Notice of Meeting

Council Overview & Scrutiny Committee

Date & time	Place	Contact	Chief Executive
Wednesday, 13 March 2013 at **10.00 am**	Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN	Bryan Searle or Andrew Spragg Room 122, County Hall Tel 020 8541 9019 or 020 8213 2673 bryans@surreycc.gov.uk or andrew.spragg@surreycc.gov.uk	David McNulty

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 MINUTES OF THE PREVIOUS MEETING: 1 FEBRUARY 2013 & 13 FEBRUARY 2013 (Pages 1 - 26)

To agree the minutes as a true record of the meetings.

3 DECLARATIONS OF INTEREST

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

Notes:

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

4 QUESTIONS AND PETITIONS

To receive any questions or petitions.

Notes:

1. The deadline for Member's questions is 12.00pm four working days before the meeting (7 March 2013).
2. The deadline for public questions is seven days before the meeting (6 March 2013).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

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

No issues were referred to Cabinet at the last meeting, so there are no responses to report.

6 RECOMMENDATION TRACKER (Pages 27 - 30)

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

7	**FORWARD WORK PROGRAMME** The Committee is asked to review its Forward Work Programme and Task Group Tracker, which are attached.	(Pages 31 - 42)
8	**FOLLOW UP OF TASK GROUP REPORT ON THE MANAGEMENT OF VACANCIES** **Purpose of the report:** Scrutiny of Services To provide an update following the recommendations made by the Council Overview & Scrutiny Committee at its meeting on 1 February 2013 regarding the management of vacancies.	(Pages 43 - 46)
9	**BUDGET MONITORING** **Purpose of the report:** Scrutiny of Services and Budgets This report presents the revenue and capital budget monitoring up-date for January 2013 with projected year-end outturn.	(Pages 47 - 74)
9a	**DETAILED SERVICE BUDGETS 2013/14**	To follow
10	**INTERNAL AUDIT REPORTS** **Purpose of the report:** Scrutiny of Services The purpose of this report is to inform Members of the Internal Audit reports that have been completed since the last report to this Committee in February 2013.	(Pages 75 - 82)
11	**PROCUREMENT PARTNERSHIP WITH EAST SUSSEX COUNTY COUNCIL** **Purpose of report:** Scