council knows that this needs to continue
- The level of staff commitment, enthusiasm, pride and talent is notable

A story of progress in Surrey (2)

- The council's relationships with the district and borough councils in Surrey are vastly improved
- External judgements have improved – safeguarding children and adults
- The council has been shortlisted this year in the Local Government Chronicle Awards
- A wide range of achievements:
 - Olympics and major events
 - Increased number of school places
 - Superfast broadband deal
 - Highways contract and 'Project Horizon' programme
 - Waste partnership with other councils in Surrey
 - Travel Smart

Political and managerial leadership

- The Leader and Chief Executive are held in extremely high regard both within and outside the organisation:
 - Visibility, engagement and energy
 - Trust and belief in them
- They have led a dramatic change in culture and have strongly modelled it – although this raises potential issues of sustainability
- Joint working between the Cabinet and Corporate Leadership Team, at both the individual and collective level, is strong
- There is strong leadership of Directorates and Portfolios
- Middle managers are seen to be strong and are highly valued
- Elements of the old culture still exist - the organisation is conscious of these and working to address them

Organisational capacity (1)

- The council is committed to maintaining its capacity and capability despite the current financial climate
- Change and improvement is being delivered - Public Value Reviews (£279m savings by 2016) and Rapid Improvement Events
- Strong progress has been made in relation to the likes of shared services, procurement and trading - there is a growing commercial understanding within the organisation
- There is a clear commitment to investing in people – IT, accommodation, training and development – and the council knows that this needs to continue
- Staff now feel much more empowered and able to get on
- Making things happen and engaging people needs to be seen as a responsibility to be shared across all managers

Organisational capacity (2)

- There is still a challenge around joining things up across the organisation and ensuring it is sufficiently responsive and ‘fleet of foot’ – *‘One Team’*
- The IT infrastructure has been improved over recent years and investment continues to be made
- The council is seen to have been risk-averse - attitudes towards risk are changing and a more nuanced approach is being considered
- There is less unnecessary internal process in the council now but we see it as being important for the council to ensure an appropriate balance is maintained
- The council is already well engaged in networks and learning from others but is keen to extend this

Innovation (1)

- The council has established innovation as a major organisational priority
- Although it is very early days, the work has the visible sponsorship of leaders, backed by time and resources
- This has helped to generate wide awareness of the work and enthusiasm among staff
- This awareness and enthusiasm is beginning to be mirrored among the council's members and partners
- This commitment to innovation builds on a number of innovative pieces of work in the organisation and work to draw together and describe the council's innovation process

Innovation (2)

- Innovation should be an open, inclusive process, but as the work develops, staff will need to be challenged to respond to the council's key priorities and to the scale of its ambition
- Innovation can mean different things to different people. The council will need to continue to engage partners around its intentions to ensure the support and legitimacy it needs.
- The whole organisation will need to help to build innovation capability. From the people strategy to governance, officers and elected members will need to ensure that they have the structures and skills to deliver on their ambitions for innovation
- Alongside innovation, it is also vital to be clear about what doesn't change; the council's values and its focus on the citizens of Surrey

Governance and decision-making

- Select Committees are seen to be variable in their effectiveness, with some examples of excellent practice, and the overview and scrutiny function has more to offer
- Local Committees are assuming increasing responsibilities and there is belief that they could play an enhanced role - it feels like the right time for Surrey to consider their role in a new era
- There is good progress and performance reporting to the likes of Cabinet, Select Committees and Corporate Leadership Team, including around risk
- The council has increased the support to elected members and their development and this should continue in to the future as roles change and develop

Financial planning and viability (1)

- The council has a net revenue budget of around £1.5billion
- Budget pressures of more than £250m have been impacting the council across the period from 2010 to 2014
- Significant levels of savings have been achieved in recent years – £68m in 2010/11, £61m in 2011/12 and £66m expected this year against a target of £71m
- The budget for 2013/14 shows planned savings of £50m, with a further £33m the following year
- Over and above this, there are funding gaps of £18m in 2013/14 and £39m in 2014/15
- Further reports will be presented over the coming months including an outline of the way the 2014/15 funding gap will be addressed and a review of the Medium Term Financial Plan
- Despite the budget position, the council is still able and willing to make significant additional financial investments in projects and services

Financial planning and viability (2)

- The general view of the financial position amongst people we met was that it was “tough” and “challenging” – which contrasts heavily with the feelings of ‘crisis’ being experienced in many other councils
- It is readily obvious that the council will need to ensure the successful delivery of its savings targets and it is confident in the robustness of its approach to doing so
- As the financial future becomes more challenging elected members will be required to make more difficult decisions and, in doing so, demonstrate their resolve
- The council’s strategic approach is to focus on the long-term and, as part of this, seek to establish ways of generating additional income and better capitalising on assets and investments
- Key assumptions are made around future levels of government grant, the potential to increase council tax levels and the New Homes Bonus and future demand for services

Financial planning and viability (3)

- The overall approach and assumptions that are being made are ambitious and different to those of most other councils - the council needs to be fully aware of the risks that this entails and ensure that variations away from what is being assumed can be responded to in a timely manner

Partnership working

- The council has a strong commitment to ‘doing what is right for the people of Surrey’
- The council has worked hard to bring about vastly improved relationships with the district and borough councils in Surrey
- Relationships with the health sector have improved significantly and the Health and Well-Being Board represents a potential model for other partnerships to be based upon
- The senior leadership of the council is making a concerted effort to engage with the business community but there would be benefit in extending the dialogue to a broader range of businesses
- The changes facing local government generate significant opportunities for the voluntary and community sector – realising them will require increased dialogue, the growing of the capacity of the sector and new forms of partnership
- The council shared its budget proposals with partner organisations but there may be benefit in enabling their earlier and greater involvement in the future

Understanding of local context and priority setting

- The council has a wide source of information regarding the make-up of Surrey, what is important to local people and how it performs – this is used to inform decision-making and priorities but evidence-based thinking could develop further in the organisation
- Customer service has moved forward significantly over recent years but it may be time for the council to review how things currently operate in order to ensure they are keeping pace with customer expectations
- The Public Value Review of learning disabilities represents a model for the future around determining what the council offers and how – service user engagement, staff and elected member involvement, good innovation approaches and principles
- However, more work needs to be undertaken around the role of the citizen in the future, including the co-design and co-delivery of services

Overall ...

- There is universal recognition that the council has made huge strides in the last four years
- It is seen to have 'laid the foundations for it now to take off'
- In seeking to take the council to the next level it is important that everybody takes a greater responsibility and bears in mind the requirement to continue to 'raise their game'

Surrey County Council

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SURREY COUNTY COUNCIL

CABINET

DATE: 26 MARCH 2013

REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL

LEAD OFFICER: JULIE FISHER, STRATEGIC DIRECTOR FOR CHANGE AND EFFICIENCY

SUBJECT: STRENGTHENING THE COUNCIL'S APPROACH TO INNOVATION: MODELS OF DELIVERY



SUMMARY OF ISSUE:

Surrey County Council places a relentless focus on delivering public value. The council has a successful track record of finding new and innovative ways of delivering services, in the interests of the residents of Surrey.

During the next few years many councils will respond to the challenges they face by reducing their capacity and capability. Surrey County Council is taking a different approach adopting a strategy of strengthening its ability to deliver services and investing in staff, so enabling it to continue to protect vulnerable residents and secure economic growth and a prosperous future for Surrey.

Recognising the scale of the challenge ahead and anticipating the needs of the future, this report focuses on how the council proposes to use the most effective delivery model to provide services for residents while ensuring public value. The report describes the different delivery models already being used by the council; examples of successes it has achieved so far; and makes recommendations to provide the foundations for the council to develop its approach to trading.

RECOMMENDATIONS:

It is recommended that:

1. The Cabinet acknowledges the progress and achievements delivered to date through a range of existing delivery models.
2. The Cabinet confirms that the primary objective the council seeks to achieve by developing its approach to trading is to deliver public value for Surrey residents and businesses.
3. The Cabinet agrees to the creation of a Surrey County Council Shareholder Board ('the Board') with responsibility for exercising 'shareholder control' over any limited ('trading') companies established by the council and asks the Strategic Director for Change and Efficiency, in consultation with the Leader of the Council, Cabinet Member for Change and Efficiency and Chief Executive, to establish the Board.
4. The Cabinet delegates authority to the Strategic Director for Change and Efficiency, in consultation with the Leader of the Council and Cabinet Member for Change and Efficiency, to establish a trading company that will deliver in the first instance 'business services' and in order to do so:
 - a. to consider and approve a business case, which must satisfy the statutory

requirements and the criteria set out in paragraph 28 and 29; and

- b. to approve the Articles of Association including the naming of Directors of the company.
5. The Cabinet acknowledges the opportunities that a range of delivery models provides and welcomes future proposals (expressed as options appraisals and business cases) from services across the council over the three-year period 2013 – 2016 and asks the Strategic Director for Change and Efficiency to lead a programme of work that will review service delivery models including currently traded activity.

REASON FOR RECOMMENDATIONS:

In the current financial and funding climate for local government it is essential that the council continues to focus on delivering public value to the residents of Surrey.

The council recognises that a range of delivery models are already and should continue to be used to provide services that best meet the needs of Surrey residents and businesses. Building on existing successes, the recommendations set out in this report will enable the council to continue to anticipate and respond to the challenges it faces and represent the next phase of its approach to ensure Surrey residents receive good quality public services.

DETAILS:

INTRODUCTION

1. The way that council services are delivered in Surrey continually evolves. Changes to legislation; developments in government policy; new funding arrangements; and, most importantly, the changing needs and aspirations of Surrey residents and businesses have helped to shape various models of delivery.
2. Surrey County Council has a successful track record of finding innovative ways of delivering services recognising that there is no 'one size fits all' model for the vast range of services it provides. Taking a proactive and longer term view has helped the council to prepare for the challenges it faces and has supported the delivery of £200m¹ of efficiency savings over the last three years. The budget assumptions for the Council's Medium Term Financial Plan (2013-18) include further savings requirements of £240m resulting from increased demands on council services and reductions in the grant received from central government.
3. This report recognises the importance of a pragmatic approach and the role different delivery models can play in delivering good quality public services and value for money to residents and businesses while helping the council to meet its financial targets.
4. The report describes at a headline level the range of delivery models currently being used by Surrey County Council and examples of the success it has

¹ £68m in 2010/11, £61m in 2011/12, £66m forecast for 2012/13

achieved. The report also sets out recommendations for the council to further develop its trading delivery models.

5. All delivery models that the council uses and develops will operate with the same public sector ethos and values that define the fundamental character and spirit of Surrey County Council.

MODELS OF DELIVERY

6. Council services are currently delivered via three delivery models:
 - Services delivered directly by the council
 - Services delivered by the council with a partner(s)
 - Services delivered by other organisations, commissioned / funded by the council (including organisations from the voluntary, community and faith sector)
7. Proposals for enhancing the council's ability to deliver services through a fourth model, through a trading company, are set out below.

Services delivered directly by the Council

8. A significant proportion of council services are delivered directly by the council. Over recent years the council has transferred key services (e.g. property maintenance, IT data services) back into the council from external providers, resulting in higher quality, better value for money services.
9. The recently completed [Public Value Review programme](#), where a systematic and robust review of all services and functions was undertaken, has helped to ensure that all council services and functions are being delivered efficiently and effectively with improved outcomes for residents. Overall the review programme identified cumulative savings of almost £280m to be delivered over a six year period.

Services delivered by the Council with a partner(s)

10. Notable progress has been made across all areas of the council in delivering services successfully in partnership. The partnership arrangements are varied in both scope and scale and have helped to deliver improvements in service quality and efficiencies. Examples of the successes the council has achieved through partnership working include:
 - The **SE7 Councils** (Surrey County Council, Brighton & Hove City Council, East Sussex County Council, Hampshire County Council, Kent County Council; Medway Council, West Sussex County Council) have been working together across a range of workstreams and have identified potential savings / avoided costs of £73.25m across the Partnership by the end of 2014/15. Longer term savings projections across the SE7 Partnership include a savings estimate of £600m by 2020/21 through maximising the value derived from waste, and a potential savings figure of £1bn over 25 years through the property workstream (based on extrapolated savings being delivered by Hampshire County Council).

- Other SE7 workstreams that have delivered improvements include: the joint programme office created by Surrey County Council and Hampshire County Council which has enabled the delivery of 570 new permanent school places this year and aims to deliver 40% reduction in the cost of new school places over the next four years; and the UK's first master's degree course to train the next generation of public sector highways managers which was launched last year by the SE7 group of councils with Brighton University.
- In Adult Social Care the 'prevention through partnership' programme has had a significant positive impact. Stronger partnership working, close engagement with residents, and the launch of a £10m preventative services fund which is enabling 11 local plans to be developed which will stimulate a range of innovative and sustainable services and joint approaches which are supporting local residents to access community support mechanisms and maintain their independence. In addition, in driving forward the Prevention through Partnership Programme the first Wellbeing Centre including a Telecare Demonstrator Site opened in Egham. A further four centres will be opened over the next six months in Caterham, Epsom, Walton-on-Thames and Shepperton. The innovative new facilities developed within Borough and District Council Centres using capital funding from Surrey are currently being developed across Surrey with over 150 partners currently engaged in the programme. Key partners are the Alzheimers Society, Surrey and Borders, Age Concern, Age UK, ADL Smartcare, Telecare service providers with key links with reablement services, virtual awards, ensuring there are robust partnerships as Centres are opened in each Borough or District.
- A partnership has been established with East Sussex County Council to **share procurement arrangements**, which will initially deliver £2.5m savings and better value for taxpayers. This partnership arrangement is being further extended with Surrey County Council delivering transactional and IT Data Centre support services with effect from April 2013.
- The council also continues to work with **Isle of Wight Fire and Rescue Service** by providing their emergency control centre operation delivering economies of scale to both parties
- Through the **Surrey Families Support Programme** we have started to implement new coordinated arrangements with partners to provide better support to families that have multiple and complex needs. Learning from the pilot in Waverley the new approaches are initially being implemented in Elmbridge, Guildford, Reigate and Banstead, Spelthorne, Woking, and Waverley. The programme will then be rolled out to the rest of the county from October 2013. Surrey is recognised as leading the way on implementing the Government's Troubled Families programme in a two tier area.

Services delivered by other organisations, commissioned / funded by the Council

11. The council continues to strengthen its approach to commissioning and procuring goods and services from suppliers, and is on track to deliver its target procurement savings of £25m in 2012/13. This will bring the total

savings delivered since 2009/10 to over £90m, with a further forecast of £28m for 2013/14. These savings have been achieved through a combination of applying a Category Management approach, closer management of major suppliers and working with other local authorities to increase our leverage.

12. This model of delivery can be through a contractual arrangement, grants or other funding mechanisms. Examples in Surrey where this type of delivery model has delivered improved services and / or efficiencies include:
 - The **highways contractual arrangements** - through robust management of the contract the Council has worked with May Gurney, the supplier responsible for maintaining Surrey's roads, to identify an additional £10m savings from the £60m, six-year agreement through long term planned resurfacing programme. In the first year of the new highways contract 300 miles of road were resurfaced or repaired; fourteen pedestrian crossings and 19 traffic light junctions were refurbished; capacity to grit roads in the snow increased by 110 miles, 98% of potholes were fixed or made safe with a temporary repair within 24 hours; and there was a 15% increase in resident satisfaction.
 - Identifying and working with our key suppliers in the complex area of **Adults with Learning Disabilities**, an additional £3m savings have been achieved to date, whilst maintaining standards of care and strengthening the relationship between the Council and suppliers.
 - In **Waste Management** the Council has worked closely with SITA to review supply chain arrangements with sub contractors which has resulted in savings of £400k to date.
 - On 12 September 2012 the Council signed a £33m superfast broadband deal with BT to provide high speed connections for more than 90,000 business and household premises in the county that are not included in the commercial roll-out nationally (equating to 99.7% coverage of all households and businesses). This will make **Surrey the best connected county in the country** and could boost the economy by around £28m a year.
13. The Council has continued to focus on strengthening the local economy, working towards the target of 60% spend with local suppliers, and ensuring that those suppliers who deliver services on our behalf maximise the use of local apprenticeships.

Developing the Council's approach to trading

14. The power to trade allows a local authority to offer its services on a commercial basis (i.e. make a surplus) - in order to pursue a strategy of risked based commercial trading the council could 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 through the general power of competence also broaden the scope of activities upon which the council could trade. The council is already using powers to charge for its services (limited to recovery of the cost of providing those services) and is sharing services with other public sector partners.
15. In order to use those powers the council must set up a company, for the purposes of trading without subsidy. This, by its nature, will be a new legal

entity created under the council's ownership, but with the ability to trade commercially with the private sector.

16. Trading can also be undertaken by the council with a private sector partner. Through the joint venture Babcock 4S, Surrey County Council already has experience of successfully operating in a trading environment. The joint venture is a public private partnership between Surrey County Council and Babcock International Group PLC, and is one of the largest providers of school support services in the country. The arrangement has delivered dividend payments to the County Council of £1.6m over the last three years.
17. The council's **primary objective in relation to developing its approach to trading is to deliver public value for Surrey residents and businesses.**
18. In addition, trading would give the council a range of new opportunities including:
 - Delivering services differently by creating a dynamic and entrepreneurial environment that will increase the range, choice and delivery of public services, and will help to drive service improvements as the need to compete in the market place necessitates competitive, high quality services;
 - Profits generated for the council through its trading operations will be available to support the delivery of the council's medium term financial plan. In some authorities this surplus has been used to support other services within the authority, invest in new commercial ventures via the company, or to help to keep increases in Council Tax to a minimum; and
 - A trading company will create new opportunities for staff to expand their learning base (e.g. customer services, commercial awareness and risk management skills).
19. The attached paper (Annex A) summarises the key legal and procurement issues relating to local authority trading considered by the council.

Governance

20. A trading company must be in one of the forms prescribed by law. For the current proposals a company limited by shares wholly owned by Surrey County Council, is the most appropriate form. In developing its governance mechanisms and arrangements the council is and will continue to use learning from other local authorities and organisations to achieve best practice.
21. In order to safeguard the council's interests as shareholder and to influence and inform the development and implementation of its approach to trading, the **first proposed step is to establish a Surrey County Council Shareholder Board ('the Board')** with responsibility for exercising 'shareholder control' over any companies established and owned by the council.
22. When establishing a trading company a shareholder agreement will be established between the sole shareholder (the council) and the trading company setting out in detail the powers and responsibilities of the council

(i.e. 'shareholder control' exercised through the Board). The **Board's authority and powers** will include:

- **appointing and removing directors** to the trading company;
 - **signing off the business plan and financial dividend forecast** (annually); and
 - reviewing the **financial and overall performance** of the trading company.
23. The Board would initially be made up of up to eight individuals from both the Cabinet and senior management from Surrey County Council. The Board membership would include the Leader of the Council and Chief Executive and they would agree the remaining members of the Board. It is recommended that this arrangement should be reviewed by Cabinet annually to ensure that it continued to provide a robust governance framework for all ongoing trading activity, to effectively manage associated risks and to operate without any conflict of interests.
24. Once established, wider Member involvement and scrutiny of the arrangements and ongoing activity will include engagement with the Audit and Governance Committee, the Council Overview and Scrutiny Committee and other relevant Select Committees.
25. This report recommends that the Strategic Director for Change and Efficiency, in consultation with the Leader of the Council, Cabinet Member for Change and Efficiency and Chief Executive, be asked to establish the Board. This will include specifically:
- developing its terms of reference; and
 - agreeing who will sign off the shareholder agreement on behalf of the council.

Establishing a trading company

26. The council has already undertaken initial analysis (Part Two Annex - item 24) to establish the feasibility of setting up a trading company which would in the first instance deliver 'business services'.
27. A business case is currently being developed to enable the council to capitalise on opportunities that are currently available for the delivery of 'business services' to private sector organisations. The opportunities currently being evaluated include the delivery of IT services, including data hosting, helpdesk and application support, and the provision of procurement services. This may lead to further opportunities, for example HR support and other associated professional services. The delivery of 'business services' through a trading company would not involve the transfer of any staff to the trading company at this stage.
28. This report recommends that the Cabinet delegates authority to the Strategic Director for Change and Efficiency, in consultation with the Leader of the Council and Cabinet Member for Change and Efficiency, to set up a 'business services' trading company subject to the business case satisfying the following criteria:

- Demonstration of value for money for the council (including a dividend payment);
 - Quality service to all its customers;
 - Financial and legal risk analysis;
 - Equality impact assessment;
 - Governance and management arrangements (which will follow the principles outlined in this report).
29. The business case will also require approval of the Section 151 Officer and the council's Monitoring Officer who will ensure that all business risks and financial implications are fully considered.

Identifying and assessing opportunities

30. As the council strengthens the range of options available for the delivery of services, further options and businesses case will be presented to the Cabinet for consideration and approval.
31. To facilitate this process and help to ensure a strategic approach is taken across the council, the Strategic Director for Change and Efficiency will establish a working group, supported by a framework and set of tools to enable and assist services to develop options and business cases.
32. This approach and the supporting framework which will be developed will set out a pathway for services considering their service delivery model through:
- Initial analysis / needs assessment
 - Options appraisal
 - Business case
 - Implementation and governance
33. The pathway described above follows a standard commissioning cycle. The council is currently reviewing its Commissioning Framework to ensure clarity and consistency of approach and raise awareness of associated requirements. The revised Framework will come to the Cabinet later in the year.
34. This report asks the Cabinet to acknowledge the opportunities that a range of delivery models provide and welcome future proposals (expressed as options appraisals and business cases) from services across the council over the three-year period 2013 – 2016.

<u>CONSULTATION:</u>

35. A range of stakeholders have been consulted in the development of the approach described in this report. This has included elected Members, the Corporate Leadership Team and the Council Performance Team.

36. As any delivery model options are being developed in the future, consultation and engagement of residents, services users, staff and other relevant key stakeholders will be an integral part of the council's approach.

RISK MANAGEMENT AND IMPLICATIONS:

37. Effective risk analysis and risk management form a vital part of the council assessing options for delivery models. In choosing to establish a council trading company, the council is making a decision to undertake activities in order to generate income - commercial activities always carry an element of risk which will require management.
38. As part of any decision to proceed, a comprehensive business case will need to be prepared and agreed which, as detailed earlier, has identified:
- the objectives of the business;
 - investment and other resources needed; and
 - the risks and how significant they are.
39. When establishing a trading company the council will also need to give consideration to developing an 'exit strategy' in order to protect the council's investment - the 'exit strategy' (i.e. what happens to assets and liabilities if the trading company should fail) can be written into the company's constitution.

Financial and Value for Money Implications

40. The establishment of a trading company will be subject to Cabinet approval upon the basis of a business case which will articulate the financial implications for the County Council. The development of a business case for a trading company must however be preceded by a full evaluation of the various options available to deliver the service/s under consideration. In evaluating these options, it will be important to clearly state the relative merits of different delivery models and to ensure that the option being proposed for further consideration is the most financially beneficial to the council in the longer term.
41. The trading company arrangements will need to comply with the appropriate financial and legal requirements as set out in the Companies Act 2006 and will be subject to the specific codes governing local authority controlled companies contained in the Local Government and Housing Act 2003.
42. The council must recover the full cost of any accommodation, goods, services and employees supplied to a trading company. The council is able to provide financial assistance to a company for a limited period. The provision of financial assistance must be provided under a formal agreement and provided in the expectation of returns in the future. All arrangements made in terms of supplies to and from a trading company, and any financial assistance would be expected to be of a transparent nature and will need to ensure that the company is operating on an equal footing with competitors.
43. The Surrey County Council Shareholder Board will be responsible for ensuring the trading company has a robust business plan in place. The business plan will need to incorporate consideration of the following:

- Market analysis (product, customer and competition)
- Risk analysis
- Financial plan including cash flow analysis

Section 151 Officer Commentary

44. The Section 151 Officer recommends that in consideration of proposals to establish a trading company that due consideration is given to the implications of the independent nature of the company being created. There may be potential conflicts between the interests of the company and the interests of the council, for example a trading company may wish to retain profit for future growth rather than pay an annual dividend to the County Council. The issues potentially resulting from the independent nature of a trading company can be mitigated by careful consideration of the shareholder agreements.
45. Existing delivery models may be more financially appropriate depending upon the nature of the proposition however the governance structure laid out in this report requires that all options are fully considered before proceeding to the business case stage.
46. The business case for the establishment of a trading company will need to ensure that adequate consideration is given to the set-up costs of the company, for example, to include all necessary legal fees and expert tax and financial advice required. The business case will also be required to make adequate provision in the financial plans for new incremental costs, for example, separate external audit if required, directors insurance and so forth.

Legal Implications – Monitoring Officer

47. The council may establish a wholly owned company and through it provide supplies and services and/or carry out other commercial activities. As with all other decisions that it takes, the Cabinet must balance the risks against the potential rewards and pay due regard to its other fiduciary, best value, equalities and other relevant duties. Before setting up a company to trade the Council should prepare and approve a business case. That business case must be a “comprehensive statement” which includes details about:
- the objectives of the business,
 - the investment and other resources required to achieve those objectives,
 - any risks the business might face and how significant these risks are, and
 - the expected financial results of the business, together with any other relevant outcomes that the business is expected to achieve.
48. Any company established will be subject to the controls contained in Part V of the Local Government and Housing Act 2003, so for example any directors appointed cannot receive remuneration or expenses that exceed levels the council can pay and (if required) information must be provided to the council’s auditor.
49. Any directors appointed to the company must exercise their own judgment and will have statutory duties which they owe to the company rather than the council. Potentials for conflict of interests will need to be carefully managed

50. The council must recover the costs of any accommodation, goods, services, staff or anything else it supplies to the company and cannot provide the company with a subsidy.

Equalities and Diversity

51. A full equality impact assessment will be undertaken as part of the business case being developed for the 'business services' trading company.

52. Equality impact assessments will form a standard part of all trading company business cases prepared as described in paragraph 28 above.

Other Implications:

53. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No significant implications arising from this report.
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report.
Public Health	No significant implications arising from this report.
Climate change	No significant implications arising from this report.
Carbon emissions	No significant implications arising from this report.

54. Whilst there are no direct implications arising from this report, the Cabinet may in the future be asked to consider options for models of delivery and business cases which do impact on the above areas.

WHAT HAPPENS NEXT:

- The Strategic Director for Change and Efficiency will:
 - implement the recommendations as stated above; and
 - establish a working group, supported by a framework and set of tools to enable and assist services to develop options and business cases.

Contact Officer:

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Tel: 020 8541 9550

Consulted:

Denise le Gal, Cabinet Member for Change and Efficiency
Elected Members
The Corporate Leadership Team
The Council Performance Team

Annexes:

Annex A – Local authority trading companies legal /procurement considerations

Part two Annex (item 24) – Trading company (business services) initial analysis

Sources/background papers:

Local Government Act 2003 and Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009.

Companies Act 2006

Localism Act 2011

Report to the Cabinet 18 December 2012 - Surrey County Council and East Sussex County Council Partnership – Shared Services

Annex A

Local Authority Companies

1. Councils may create and own companies to provide services to the council, or to trade commercially in the public and/or private sector for profit, or a combination of any of these. A company is a legal entity in its own right and a company created by the Council to trade commercially would need to comply with public procurement laws if it wished to provide supplies services or works to public bodies, including potentially Surrey County Council itself.
2. Creating a company to deliver a function will change the Council's relationship between its leadership and the operational areas of that function.
3. Companies offer the advantage of a freedom to trade and allow for the employment of staff on different terms and conditions to those of local government employees. Issues arising from creating a company, and which would need careful consideration in any options appraisal, include
 - The complication and potential additional cost of tax and regulatory requirements that apply to companies and do not apply to a local authority. A separate legal entity will potentially have a different and more onerous Corporation tax and VAT regime than the County Council.
 - Separate governance and tensions around control, with decisions needed about how key stakeholders will be involved, who will be directors of the company and how the council will retain responsibility and accountability for its involvement. The Council may retain control of a company through its shareholding, but it cannot mandate the directors of it, even those it appoints. Directors must exercise their own judgement and whilst they can take into account the interests of SCC they cannot be required to follow its requirements. Once appointed, they would have separate statutory duties to their company.
 - Employment/pensions issues, which would arise if staff were to be transferred or TUPEd across into a new entity.
 - Last but not least, once a company is providing, or has been set up to provide services to a range of clients the Council may not be able to commission services from it direct, but may have to go through the Official Journal of the European Union (OJEU) or local tender processes and let a contract for those services to the successful bidder.

Background law

4. There are a range of powers to charge for services, one of the key powers to trade within the public sector is the Local Authorities (Goods and Services) Act 1970, but there are other specific powers in different legislation. The Local Government Act 2003 introduced powers to trade in the wider market, where that trading related to the local authority's functions.
5. The Localism Act 2011 introduced wider commercial powers, within provisions referred to as the general power of competence or "GPOC". Provided that what it plans to do it is not prohibited in other legislation, the Council may do things for a commercial purpose, with or without a charge. However it must only carry out any of those commercial activities through a company.

6. Where a company is set up to trade under the 2003 Act, a council must comply with the Local Authorities (Best Value Authorities) (Power to Trade) (England) Order 2009. This requires local authorities to consider and approve a suitable business case for establishing a company. That business case must include details about:
 - the objectives of the business;
 - the investment and other resources required to achieve those objectives;
 - any risks the business might face and how significant these risks are; and
 - the expected financial results of the business, together with any relevant outcomes that the business is expected to achieve.
7. Any accommodation, services, staff or other support provided by a council must be charged for by the council, at least covering full costs, but potentially at a market rate, to demonstrate that the company is not being subsidised by the council. This is important in the context of competition law and state aid. Similarly, any financial assistance, for example in the form of grants, loans or guarantees, should be provided for a limited period and provided under a formal agreement entered into for a commercial purpose. Trading Guidance issued by the government reminds local authorities of the risk of on-going liabilities and warns "the authority should ensure that it takes appropriate steps to avoid automatically assuming responsibility for any aspect of an unsuccessful company"
8. Part V of the Local Government and Housing Act 1989 introduced controls on local authority involvement in companies. Today only propriety controls remain, which require local authorities to ensure for example that any directors appointed to a company that it controls would not be disqualified from being a local authority member; remuneration and expenses do not exceed levels that the local authority could pay, information must be provided to the local authority's auditor (controlled companies must obtain the consent of the Audit Commission to the appointment of an auditor); and letterheads must show the relationship with the company.

Procurement Issues

9. Public procurement legislation applies whenever a local authority awards a contract for supplies, services or works. Depending upon the precise nature and value of an arrangement there are different rules that might apply. Priority services require advertisement through a contract notice in OJEU and may involve a restricted, competitive dialogue, negotiated or some form of E-tender process, following the full requirements of the Public Contract Regulations 2006. Some services, however, only require a lighter touch regime, covering services such as "care", "recreational and cultural services", "educational and vocational educational services" or "legal services" for example. These are still covered by the Treaty obligations which require transparency, fairness and non-discrimination. Whilst not covered by the full requirements of the regulations, for high value contracts the European Commission and the Courts take the view that there should be an 'appropriate' degree of advertisement and competitive process to the circumstances, even where a full procurement process is not required through OJEU. Additionally, local authorities need to follow their own procurement standing orders.

10. Generally speaking local authority trading companies (LATCs) are treated as private sector companies. This means that, when a local authority wishes to procure any goods, services or works, an LATC would need to tender alongside other private sector entities.

Teckal

11. The lack of flexibility inherent in the public procurement regime has led to local authorities' interest in the Teckal case. According to the 1999 *Teckal* judgment, the public procurement directives do not apply to contracts if the control exercised by the contracting authority over the entity awarded the contract is similar to that which it exercises over its own departments and, if, at the same time, that entity carries out the essential part of its activities with the controlling authority, so the two principal tests for a Teckal company are:
 - The control test, requiring the parent authority(ies) to exercise control similar to that exercised over its own departments; and
 - Carrying out the essential part of its activities for the parent(s).

The case law has developed and clarified these conditions further and made it clear that they should be interpreted narrowly. So, for example, to fall within the Teckal exemption, the company's articles should not permit wide scale trading activity with third parties and shareholding should be limited to avoid third party involvement.

Surrey County Council (SCC) Options

12. The council has been considering different ways of structuring any proposed delivery vehicles. The options considered include:
 - A holding company, which has as its core purpose holding shares in trading and non-trading subsidiaries and exercising shareholder controls;
 - A single, wholly SCC owned company, limited by shares, with divisions for the different functions of the company; and
 - A number of different limited companies, with an SCC board exercising shareholder control.

These are in addition to models already being used successfully, such as joint venture companies, in which the Council has a percentage of the shareholding but does not wholly own the company.

13. Any decision on the models to be adopted will need to take into consideration the objectives behind creating the model and the considerations outlined above, which would need to be thoroughly understood and researched to avoid any unintended consequences.
14. Key considerations include:
 - i) Tax and VAT implications, needing further analysis.
 - ii) The Teckal test relies upon control and so the interjection of a parent company can weaken control – this was a feature of a European procurement case (Coditel). Therefore, generally it is not advisable to establish a Teckal company as a subsidiary of another.

15. **Advantages of having a number of separate companies** include:
- The use of separate LATCs will increase the financial transparency of separate projects and in particular assist each project to be accounted for separately.
 - To the extent that it is likely that each project will have differing commercial and/or social objectives, this approach will allow an authority to pursue distinct strategies.
 - The legal form and governance of the company can be tailored to the particular requirements of the project and the business which is to be operated out of it.
 - Using independent LATCs will create a structure in which the financial risk and assets/liabilities associated with each project can be isolated from one another and the financial failure of a project need not therefore entail the financial failure of another.
 - The structure can be tailored so that it is the most financially beneficial in the context of tax and VAT implications, in so much as these differ between different business activities.
 - Pooling similar assets into a separate LATC will enable each project to have separate credit/risk profiles in relation to the obtaining of external finance.
 - Separate vehicles will provide an authority with separate exit strategies and/or joint venture opportunities in respect of each project.
 - It may be possible to develop tax efficient employee share ownership options, relevant to each business and develop salary structures that reflect individual employment markets.
16. **Disadvantages** include:
- Channelling business through separate entities will result in an increased administrative burden for the authority. For example, each LATC is likely to need to file separate accounts and returns and keep separate registers of information up to date.
 - Adds an additional tier of complexity and a need for the vehicles to establish contracting arrangements (e.g. leases/service agreements) with the authority (and potentially each other).



Council Overview and Scrutiny Committee
17 April 2013

Financial Management New Technology Project

Purpose of the report: Scrutiny of Services

To update the Committee on progress on the implementation of the Financial Management Reporting and Forecasting Technology

Introduction

1. This report provides an update on progress made on the implementation of the Budget Monitoring Dashboard and Forecasting tools and the Sickness Absence Dashboard.

Objectives of the New Technology

2. The Financial Management Public Value Review (PVR) set out an objective **to invest to exploit financial systems and technology** by purchasing and implementing new functionality.
3. The investment will automate or reduce time spent on manual activities and present revenue budget monitoring information to managers in an intuitive and timely manner, enabling better informed decision making.
4. The tools will enable budget holders to self-serve, focus quickly on the fundamental issues and take accountability for their budget.

Implementation Progress

5. The solution design was signed off by the Project Board in the Summer 2012 and the development (technical build) of the new tools took place during the Autumn and the early part of Winter.
6. There have been a number of technical difficulties in the build of the Budget Monitoring Dashboard and the project team have worked hard to

overcome these difficulties and are in the process of testing the technical solution. However, these difficulties have resulted in a delay in the original planned go live.

7. An independent project Health-check has been undertaken and has identified no fundamental issues with the project documentation, project governance or the capability of the project team.
8. However, the Health-check has identified some improvements, including better resource scheduling for planned and unplanned activities and better progress tracking.
9. A new Project Manager has been appointed and the project plan has been revised to ensure that there are no further delays to the project.
10. A new regime of focused project team meetings has commenced and progress against the revised plan is being closely monitoring by the Project Board.
11. There remains, as originally, a phased approach to go live and the Project Board will be confirming the revised plan in early April. An oral up-date will be provided at the meeting on the expected go-live date.

Conclusions:

12. Although there has been a delay in the implementation of the new technology, the assumptions behind the business case that was presented to Cabinet in February 2012 have been validated throughout the PVR and remain unchanged.

Financial and value for money implications

13. The business case presented to Cabinet in February 2012 still applies and there are no material changes to the estimated investment and savings.

Equalities Implications

14. The Financial Management PVR has an approved Equalities Impact Assessment (EIA).

Risk Management Implications

15. The Project Manager will continue to set out the project risks and issues during the implementation for monitoring by the Project Board.

Implications for the Council's Priorities

16. Improved budget management and better informed decision making will ultimately enhance our ability to plan for and fund our priorities

Recommendations:

17. The Overview and Scrutiny Committee understands the challenges faced by this project and stresses the importance of completion within the first six months of this financial year.

Next steps:

18. The Overview and Scrutiny Committee receive an update in July 2013 on the progress of the new reporting and forecasting and technology.

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Council Overview & Scrutiny Committee
17 April 2013

SURREY COUNTY COUNCIL AND EAST SUSSEX COUNTY COUNCIL (ESCC) SHARED SERVICE DELIVERY AGREEMENT

Purpose of the report: Scrutiny of Services and Budgets

To provide an update on the Shared Service Delivery agreement between Surrey County Council and East Sussex County Council.

Introduction:

1. On 18 December 2012 Cabinet approved the proposal to create a partnership agreement with ESCC for transactional and data hosting services and delegated responsibility for agreeing the terms of the agreement to the Leader and Cabinet Member for Change & Efficiency, in consultation with the Strategic Director for Change and Efficiency.
2. This report highlights the details of the proposed Inter Authority Administrative Collaboration Agreement

BACKGROUND: THE NEED FOR CHANGE

3. Surrey County Council's Shared Services provide integrated business support to employees, managers, vendors and residents in all service areas.
4. Since its inception, Shared Services has become an integral part of the way we manage our transactional services and delivers the following benefits:
 - A more effective way to deliver processes
 - Consistently high quality administration services
 - Improved accountability
 - Freeing-up staff to perform front-line services
 - Realising the full benefits of Enterprise Resource Planning (ERP) implementation and investment
 - Improved management information and decision making

5. Our Shared Services is multi-award winning. Most recently the Accounts Payable team has won the Accounts Payable Team of the Year Award and Shared Services has been awarded the Government's Customer Service Excellence Standard. This prestigious award places particular emphasis on delivering in the areas that are important to customers - customer insight, timeliness and quality of service, information and access, the culture of the organisation and delivery.
6. In the spirit of partnership working, SCC was approached in May 2012 to begin to scope the potential for delivering ESCC Shared Services (currently outsourced to SERCO PLC) by further developing the existing joint working arrangements in order to deliver the following high level benefits for both organisations. (The current contract with the outsourced provider is due to expire in March 2013)
7. This arrangement should bring benefits to both organisations, including:
 - a. Better utilisation of Enterprise Resource Planning System (ERP)
 - Both organisations currently use SAP as their ERP. Through sharing knowledge and building on the notion of a SAP Centre of Excellence both organisations can better benefit from a better return on investment from their ERP through better utilisation.
 - b. Transparency
 - Through the provision of services from one public sector authority to another, greater transparency and control over how the services are shaped can be attained by ESCC and SCC allowing more integrated and efficient service design
 - c. Efficiency and Public Value
 - Better use of our resources by increasing activity volumes whilst reducing fixed costs enables our services to grow strength in delivery capability and build resilience.

WHAT DOES THE AGREEMENT INVOLVE?

8. The services covered by the Agreement are:
 - Accounts Payable
 - Accounts Receivable
 - Payroll
 - Pensions Administration
 - SAP Data Hosting
9. The first four services (the transactional services) are to be delivered from 1 April 2013. To minimise service disruption and ensure a timely handover from the current provider, SAP Data Hosting will commence on 1 August 2013.

10. Subject Matter Experts from both authorities have agreed that services currently provided by Serco PLC shall be replicated from 1 April and subsequently will be redesigned to deliver the mutual benefits envisaged.
11. Transactional services will be delivered from a site in Uckfield (the location of the present Serco PLC operations) and SAP hosting will be provided at Surrey's Primary Data Centre in Redhill.
12. Under this Agreement, 36 staff have transferred from Serco employment to SCC employment at the Uckfield site.

AGREEMENT TERMS

Duration

13. The Agreement will be of unlimited duration. It can be terminated by either party by serving a one year notice period. The earliest that this notice can be served is 1 April 2015 (making it a minimum of three years' duration).
14. Governance
15. A Head of Services employed by SCC will have full operational responsibility for all aspects of the Agreement. The present Interim Head of Shared Services, Simon Pollock, will be the first person appointed to this role.
16. The Head of Services shall report to an Operational Board consisting of an Account Manager from SCC and key customer-stakeholders from ESCC. This board will have responsibility for reviewing service performance and discussing service improvements.
17. The Operational Board will report to a Joint Executive Board consisting of SCC's Cabinet Member for Change & Efficiency and Strategic Director for Change and Efficiency and their ESCC counterparts. This board will meet quarterly and approve significant service and budget changes.

Service Delivery

18. All services will be provided according to a series of Statements of Requirements agreed between the subject matter experts at both organisations.
19. The SAP Hosting Statement of Requirement is provisional at this stage and both organisations have agreed to revisit this as mobilisation work progresses ahead of 1 August 2013.
20. The Head of Service shall take responsibility for delivering a programme of continuous improvement and service re-engineering to deliver efficiencies and cost savings. Where this involves changes to the Statements of Requirements or up-front investment, this will be

negotiated at the Operational Board (and the Executive Board if there are large financial or service implications).

21. Where ESCC wish to change the Statements of Requirements, they too will have to seek approval through a formal change notification process.

Staff transfer implications

22. 36 staff are transferring from Serco PLC employment to SCC employment under TUPE regulations. The agreement ensures that ESCC will cover all extraneous costs related to their transfer either through indemnities or contingency payments.

FINANCIAL IMPLICATIONS

23. The first year costs are calculated to be £1.8m. Mobilisation costs have been estimated and accepted by ESCC as £0.7m. .
24. SCC's finance officers will be responsible for reporting spend against budget on a quarterly basis to the joint governance boards and an annual reconciliation process will be undertaken to ensure that the financial benefits of service improvements are apportioned appropriately. Mobilisation costs will be reimbursed on a monthly basis.
25. Budgetary increases will be agreed by both parties in advance. Agreement processes will depend upon the level of increased investment.:
- Under £100,000: Head of Service in conjunction with Head of Financial Programmes and Projects at ESCC
 - £100,000-200,000: agreement by the Operational Board
 - £200,000 + to be agreed by the Joint Executive Board

PROPERTY

26. The transactional services will be undertaken from premises in Uckfield. An underlease has been written to this effect.
27. SCC Estates and IMT officers have been working to ensure that the building is fit for purpose and operational from 2 April.

MOBILISATION

28. Following the provisional approval granted on 18 December 2012 a mobilisation team from SCC has been working closely with Serco PLC and ESCC to ensure a smooth transition of services. This has included HR, Estates, Procurement, Communications, IMT, Finance and Legal support.

29. As part of the mobilisation phase, significant resources have been devoted to employee engagement to ensure that the transferring staff feel like part of SCC's One Team. Feedback has been overwhelmingly positive from all parties involved, including the outgoing contractor which has thanked SCC staff for its professional handling of the transfer.

Contact Officer:

Simon Pollock, Interim Head of Shared Services, Surrey County Council (Tel. no. 020 8541 7848)

Consulted:

Strategic Director Change and Efficiency, the Leader of the Council, the Chief Finance Officer, the Chief Executive Officer, Legal Services.

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Council Overview & Scrutiny Committee
17 April 2013

Appraisal Data – Position Statement

Purpose of the report: Scrutiny of Services

To provide an update on progress with logging completion rates for the People Strategy promise that 'Everyone will have an annual appraisal'.

Introduction:

1. This report provides an update on current statistics of appraisal completion for eligible employees across the organisation.
2. Data is being collected following the design and implementation of an interim process as the SAP system is not designed to automatically report and collect this data. We are working on adaptations to SAP in this regard.
3. The interim process was trialled successfully in Adult Social Care during January 2013. As a result the bulk of data for ASC had already been collected and only requires updating.

Interim process

4. The Organisational Management (OM) structure was used to create a list of all line managers and their direct reports across the organisation.
5. Pre-filled templates were sent directly to line managers who were asked to complete the following information for each member of staff:
 - a) Date of appraisal (compulsory)
 - b) Name of person who completed the appraisal (compulsory)
 - c) Payroll number of person who completed the appraisal (compulsory)
6. Line managers were given 3 weeks to complete the information and return to a central point. Paragraph 9 shows a breakdown of completion rates to date.
7. Data is currently being collated, cleansed of errors, uploaded onto the SAP system and combined with existing data on SAP. Managers who have not yet responded are being contacted as a reminder to complete the data.

8. Reports on level of appraisal completion will then be pulled from SAP and combined with workforce information to give results on levels of appraisal completion for all eligible staff.

Appraisal reporting completion

9. The mid-exercise return rates are shown by directorate below. This is not a full account of the end result; rather it represents the position at 5 April 2013.

This shows the number and percentage of managers who have completed the logging exercise. It does not show the number or percentage of appraisals completed.

Directorate	No Managers	Responded	% Completed
CEO	57	39	68
CC	203	169	83
CSF	456	279	61
CE	189	137	72
E&I	133	109	82
Total	1038	733	71

10. The reporting on this data will be completed and ready to report to in June. This reflects the appraisal cycle followed by a large proportion of the organisation where appraisals are conducted around April – May.

Conclusions:

11. The process used is manual and requires staff resource to run, but is useful in confirming the annual appraisal cycle, which is currently not possible through our computer reporting systems.
12. A range of delivery options for an automated system are being considered, until a suitable solution has been found the manual logging process will continue to provide this information.

Financial and value for money implications

13. Any additional training on appraisals and promotion of appraisal identified through this project will be met from existing training budgets and planned campaign activities.

Equalities Implications

14. None identified.

Risk Management Implications

15. None identified.

Implications for the Council's Priorities

16. This work supports the organisation's commitment to delivering the promises in the People Strategy specifically 'Everyone will have an annual appraisal'.

Recommendations:

17. It is recommended that a full report on appraisal completion levels by directorate is brought to OSC in June 2013.

Next steps:

April / May 2013	Collate data from managers across the council
June 2013	Present data to Overview and Scrutiny Committee
March – May 2014	Run appraisal logging project as per 2013
June 2014	Present data to Overview and Scrutiny Committee

Report contact: Carmel Millar, Head of HR & OD, Change & Efficiency

Contact details: Carmel Millar/CAE/SCC
Telephone: 020 8541 9824

Sources/background papers: N/A

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Overview and Scrutiny Committee
17 April 2013

Progress Report for Business Continuity Arrangements

Purpose of the report - The purpose of this report is to highlight the progress that has been made regarding Business Continuity in Property Services, Information Management and Technology and Public Health, as part of the agenda setting for the Council Overview and Scrutiny Committee.

Introduction:

1. The Committee has requested that they receive a progress report on Business Continuity in relation to the Public Health Team, Information Management and Technology and Property Services to include the following:

- The maintenance of Business Continuity arrangements alongside the current changes in the estate and IMT portfolios.
- Work underway to ensure the move of the Director for Public Health's team is incorporated into the SCC Business Continuity Management.

Updates on arrangements

2. There has been a review of the Business Continuity arrangements across the Council as a result of the following drivers for change,

- Learning captured as part of the Olympic Planning in 2012
- An assessment of current risks and threats to service delivery
- Changes for the national standard for Business Continuity Planning
- Publication of the 'Indicators of Best Practice Guidelines for Category One and Two Responders'

3. Working with all Surrey County Services, areas critical to service delivery have been mapped with regard to the requirements for IMT and Property Services. This mapping has formed the basis for progressing the working to ensure that contingency arrangements are in place to protect service delivery focusing on those service which are seen as critical to communities' in particular vulnerable residents.

4. Two aspects that have been important to identify are,

- a. The **Maximum Tolerable Period of Disruption** this is the duration after which service delivery will be threatened.

b. The **Recovery Time Objective**, this is the time identified when it is reasonable to expect the resumption of functions such as IT applications.

5. This work has allowed services to put in place Business Continuity Plans to ensure that service delivery continues to be provided albeit in a different way during periods of business disruption.

6. Joint working with IMT and Property Services will continue to ensure that those services with critical roles have pre-identified alternative working arrangements, either through flexible working or pre-identified fall back locations in other buildings.

7. To support this progression a joint workshop lead by IMT and the Emergency Management Team has been carried out with service leads, and a further session is planned focusing on Property Services. The sessions aim to test understanding and assist in the development of service capabilities.

8. IMT has identified through their risk management process that certain planned IMT activities increased risk to service provision. IMT and the Emergency Management Team (EMT) have worked together to ensure that as part of the move of the Data Centre and the Recovery Data Centre, Services had appropriate contingency arrangements in place to protect critical services during such periods. There was a focus on ensuring that 24 hour services and in particular those provided to the vulnerable residents in our communities were included in this work.

9. Learning from the data centre relocation has been taken forward into the UNICORN Project and EMT and IMT officers are continuing to work ensure that risks to service delivery are identified and addressed as the project is delivered.

10. EMT has worked with Property Services to adjust current Business Continuity arrangements to meet the needs of staff as part of the recent restructure. There have been exercises with all the new 'on call' officers in support of their role. A further exercise is planned with the property services recovery team on the 17th April 2013. The scenarios will be based on the outcomes of the priorities highlight through the feedback from services.

11. Property Service will be recruiting a Risk Management Team Coordinator in due course to support this work as part of the restructure.

12. Public Health moved to move into the County Council structures and reporting on the 1st April 2013. Further work will continue to ensure that there are Business Continuity Plans and arrangements in place to support Public Health once the move has been completed.

Conclusions:

13. This report has been submitted as the update to the Overview and Scrutiny Committee on the specific areas requested. Work continues with all services to increase the resilience of the organisation through application of the principles of Business Continuity Management.

Next steps:

14. Work will continue in the areas highlighted to reflect further improvements to the Business Continuity Plans and Management System going forward.

15. EMT is working with procurement colleagues to review and improve the resilience of contract for the provision of services deemed as critical. There is a current focus on supply of services to Adult Social Care and the loss of care home providers

Report contact: Ian Good – Head of Emergency Management

Contact details: 02085419168

Sources/background papers;

Civil Contingencies Act 2004, Regulation 2005

ISO 22301 Business Continuity Management – BSI

Expectations and Indicators of Good Practice Set for Category 1 and 2 Responders – Cabinet Office

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Council Overview and Scrutiny Committee
17 April 2013

BUDGET MONITORING REPORT FOR FEBRUARY 2013 (PERIOD 11)

Purpose of the report: This report presents the revenue and capital budget monitoring up-date for February 2013 with projected year-end outturn.

Introduction:

1. The January 2013 month end budget report was presented to the cabinet meeting on Tuesday 26 March 2013.
2. Annex 1 to this report sets out the council's revenue and capital forecast of the year-end outturn at the end of February.
3. The forecast is based upon current year to date income and expenditure and projections using information available at the end of the month. The report provides explanations for significant variations from the budget.

Report contact: Kevin Kilburn, Deputy Chief Finance Officer

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020 8541 9207

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Budget Monitoring – February 2013

Summary - Revenue

The council is forecasting a small underspending on its revenue budget of £3.5m, or 0.2% of its gross budget. This has been achieved whilst services are facing increasing demand for its services, particularly in social care and highways.

The Council takes a multiyear approach to financial management and recognises that some projects and schemes do not complete by the end of year deadline, and will straddle two financial years. This is highlighted by service requests to use current year budget to support continuing schemes in the next financial year totalling £6.5m. In addition, and as a result of the unused contingency for the Olympics, £1m will be used as a response to the winter damage to roads. As a part of the 2013/14 budget, £11m from the current year's budget was included to support service expenditure through the use of the Budget Equalisation Reserve. If the support for continuing projects is also transferred to the Budget Equalisation Reserve then the council's services would face a small net overspend of £0.3m, which would be offset by savings on capital financing and other central costs.

The council set its self a target of making £71m in efficiencies and reductions for this year. By the end of February 2013, £55.4m has been achieved with a further £11.2m expected to be achieved the end of the year.

Summary - Capital

The council's capital budget aims to support, maintain and improve service delivery and also to provide a stimulus to economic activity in the county of Surrey. In the eleven months to the end of February 2013, the council had spent and committed £146m of capital expenditure and forecasts a further £12m by the financial year end. This includes the council's investment in the Woking town centre by the year end and the council is looking to bring forward other projects that will provide a presence in other town centres from which services can be provided. These form a part of the strategy for stimulating economic activity across the county and have been delivered with fewer resources than in previous years.

Recommendations:

That Cabinet:

1. notes the projected revenue budget underspend; (Annex 1 – Section A) and the capital programme direction; (Section B)
2. confirms that government grant changes are reflected in directorate budgets; (Section C)
3. approves the use of the unused contingency for the Olympic Games to be used to respond to the winter damage to roads.

Revenue Budget - Month End Financial Position – February 2013

1. Table A1 shows the current full year funding and net expenditure budgets for council services, and schools, along with the forecast outturn.

Table A1 – Updated income and expenditure budget and year-end forecast

	Year to date budget	Year to date actual	Full year budget	Remaining forecast income and spend	Outturn forecast	Forecast variance
	£m	£m	£m	£m	£m	£m
<u>Funding:</u>						
Council Tax (ten instalments)	-522.0	-522.0	-580.0	-58.0	-580.0	0.0
Government grants (incl Formula grant)	-851.4	-754.6	-928.8	-174.2	-928.8	0.0
Total income	-1,373.4	-1,276.6	-1,508.8	-232.2	-1,508.8	0.0
<u>Net revenue expenditure:</u>						
Service income	-123.7	-125.9	-134.8	-14.0	-139.9	-5.1
Service staffing costs	280.7	271.6	306.2	24.2	295.8	-10.4
Service non-staffing costs	751.1	735.8	842.5	118.7	854.5	12.0
Schools - net expenditure	522.4	470.1	522.4	52.3	522.4	0.0
Total net revenue expenditure	1,430.5	1,351.6	1,536.3	181.2	1,532.8	-3.5
Increase(-)/ decrease in reserves & balances	57.1	75.0	27.5	-51.0	24.0	-3.5

2. The updated revenue budget for the 2012/13 financial year is £1,536.3 million. Annex 1 Section C provides more details on this along with changes to government grants and inter-directorate virements.
3. Table A2 shows the updated net revenue budget for each directorate and also schools.
4. The Council set aside a risk contingency of £9.0m and this will be earmarked to offset additional pressures. It is now very unlikely that this will be used and following the Council's budget recommendation to support the 2013/14 budget with earmarked reserves, this will be transferred to the Budget Equalisation Reserve. There are £6.5m worth of projects and schemes that will not be complete by the end of the financial year and, if approved, would also transfer to the budget equalisation reserve, which will fund these schemes and projects to completion.

Table A2 – Directorate net revenue budgets, expenditure and forecasts

<i>January Forecast Variance</i>		Year to date budget	Year to date actual	Full year budget	Remaining forecast spend	Outturn forecast	Forecast variance
£m		£m	£m	£m	£m	£m	£m
1.9	Adult Social Care	309.1	309.7	337.2	29.5	339.2	2.0
-3.8	Children, Schools & Families	270.0	256.0	295.5	34.8	290.8	-4.7
0.0	Schools	522.4	470.1	522.4	52.2	522.4	0.0
-2.1	Customers & Communities	67.5	65.8	74.4	6.4	72.2	-2.2
0.8	Environment & Infrastructure	114.7	112.6	129.9	17.6	130.2	0.3
-3.9	Change & Efficiency	80.3	73.9	88.0	9.7	83.6	-4.4
-0.1	Chief Executive's Office	12.8	12.5	14.0	1.3	13.8	-0.2
8.5	Budget equalisation reserve	0.0	0.0	9.0	18.5	18.5	9.5
1.3	Net service expenditure	1,376.8	1,300.6	1,470.4	170.0	1,470.7	0.3
-3.6	Central Income & Expenditure	53.7	51.0	65.9	11.2	62.1	-3.8
-2.3	Net revenue expenditure	1,430.5	1,351.6	1,536.3	181.2	1,532.8	-3.5

Adults Social Care: (Current Forecast: is an overspend of +£2.0m or +0.6%, a increase in overspend of -£0.1m from the previous month)

5. The February projected outturn for Adult Social Care is an overspend of £2.0m. This represents an increase of £0.1m from the January position.
6. The ASC budget continues to face considerable pressures, leading to the forecast that an overspend of £2.0m is likely at year end. The main reasons for this follow:
 - all of the £3.8m underspend carried forward from 2011/12 has now been used to fund new pressures,
 - there are growing demand pressures within the main client groups, including transition from children's services,
 - staff recruitment difficulties and the need for complex partnership working have slowed delivery of some savings.
7. The Whole Systems funding programme is in the second of its four years, with £10.2m allocation received in 2012/13. Joint plans have been agreed with NHS Surrey to spend this money on new projects which should help in the longer term to reduce pressures on care and health budgets through preventative mechanisms such as telecare and telehealth. The funding is being retained on the balance sheet and drawn down to match expenditure as it is incurred. Due to growing demand pressures it is proposed that £0.8m of Whole Systems funds will be drawn down as a contribution to help offset these pressures. This represents a reallocation of funding previously set aside for internal ASC projects and as such would not directly affect plans agreed with health and other partners.

8. In addition to the Whole Systems funding, £2.4m of Department of Health (DoH) funding allocated to the County Council via the PCT was received late in 2011/12 and so remained unspent at year-end. Given the reduction in this year's forecast of achievable savings, £1.4m of this funding is drawn down as a contribution towards ASC's wider budget pressures. Every effort will be made to maximise savings in the remainder of the year, which may reduce the amount of Department of Health funding needed for this purpose.
9. The policy line summary shown above for Adult Social Care does not include a £1m contribution from the corporate centre to fund additional temporary staff to support more rapid progress with personalisation, which is to be matched by a £1m contribution from ASC. The recruitment of these staff is now due to take place next year, so hence the £1m corporate contribution has been included in the 2013/14 budget as part of the forward budget setting process.
10. This position does include the £1m corporate contribution towards partnership working with the districts and borough councils, which is matched by £1m from ASC. It is expected that this £2m will be spent in year, but in view of the separate identification of the sum by the leader for this partnership purpose, any balance will be retained on the balance sheet if not fully spent in 2012-13 for draw down in 2013-14.

Summary of Management Actions included in the February projections

11. Forecast Efficiency Savings in the remainder of 2012/13:

- £(0.1) m - Maximising Income through partnership arrangements. Continuing Health Care (CHC) savings of £ (1.9) m have been validated as at the end of February 2013. A small amount of savings are expected to be made in the final month of the year, but full year savings are now only projected to be £2.0m because of risks brought about by changes in health economy and growing numbers of individuals losing CHC with associated backdated payments to health, from Surrey, that reduce the net CHC savings the department secures.
- £1.2m – Additional DoH winter pressure funding for 2012-13 is being drawn down to reduce the current projected overspend.
- £ (0.01) m - S256 Attrition - £ (2.2) m of savings were achieved in full as at the end of February 2013. A further £ (0.01) m of savings are projected for the remainder of the financial year.
- £(0.16)m - Consistent application of the Resource Allocation System (RAS) - it is anticipated that a proportion of service users currently receiving a direct payment, will be identified as needing lower cost packages which will lead to reclaims of surplus balances. £2.5m of reclaims had been achieved by the end of February 2013.
- £(2.0)m - As a result of the reduction in this year's forecast savings it is now proposed that £2m of Additional Department of Health funding is drawn down as a contribution towards ASC's wider budget pressures.
- £(1.3)m - An adjustment has been applied to projections for Older People Home Care, PSD supported living and PLD call offs to account for breaks in service and ceases not yet actioned in the Adults Information System (AIS). This is in line with prior years' trends.

- £(0.8)m - £0.8m of Whole Systems funding previously set aside for internal ASC projects is now planned to be drawn down as a contribution to the wider ASC budget pressures.

Older People: £4.8m overspend, an decrease of -£0.1m from January

12. The key variances within Older People services are:

- £4.2m - Overspend on Nursing and Residential placements mainly due to demand pressures that it has not been possible to absorb within the budget and underachievement against preventative, CHC and RAS savings against these policy lines.
- £0.4m - Spot Home Based Care pressures primarily due to MTFP efficiencies in relation to preventative savings not expected to be fully achieved within the current financial year.
- £1.5m - Overspend in relation to Other Community Services, including respite, day care and transport due to strategic shift as part of the personalisation agenda.
- £0.8m - Overspend within In-House residential homes including Day Care, due to MTFP efficiencies ascribed to this budget area being achieved within other areas in Service Delivery.
- £(1.4)m - Underspend within the Reablement service due to a high level of vacancies and delays in the appointment process.
- £(0.7)m - Underspend on Direct Payments primarily due to a reduction in the actual start position and an overachievement against the demography and inflation efficiencies.

13. £(0.9)m of management actions are included in the February monitoring position for Older People.

14. The main changes from last month are:

- £0.2m - Increase across Older People spot care packages mainly in Nursing due to increases to existing care package costs (£84k), the net impact of new and cease packages (£43k) in February due to 32% of new packages relating to previous months plus further write back of 2011-12 accruals (£52k).
- £-0.2m – Increase in Management Actions to account for over projections within AIS.
- -£0.2m – Reduction in HBC projections resulting from 53 backdated ceased packages (32% of all reported ceased in month) releasing more funds than the cost of new placements in month
- -£0.1m – Reduction in Direct Payment due to additional surplus reclaims in month.
- £0.1m Increase in other community care services.
- £0.2m Increase in in-house Residential Homes and Day Care Services.

Physical Disabilities: £1.5m overspend, a decrease of £0.2m from January

15. The key variances within Physical Disability services are:

- £1.4m - Overspend on Direct Payments due to the start position in spot care being higher than budgeted and a net increase of 119 direct payments services from April 2012 to February 2013.
 - £0.4m - Overspend on Supported Living due to the start position in spot care being higher than budgeted, together with the under-achievement against preventative and strategic shift efficiencies.
 - £0.4m - Overspend on Nursing spot care, mainly due a net increase of 10 spot nursing care packages so far this year plus some MTFP savings being achieved against other policy lines.
 - £(0.3)m - Underspend on Residential care, primarily due to lower than anticipated volumes of physical and sensory difficulties (PSD) transition clients.
 - £(0.4)m – Underspend on Community services due to a reduction in PSD commissioned services
16. £(0.2)m of management actions are included in the February monitoring position for PSD.
17. The main changes from last month were:
- £(0.1)m – Decrease in Direct Payment costs due to a net reduction of 2 services and reclaims of surplus client balances received in February,
 - £(0.1)m – Increase in management action planned savings to account for overprojection of PSD Supported Living costs in AIS.

Learning Disabilities: £7.7m overspend, an decrease in overspend of -£0.7m from January

18. The key variances within People with Learning Disabilities (PLD) services are:
- £2.7m - Overspend for PLD Transition clients due to growing demand pressures and increased volumes above those previously anticipated, forecast non-achievement of the £1m Optimisation of Transition Pathways efficiency and a number of high cost packages that the department has had to pick up this year.
 - £2.5m - Overspend on Residential spot care mainly due to forecast under-achievement against strategic supplier review, preventative efficiencies, LD PVR and strategic shift efficiencies.
 - £2.1m - Overspend on Supported Living spot care excluding S256 and Transition clients primarily because the start position was £1m higher than budgeted due to increased volumes in late 2011/12 (in line with the focus on community based provisions as part of personalisation), a net increase of 54 supported living services between April 2012 and February 2013 and under- achievement against preventative savings.
 - £1.1m - Overspend on PLD clients, who transferred from the health sector under S256 of the National Health Act 2006, due to anticipated under-achievement against MTFP efficiencies.
 - £0.3m - Overspend on Nursing spot care due to a net increase of 4 services since the start of the financial year.
 - £(0.7)m - Underspend across other community services due to Direct Payments reclaims and reduction of other community service projections
 - £(0.3)m - Underspend on In-house Supported Living, Day Services and Residential care.

19. £(0.5)m of management actions are included in the February monitoring position for PLD.

- £(0.4)m Increase in Management Action planned savings to account for over-projection of PLD Transport of Other Care call off services on AIS.
- £(0.1)m Reduction in Residential care projections due to savings achieved as a result of de-registration of services and transfer to Supported Living arrangements.
- £(0.1)m Reduction in external Day Care costs due to reduction in service volumes in February.
- £(0.1)m Reduction in PLD In-house Residential costs due to revisions to staffing projections in the last month.

Mental Health: £(0.2)m underspend, no significant change in projection from January

20. The £0.2m underspend on Mental Health is due to an underspend on Substance Misuse within Residential Care offset by an overspend within Supported Living/Home Based care services

21. No significant change from the January report.

Other expenditure: £(6.5)m underspend, an increased underspend of £(0.7)m from January

22. The key reasons for the underspend on Other Expenditure are:

- £(3.5)m Underspend on core establishment including on-costs due to ongoing workforce reconfiguration and delays in recruitment.
- £(2.3)m Funds brought forward from 2011/12 being used to offset pressures within the main client group budgets.
- £(0.7)m Underspend on Supporting People - this is due to achievement of the Supporting People efficiency through the renegotiation of contracts in respect of volume and unit costs ahead of the 4 year plan.

23. No Management Actions are included in the February monitoring position for Other Expenditure.

24. The main changes from last month were:

- £(0.5)m Increased underspend on core establishment budgets due end of year adjustments to staffing projections and further recruitment delays.
- £(0.2)m Increased underspend on funds carried forward from 2011/12 as a contribution to pressures within the main client groups.

Income: £(5.2)m surplus, a reduced surplus of £1.9m from January

25. The key variances that make up the overall surplus forecast on income are:

- > £(5.8)m Surplus on Other Income due to £(4.7)m of draw downs of Additional DoH funding, Whole Systems and other historic balance sheet funding to help offset wider pressure, unbudgeted refunds for clients who are determined as CHC with a backdated effective date £(1.5)m, unbudgeted income within Service Delivery of £(0.3)m, additional income for Carers. Transformation and establishment £(0.3)m offset against £1.0m pressure due to increases in the bad debt provision.

- £(1.1)m Potential surplus on Fees & Charges based on the year to date position and expected income to year-end.
- £1.5m Shortfall on Joint Funded care package income, mainly caused by a reduction in the number of joint funded clients due to ongoing reviews of historical joint funding arrangements which usually result in clients being determined as either 100% CHC or 100% social care.
- £0.2m Shortfall on Section 256 fees & charges and Section 256 Mental Health income caused by reductions in S256 user numbers and offset by reductions in expenditure as a result.

26. £(4.1)m of Management Actions are included in the February monitoring position for Income.

27. The key changes from last month were:

- > £1.9m Due to reduction in the Management Actions in respect of £1m DOH Winter Pressure draw down and removal of backdated CHC income £0.9m previously forecast to be received from PCT's, following confirmation from the DOH that potential backdated liabilities for outstanding cases will be transferred to the new Clinical Commissioning Groups from the 1st April 2013.

Children, Schools & Families: (Current Forecast: Underspent by -£4.7m or -1.6%, -£0.9m increase in underspend since January).

28. The projected year end revenue position for Children Schools and Families is for an underspend of -£4.7m. This represents a further increase in the Directorates county funded underspend of £1m. This is mainly due to a further improvement in the position of Children's Services together with the confirmation of other underspends across the department as it becomes clear that expenditure will not be incurred this year. This has been offset by the identification of an anticipated overspend in relation to SEN transport costs.

29. In addition Children Schools and Families projects a £2.1m underspend related to Dedicated Schools Grant funded services which is determined by the Schools Forum.

30. The total Children, Schools and Families request for carry forward is £2.5m. The carry forward from 2011/12 into 2012/13 was intended to cover two years worth of work designed to deliver the required medium term financial plan savings of £40m as well as developing some key initiatives, all designed to improve outcomes for vulnerable families. There are several projects which have started but will span two financial years - the second year of the CSF Public Value Change Program requires continued funding of £0.97m; the implementation of the RIE around homelessness requires an investment of £0.15m which is aimed to reduce costly bed and breakfast spend through improved housing contracts with providers; the implementation of the Family Support initiative across Surrey partners will span 2 or 3 years and requires the second year investment of £0.25m; the implementation of the youth service skills centre contracts in the latter half of 2012/13 require the continuing investment of £0.15m to reduce Not in Education, Employment or Training (NEETs); the recent inspection identified the need for improved partnership working and an investment of £0.1m is required. The continued cost of locum cover in Children's Services is an issue as the number of child protection cases continues to impact on frontline staff caseloads. The Council is looking into the options of supporting newly qualified social workers so they

develop their experience and are then appointable to vacancies. This may require investment of up to £0.9m over a two year period.

Children's Services

31. The projected overspend has reduced since last month by £0.4m to £2.0m, of which £0.4m relates to DSG funded activities. As previously reported the main reason for the overspend is an increase in the number of children receiving services despite the service largely meeting its efficiency targets. The main variations giving rise to the overspend and changes from last month are:
- Looked After Children and Children in Need, both staffing and care costs - these budgets remain under pressure due to the impact of increased referral rates (+£0.8m) and the need to cover statutory work with agency staff in vacant positions (+£0.7m). There has been a small increase in the anticipated overspend of £0.1m relating to increased demand for supervised contact in care budgets.
 - Agency Placements - the projected overspend has reduced by -£0.2m since January as the number of independent placements has reduced by six. The overspend is now expected to be to be £1.9m for both children with disabilities and care. Although this monthly variation is a reduction, the underlying trend is an increase in agency placements and this is reflected in the medium term financial plan 2013/18. Management action to avoid high cost placements continues.
 - Fostering and Adoption Allowances – There is no change to the projection this month. The overall pressure on this budget (+£0.6m) reflects a rising number of allowances and Special Guardianship orders.
 - Leaving Care and Asylum Seekers – the overspend on these services has increased slightly again this month and now stands at +£0.6m resulting from a steady increase in the numbers requiring a service.
32. Overall service pressures are being offset by underspent staffing budgets across the service (-£1.2m) and by the holding of unallocated resourced within central budgets (-£0.7m). Also within Children with Disabilities (CwD) specialist care services underspends are anticipated on contracts and services linked to the “Aiming High” Programme (-£0.4m), and there is an underspend of £0.3m due to delays setting up and Emergency Duty Team for Children’s services.

Schools & Learning

33. The anticipated underspend for schools and learning has increased this month by £0.3m to -£3.7m on county funded services. There is a further underspend of -£2.5m relating to DSG.
34. There are a number of areas where projections have reduced since January, although these are partially offset by an increase in projected transport costs. The main budget variances across Schools and Learning are outlined below together with changes since the January forecast.
35. The underspend in the early years service has increased further by -£0.3m in county funded areas of the service: mainly staffing budgets where the position is clearer as we approach year end. The overall projected position for the Early Years service is for an underspend of -£4.5m in 2012/13. The main reasons for the Early Years underspend relate to: three and four year old (DSG) provision (-£1.7m), provision for two year olds (-£0.9m), building a world class workforce bursaries underutilised (-£0.3m), application of grant from previous years (-

£0.2m), the working together project (-£0.2m) children's centres (-£0.6m) and staffing vacancies (-£0.5m).

36. In relation to SEN services the overspend on Agency placements has reduced by -£0.2m to an anticipated overspend of +£0.4m. This is offset by an increase in the call on the ISPSB budget of +£0.16m although overall this is expected to underspend by -£0.26m. In addition central SEN costs are expected to underspend by -£0.3m.
37. The transport budget is now expected to overspend by +£0.7m compared to a breakeven position last month. This overspend is mainly related to SEN transport where the number of routes has increased.
38. Commercial Services anticipate a slightly increased underspend of -£0.7m for the year mainly due to increased activity. However, this position does not include any related overhead costs, which if included would give an overall balanced budget position for Commercial Services.
39. In addition to the above there are staffing underspends across the directorate of -£1.5m largely arising from the implementation of the service restructure and decisions to hold vacant posts pending clarifications of future funding arrangements and delegation.

Services for Young People

40. The anticipated underspend (£0.2m) has slightly increased. Within Commissioning and Development there are staffing savings as youth centres have not been fully staffed. Within Service Management some discreet projects will not now go ahead resulting in an underspend of -£0.7m. These underspends are offset by area staffing pressures within Youth Support Services and in the Gypsy Skills, Duke of Edinburgh and Surrey Outdoor Learning Development (SOLD) services.

Strategic and Central Resources

41. The main budget item under the Strategic Director's control is the residual balance of carried forward underspend from 2011/12 not yet allocated. The total carry forward was £7.4m of which £3.6m was transferred to the Child Protection Reserve, £1m used for ongoing funding of the CSF Change Programme and £0.4m for schools' broadband. A budget of £1.9m remains to be allocated at the end of February 2013 and is unlikely to be spent in 2012/13. In addition there are staffing underspends of £0.4m particularly in teams for the family support initiative and the change programme, due to vacancies prior to recruitment.

Customer & Communities (Current Forecast: -£2.2m underspend or -3.0%, an increase in underspend of £0.1m from last month)

42. The directorate is currently projecting an underspend of -£2.2m against a budget of £74.4m. This is predominantly due to confirmation that there are no commitments against the Olympics contingency (£1.0m), underspends in member allocations (£0.5m) and community improvement fund (£0.1m) where payments are unable to be made this financial year (£0.5m), increased income in Registration (£0.3m) and miscellaneous savings across the remaining services.
43. There is a projected underspend of £1.3m in Directorate Support. This is mainly due to there being no call against the Olympic contingency (£1.0m). In addition there are net

underspends within the team on staffing, (£0.2m), projects (£0.1m), and Olympic cycle races (£34,000) against the £2m cap.

44. Community partnership and safety are projecting an underspend of £0.7m. This is due to an expected underspend on member allocations (£0.5m) and Community Improvement fund (£0.1m) arising from anticipated delays in receiving signed funding agreements preventing payments being made before 31 March. The remainder is due to there being an underspend on directorate projects (£0.1m) within the Community Partnership team.
45. The directorate budget excludes offsetting government grant funding of £11.8m which is accounted for centrally. Variations in grant funded expenditure are therefore reflected within the directorate report, offset by equivalent variations in the centrally held budget. Periodic budget virements are processed to reflect these changes. There were no changes made during the last month.
46. Carry forward requests: Once the outturn position is known, a carry forward request will be made to match the committed underspend on member allocations and community improvement fund, currently predicted as £0.6m. The directorate will also be submitting an £0.1m carry forward request in relation to fire service communications to ensure funding is available in the new financial year to complete essential maintenance that improves resilience of the backup control room. The unused contingency for the Olympics of £1m will be used as a response to the winter damage to roads.

Environment & Infrastructure (Current forecast: +£0.3m overspend, an decrease in overspend of £0.5m from last month)

47. Overall Environment & Infrastructure is expecting to overspend by £0.3m, a reduction of £0.5m compared to the previous month due to reduced pressures in a number of areas including concessionary fares and Highways capital recharges.
48. Staffing - £1.2m (underspend). An underspend of £1.2m is expected primarily in Highways and Environment. Recruitment has taken place throughout the year, and in some cases additional temporary staff have been employed to deliver projects across the Directorate.
49. Highways maintenance +£0.7m (overspend). An overspend is expected primarily due to a number of offsetting factors including additional road maintenance, illuminated street furniture repairs and winter maintenance.
50. New Homes Bonus - £0.5m (underspend) New homes bonus grant has been transferred to E&I during the year for a number of projects. Currently an underspend of £0.5m is expected, primarily associated with Olympic legacy and development of major transport schemes.
51. Road safety - £0.3m (underspend). An underspend is expected primarily in respect of road safety initiatives (£0.2m). Schemes are decided on by the Road Safety Board and the Board requests that this amount is carried forward to 2013/14.
52. Local bus services + £0.3m (overspend) Local bus services are expected to overspend by £0.3m, primarily due to the need to replace services previously operated by Countryliner.

53. Other variations – a number of other smaller variations, including overspends on waste disposal (£0.2m) and highways capital recharges (£0.2m), combine to a net overspend of £1.3m.
54. Carry forwards – carry forwards totalling £0.8m are requested to allow completion of New Homes Bonus projects (£0.5m, above), road safety schemes (£0.2m), and Community Transport grant funding (£0.1m) required to deliver one-off savings in 2013/14.

Change & Efficiency (Current forecast: -£4.4m underspend or -5.0%, an increase in underspend of £0.5m from the previous month)

55. The Change & Efficiency revenue budget is projected to underspend by £4.4m for the year. This is an increase of £0.5m on last month due to an accumulation of a number of smaller changes, mainly in Property and Human Resources. Requests to carry forward £1m will leave a net underspend of £3.4m.
56. The budget for the directorate includes efficiency savings of £7.9m, of which £7.1m will be delivered. The shortfall is in relation to IMT where one-off network savings from Cable and Wireless (£0.5m) will not be achieved, and the expected income from partner contributions to the Data Centre will be delivered in 2013/14. However, the ongoing network savings from 2013-14 through the new Unicorn contract are on course to be delivered and partners are expected to begin to take space in the Data Centre in the new financial year, following the implementation of the shared network (Unicorn), which will significantly reduce the implementation cost for participation.
57. Significant savings of £1.2m are expected on the Carbon Reduction Commitment budget. Data has now been submitted to the CRC commission and following a review of the quality of the data, the likelihood of fines has been significantly reduced. In addition, in view of the number of licences purchased last year together with reductions in energy consumption achieved, it is unlikely that the cost of allowances will reach the levels expected during budget setting.
58. There is expected to be a saving on the utilities budget of £0.6m. This is based on the estimated energy prices (from October) through the Laser contract. This saving is due to two key factors - procurement activity to deliver a reduction in electricity prices and a lower increase in gas prices than originally expected. It is also due to the capital investment made, including new boilers and smart metering which facilitate greater control over energy usage. The forecast is subject to weather conditions over the winter months, and further savings will be made if temperatures are fairly mild over the peak consumption period. Conversely, if temperatures are extremely cold for a significant period the savings may reduce.
59. Further savings (£1.4m) are expected through the reconfiguration of the office portfolio, where some moves have happened in advance of the original plan, allowing us to relinquish our rent liability earlier than expected and as a result of rent-free periods negotiated on new leases such as the main data centre.
60. A comprehensive review of the planned maintenance budget has been completed and confirms a projected underspend of £1.1m, as a result of the new contracts implemented mid-year. Part of this is a reduction in work delivered during the transition, however the new contracts have delivered procurement savings in the region of 11%. These savings are partly offset by an increase in responsive repairs and maintenance (+£0.4m) as a result of the heavy rainfall earlier in the year.

61. Income from rents is expected to be below budget by £0.5m. This is as a result of Countryliner going into administration (+£0.1m), incorrect budget assumptions in respect of rents Mayford Business Centre and Gypsy sites (+£0.2m), lower occupancy at Business Centres (£0.1m) and less income from smallholdings due to the sale of houses (£0.1m).
62. An underspend of £0.8m is expected within Human Resources and Finance on staffing costs as a result of the prudent holding of vacancies prior to restructure implementation in order to reduce redundancy costs. In both cases, recruitment to posts is substantially completed however the majority of new starters are unlikely to be in place until the new (calendar) year. A further underspend of £0.1m is expected within Procurement as result of vacancies and the sharing of resources with East Sussex.
63. Human Resources and Shared Services have delivered new income generation of £0.4m. There will be a saving of £0.2m in the Finance budget as a result of external audit fees being reduced. There will be an underspend in the Smarter Working team of £0.2m, which will be requested as a carry-forward in order to fund staff on secondment who are working with services to help maximise the benefits of the recent investment in mobile technology.
64. The Making A Difference (MaD) project budget has been reviewed and it is now expected that the budget this year will underspend by £0.6m. This is a multi-year project and the underspend will need to be carried forward to ensure the later phases of the project can be delivered.
65. All of the above savings help to offset an overspend in IMT totalling £1.7m. In particular there is an increased spend of £0.3m for dual running costs in the final quarter to ensure the new Unicorn contract with BT can go live on 1st April and efficiency savings of £0.5m have not been met with regard to the Cable & Wireless contract. In addition, in order to escalate the delivery of a step-change in IT capability across the organisation, some investment planned for next year has been brought-forward. These initiatives include an improved and more resilient scanning solution and upgrade to the Citrix hardware.
66. Revenue carry forward requests - Three revenue carry forward requests totalling £1m have been identified. These are £0.3m to continue the apprenticeship scheme for a further year, £0.6m MaD project expenditure and £0.1m to fund staff who are working with services to help maximise the benefits of the recent investment in mobile technology.

Chief Executive's Office (Current Forecast: £0.2m underspend or 1.4%, an increase in underspend of £0.1m from last month).

67. The overall projection for the directorate is a an underspend of £0.2m against a total revenue budget of £14.0m. The directorate is managing a large pressure within Legal (£0.4m) through the careful management of staff vacancies and early achievement of efficiencies within Policy and Performance.
68. Legal and Democratic Services are forecasting an overspend of+ £0.2m. Despite additional funding of £0.2m being funded from Children's, Schools and Families' carry forward to provide additional staffing, it is anticipated the Legal Services will overspend by +£0.4m due to expected continuation of high levels of complex child protection cases and associated external legal expenses. The legal overspend is partly offset by an anticipated underspend of -£0.2m within Democratic Services. This is due to staff changes, only one by election occurring in 2012/13, an underspend against Members allowances and expenses, plus confirmation of approximately £40,000 funding from the Home Office towards the Police & Crime Scrutiny Panel which was not included in previous reports.

69. Policy, Performance & Audit are forecasting **and** underspend of -£0.3m. This is due to staff vacancies within the Policy and Performance Team which have been held in order to manage the pressure within Legal. The Policy & Performance budget includes a £0.2m carry forward from 11/12 to fund superfast broadband (SFBB) Project Team costs. The SFBB Joint Operations Centre costs will be funded from the £1.3m BDUK funding that has been successfully secured.
70. Small underspends within Strategic Leadership (£21,000) and Communications (£84,000) make up the remaining £0.1m underspend.

Central Income & Expenditure (Current Forecast: -£3.8m underspend or -5.3%, an increase in underspend of £0.2m from last month).

71. The full year forecast for the Central Income and Expenditure budget is for an underspending of -£3.8m. The increase in the projected underspending **is** relation to a revised projection of redundancy and compensation costs.
72. A lower Minimum Revenue Provision (MRP) charge than estimated has been incurred (£1.2m). This is due to underspends in the 11/12 capital programme resulting in less capital expenditure being funded from borrowing than anticipated.
73. The budget for interest on short term investments is based on assumptions around available cash balances and interest rates. Although interest rates have not risen, cash balances are higher than forecast and it is expected that the council will receive interest income of 0.6m in excess of the budget. In addition, a provision is made in the budget for interest to be paid to schools on their balances. With continuing low interest rates this is unlikely to occur leading to an underspending of -£0.2m.
74. Expenditure on Redundancy and Compensation is currently expected to be broadly equal to the budget based on cases approved to date this year. There have been 126 new cases approved this year against 138 assumed in the budget - an increase of 8 from January. Expenditure on this budget going forward depends on the decisions and outcomes of service re-structures and also the possibility of some people being re-deployed. Therefore the number of cases may change even in the final month of the year.
75. The Central Income and Expenditure budget included £2m in relation to the New Homes Bonus funding, of which £0.5m was transferred to Economic Development earlier in the year for committed schemes. The remaining £1.5m is now unlikely to be required this financial year. This underspend will be requested as a carry-forward, as schemes have been identified to be funded from this during 2013/14.

Staffing Costs

76. The Council's total full year budget for staffing is £306.2m. Expenditure to the end of February 2013 is £271.6m.
77. The Council employs three categories of paid staff.
- Contracted staff are employed on a permanent or fixed term basis and are paid through the Council's payroll. These staff are contracted to work full time, or part time.
 - Bank staff are contracted to the Council and paid through the payroll but have no guaranteed hours.
 - Agency staff are employed through an agency with which the Council has a contract.

78. Bank and agency staff enable managers to manage short term variations in demand for services or vacancies for contracted staff.
79. A sensible degree of flexibility in the staffing budget is good, as is some staff turnover, which allows new ideas and thinking into the workforce from other organisations. The Council aims to incur between 88% and 95% of its staffing costs from contracted staff, depending on the particular Directorate service needs. The current level of 92% has been stable for most of the current year.
80. Table A3 shows the staffing expenditure for the first eleven months of the year against budget, analysed among the three staff categories.

Table A3 – Staffing costs to end of February 2013.

	Budget £m	Actual £m	Variance %	Variance £m
Contracted		248.9	92%	
Agency		13.2	5%	
Bank		9.5	3%	
Total Staffing Cost	280.7	271.6		-8.9

81. The favourable current variance of £8.9m is due to a combination of vacancies in the process of being filled, vacancies being held unfilled prior to restructures and a more economical mix of staffing grades being employed than budgeted.
82. In setting the budget, the Council based the staffing cost estimate on 7,700 full time equivalent (FTE) staff. Table A4 shows that there are 7,408 contracted FTEs in post at the end of February.

Table A4: Full Time Equivalent by directorate

Directorate	Feb FTE
Adult Social Care	1,901
Children Schools & Families	2,569
Customer and Communities	1,469
Environment & Infrastructure	507
Change & Efficiency	785
Chief Executive Office	177
Total	7,408

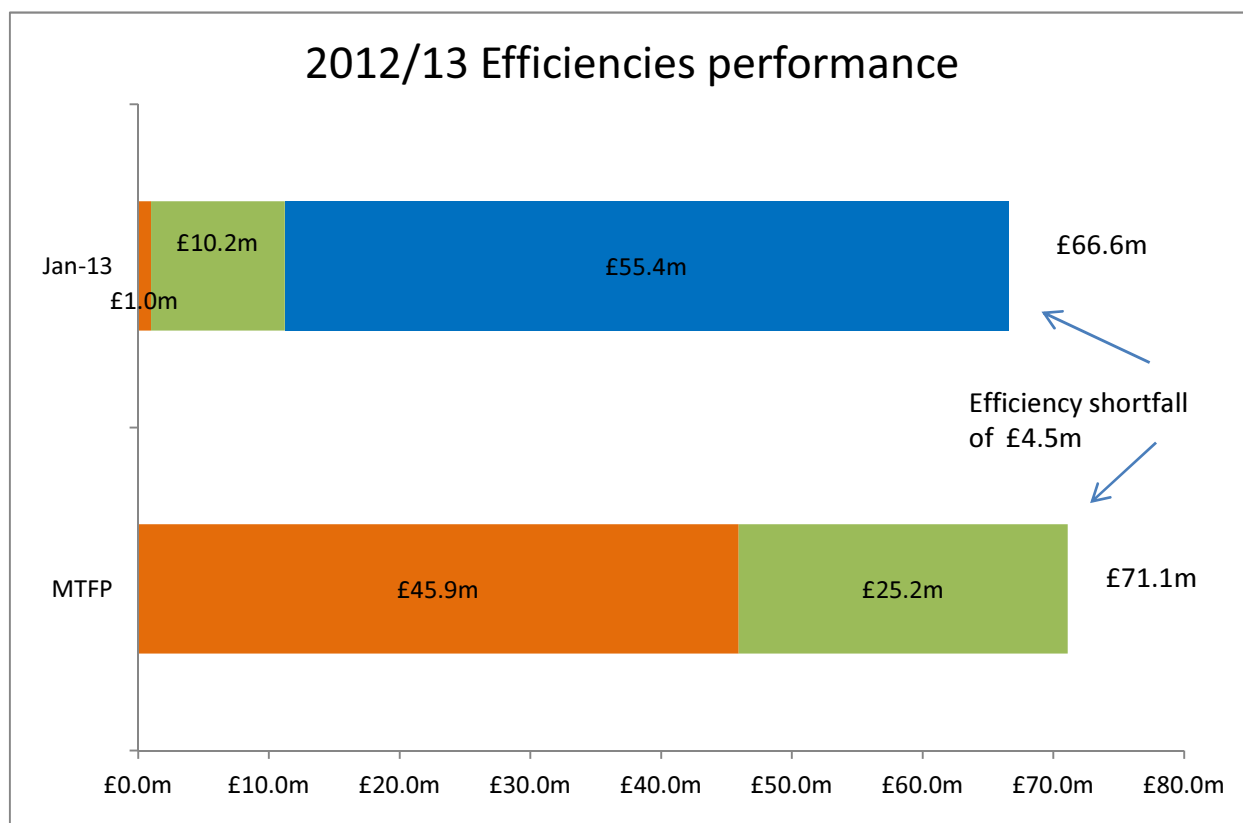
83. There are 229 “live” vacancies, for which active recruitment is currently taking place. The remaining vacancies are either filled by agency and bank staff on a short term basis or not being actively recruited to at present.

Table A5- full time equivalents in post and vacancies

	Feb FTE
Budget	7,700
Occupied contracted FTE	7,408
“Live” vacancies (ie: actively recruiting)	229
Vacancies not occupied by contracted FTEs	63

Efficiencies

84. For the current year the Council has a savings target of £71.1m, which was set out in the MTFP. The current forecast is for £66.6m of these to be achieved.



85. Although there is a shortfall in achieving the efficiencies in the Medium Term Financial Plan, Strategic Directors are looking to deliver all of their £1.0m amber savings to add to the £10.2m green savings and £55.4m already delivered. The MTFP 2012-17 savings are long term savings but directorates are supporting long term saving shortfalls with one-off savings or expenditure under spends.

Adult Social Care

86. A comprehensive review of savings plans conducted in September led to the removal of some high risk savings from the previous month's projections and their replacement largely with temporary one-off measures (£8.4m) which will help to contain this year's overspend, but will leave a sustainable challenge in the following years. The need to replace these one-off measures is being highlighted as part of the forward budget setting process. The Directorate is progressing well in achieving the forecast savings.

Children Schools & Families

87. A number of challenging savings targets in 2012/13 are no longer achievable for a variety of reasons: savings through restructuring of Schools & Learning of £0.5m due to the need to create a structure to meet increasing demand from demographic growth; the £0.8m saving by outsourcing some preventative services is delayed; savings by managing transport contracts of £0.4m. Schools and Learning had set aside a contingency of £2.0m in order to meet any demographic growth pressures in year, £1.5m of which is effectively being used to meet these costs of managing demand. A virement has now been approved and actioned to realign budgets to reflect anticipated activity and costs.

Environment & Infrastructure

88. A comprehensive review of performance against efficiency targets is under way. At this stage a number of shortfalls are expected, primarily in respect of contract cost savings, recharge of staff costs to the Local Sustainable Transport Fund grant, and the cost of concessionary fares where increased patronage has impacted on costs. In future years, planned savings from parking income are not now expected to be made.

Central Income & Expenditure

89. The budget included a savings target of £0.2m on the Minimum Revenue Provision for the current year. However, following the final audit of the 2011/12 accounts, capital expenditure and borrowing was lower than forecast and this has led to an ongoing saving of £1.2m more than anticipated. The budget also included an increase in income from short term investments of £0.3m. Due to higher cash balances, the council has earned an additional £0.6m in addition to the target budget.

Capital Budget - Month End Financial Position – February 2013

90. In agreeing significant capital investment as part of the MTFP for 2012-17 in February 2012, the Council demonstrated its firm long term commitment to stimulating economic recovery in Surrey. The increase in investment and capital expenditure during this year has stimulated economic activity in the county and been delivered with fewer resources than in previous years. The total capital programme is £685m over the 5 year MTFP (2012/17) period, with £147.1m planned in 2012/13.
91. The current forecast is for the in-year budget to be fully spent and in addition will include economic development projects which are due to be self-financing in future years. An example of this is the Woking Bandstand Joint Venture investment
92. On a scheme by scheme basis the budgets include the funding brought forward for projects continuing from 2011/12. With all large capital programmes there will inevitably be some in-year variation through changes to the timing of some spend and through successful delivery of efficiencies. Due to these risks a corporate adjustment to the forecast of £9.5m was made earlier in the year.

Table B1- 2012/13 Capital budget

	Revised Full Year Budget	YTD Actual	YTD Committed	Apr –Feb YTD & Committed	Mar Remaining Forecast	Full Year Forecast	Full Year Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adult Social Care	1,687	632	748	1,380	-139	1,241	-446
Children, Schools & Families	9,455	10,792	172	10,964	-3,164	7,800	-1,655
Schools Basic Need	31,992	25,325	3,480	28,805	568	29,373	-2,619
Customers & Communities	5,376	2,041	206	2,247	238	2,485	-2,891
Environment & Infrastructure	50,168	40,759	17,131	57,890	-10,235	47,655	-2,513
Change & Efficiency	47,761	31,888	13,089	44,977	24,301	69,278	21,517
Chief Executive's Office	10,173	173	0	173	150	323	-9,850
c.fwd adjustment	-9,525			0	0	0	9,525
Total	147,087	111,610	34,827	146,437	11,718	158,155	11,068

Adult Social Care

93. The capital budget for Adult Social Care is forecast to underspend by £0.4m, which is due to planned and committed works that will not be complete until the new financial year. The service will request that these budgets are carried forward to the new year to fund the completion of the projects.

Children, Schools & Families

94. The forecast under spend of -£1.7m is across a number of programme areas and caused by projects that are unlikely to be completed by the end of March. These include Children's Centres, and adaptations for children with disabilities. The service will request that these budgets are carried forward to the new year to fund the completion of the projects.

School Basic Need

95. The Schools Basic Need programme is expected to be £2.6m under budget. This is an increase of £0.6m on last month's forecast, due to a more certain position on the status of each project, as there is only one month of the year remaining. This includes procurement savings made on the demountables programme and reductions in the programme where schemes are no longer required.

Customer & Communities

96. The Fire & Rescue Service vehicle and equipment replacement scheme is currently underspent by £1.2m. There is a significant programme of purchases underway for the financial year. It is estimated that a further £147,000 will be committed and goods received within this financial year. Additional commitments are planned but it is likely that all will be completed by 31 March 2013 due to the lead time for procurement.

97. The Fire Service, Mobilising Control scheme is currently £1.6m underspent. This is a complex two year project and the service are working hard to ensure that they maximise the benefits from the resulting acquisitions. The budget will need to be reprofiled as expenditure will be incurred over the two year grant life.

Environment & Infrastructure

98. Overall Environment & Infrastructure is expecting to underspend by £2.5m, an increase of £1.2m (increased underspend) since the previous month. This is primarily due to timing of expenditure on the Walton bridge scheme. Key variances

- **Walton bridge – £1.3m (underspend)** Expected spend has reduced this year due to recent poor weather and steel supply delays. Overall the scheme remains financially on target.
- **Highways maintenance + £1.3m (overspend)** Additional schemes have been carried out this year, and additional costs have been incurred disposing of tarmac
- **Developer funded schemes - £1.1m (underspend)** This includes schemes funded from S106 developer contributions which form part of the Local Sustainable Transport Fund project. Following the re-profiling of grant agreed with the Department for Transport this will be spent in future years.
- **Pay and display - £0.4m (underspend)** Fewer schemes are expected to be progressed this year. The programme is under review to determine whether this underspend is required in future years.
- **Other variations** – smaller variations, including underspends on bridge strengthening (£0.3m) and maintenance at closed landfill sites (£0.3m), combine to a net **underspend of £1.0m**.

Change & Efficiency

99. The directorate's capital budget is expected to be overspent this financial year due to the inclusion of projects (£24.7m) which form part of the council's strategy for encouraging economic growth and will be self financing in future years. These are Phase 1 of the Woking Bandstand Project and two town centre projects in Guildford and Egham. It should be noted that, as it is so close to the end of the year, there is a risk that these projects may not complete before the 31 March 2013 and so the cost may fall in April. If so, this will reduce the capital expenditure recorded in this financial year.

100. The recurring programmes are currently projected to overspend as a result of bringing works forward under the maintenance programme from 2013/14 in order to reduce reactive maintenance in future years. A small underspend is expected on the DDA and minor works budgets where the spend is demand-led.
101. Other schools projects are expected to be under-spent by £2.1m. The tender process for the replacement of aged demountables has delivered a saving of £0.4m and some work is now expected to start in the new financial year.
102. Non-schools projects will underspend by £6.1m. The overage payment of £2.1m in relation to the Waste site at Charlton Lane is unlikely to proceed this financial year. Other variances are primarily as a result of planning issues particularly in relation to Gypsy sites (£1.7m), Guildford Fire Station (£0.5m) and Cobham Library re-provision. The Fire Station reconfiguration project (of which £0.5m was expected to be incurred this year) has been delayed on request by the Fire Service.
103. There is a projected overspend on the Equipment Renewal Reserve in the current year in order to facilitate more mobile and remote working. Additional contributions to the reserve have been made this year from the revenue budget to cover the expenditure. The Adult Social Care Infrastructure Grant needs to be carried forward to fund systems improvements in the future.
104. The award of a contract to replace the SWAN network with a Surrey wide Public Sector network is proceeding following approval from Cabinet. In order for the network to be ready there is significant up-front investment of £4m, of which £3.1m will be spent this year, with the remainder spread over the following five years to provide equipment refresh. Options appraisal was completed which determined that the most cost effective methodology would be for the council to purchase equipment required rather than paying over the life of the contract. Savings will be achieved in revenue expenditure in future years.

Chief Executive Office

105. The Chief Executive Office has responsibility for delivering the superfast broadband initiative. The Cabinet has committed to ensuring that access to superfast broadband is available to all business and residential premises in Surrey. In addition to this the Surrey Public Sector Network project will focus on broadband access for Public Sector and third sector bodies.
106. Cabinet approved the preferred bidder in July and the contract was awarded in September. State aid approval has now been received, enabling the contract to start. Detailed planning has commenced, but not completed, with the contractor clarifying the likely profile of expenditure from 2012 to 2014. Due to delays it is anticipated that only £150,000 will be spent in 2012/13 with a further £11m in 2013/14, and then the balance in 2014/15. It is anticipated that the costs of the JOC (approx. £0.6m for 2 years) will be funded from the £1.3m provided by Broadband Delivery UK (BDUK).

Government grants and budget revenue budget virements

Updated Budget

107. The Council's 2012/13 revenue expenditure budget was initially approved at £1,512.7 million. Subsequently the Cabinet approved the use of reserves built up in 2011/12 to augment this. This approval increased the budget to £1,536.3m. In addition to grant changes, DSG carry forwards, academy conversions and other minor movements in quarters 1-3, there was a school adjustment and minor movements December, and reprofiling of the LSTF grant in January. These changes are summarised in table C1.

Table C1: Movement of 2012/13 revenue expenditure budget

	Council Tax £m	Formula Grant £m	Government Grants £m	Reserves £m	Total £m
Original MTFP	580.0	148.6	767.3	16.8	1,512.7
<u>Previous changes</u>					
Q1 changes			0.9	11.7	12.6
Q2 changes		1.0	16.6	-1.0	16.6
Q3 changes			-7.1		-7.1
Jan changes			1.5		1.5
Previous changes		1.0	11.9	10.7	23.6
February changes	0.0	0.0	0.0	0.0	0.0
Updated budget – Feb 2013	580.0	149.6	779.2	27.5	1,536.3

108. When the Council agreed the 2012-2017 MTFP in February 2012, government departments had not determined the final amount for a number of grants. Services therefore made an estimate of the likely level of grant. The general principle agreed by Cabinet was that any changes in the final amounts, whether higher or lower, would be represented in the service's expenditure budget.
109. In February there was a small change to the grants for schools totalling £22,120
110. The Cabinet is asked to note these grant changes and approve that they are allocated to the relevant services.
111. In controlling the budget during the year, budget managers are occasionally required to transfer, or vire, budgets from one area to another. In most cases these are administrative or technical in nature, or of a value that is approved by the Chief Finance Officer. Virements above £250,000 require the approval of the Cabinet Member. There were no virements above this amount in February. Table C2 below shows the updated revenue budget that includes the changes in government grants and virements since the beginning of the year:

Table C2: 2012/13 updated revenue expenditure budget – February 2013

	Original MTFP Budget £m	2011/12 Carry Forwards & Other reserves £m	Gov't Grants £m	Virements £m	Full Year Updated Budget £m
Adult Social Care	331.5	3.8	0	1.9	337.2
Children, Schools and Families	289.3	2.6	3.7	-0.2	295.4
Schools	518.9	0	4.2	-0.7	522.4
Customers and Communities	70.6	1.8	1.1	1.0	74.5
Environment and Infrastructure	125.6	0.9	2.6	0.8	129.9
Change and Efficiency	84.7	2.3	0.1	0.9	88.0
Chief Executive's Office	13.6	0.1	0	0.3	14.0
Corporate Projects	1.5	0	0	-1.5	0.0
Central Income / Exp	68.0	0.9	1.2	-2.5	65.9
Service Revenue Expenditure	1503.7	10.7	12.9	0.0	1527.3
Budget equalisation reserve / Risk Contingency	9.0				9.0
Total Revenue Expenditure	1512.7	10.7	12.9	0.0	1,536.3



Council Overview & Scrutiny Committee
17 April 2013

RECOMMENDATIONS TRACKER

- 1 The Committee is asked to review its Recommendations Tracker, which is attached.
- 2 The recommendations tracker allows Committee Members to monitor responses, actions and outcomes against their recommendations or requests for further actions. The tracker is updated after each Committee. Once an action has been completed and reported to the Committee, it will be removed from the tracker. The next progress check will highlight to Members where actions have not been dealt with.

Recommendation:

That the Committee reviews progress on the implementation of its recommendations and actions.

Next Steps:

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

Report contact: Bryan Searle, Senior Manager Scrutiny and Appeals.

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Sources/background papers: None.

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**COUNCIL OVERVIEW AND SCRUTINY COMMITTEE
ACTIONS AND RECOMMENDATIONS TRACKER – March 2013**

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 Committee. Once an action has been completed and reported to the Committee, it will be removed from the tracker.

Date of meeting and reference	Item	Recommendations/Actions	Responsible officer or member	Response	Next progress check:
13/06/12 COSC 94	Scrutiny Annual Report [Item 11]	That work be undertaken to understand the influence of Select Committee recommendations on decisions made by the Cabinet.	Bryan Searle/Democratic Services	This will be addressed as part of the Democratic Services Scrutiny Improvement Plan and details are shared in the Scrutiny Annual Report at today's meeting.	Complete
05/12/12 COSC 132	Change & Efficiency Service Review – Finance [Item 8]	That a detailed report on the implementation of the financial dashboard and Member training programme are presented to COSC after May 2013.	Sian Ferrison	This item will be added to the Forward Work Programme for the new Council.	June 2013
01/02/13 COSC 141	Staffing Budget – Staff Numbers and Management of Vacancies [Item 13]	That a policy is formulated to define what constitutes a vacant position in the organisation structure	Carmel Millar	An update was provided on 13 March 2013, and further recommendations were made following this.	Complete

01/02/13 COSC 142	Staffing Budget – Staff Numbers and Management of Vacancies [Item 13]	That criteria are established which vacant positions must meet in order to remain in the organisation structure together with the operating budget allowance.	Carmel Millar	An update was provided on 13 March 2013, and further recommendations were made following this.	Complete
01/02/13 COSC 143	Staffing Budget – Staff Numbers and Management of Vacancies [Item 13]	That the definition and criteria be consistently applied in all services in the management of their business plans.	Carmel Millar	An update was provided on 13 March 2013, and further recommendations were made following this.	Complete
13/02/13 COSC 144	2012/13 Quarter Three Business Report [Item 8]	That the Cabinet Member for Change and Efficiency discuss with the Deputy Leader the suggestions raised with regards to the future direction of this report.	Denise Le Gal/ Peter Martin	An update will be provided on 17 April 2013	17/04/13
13/02/13 COSC 145	One Team Communications Review [Item 9]	That a further report on the implementation of the recommendations following the Communications review is presented to the Committee in October 2013.	Louise Footner/Sally Wilson	This item will be added to the Forward Work Programme for October 2013	June 2013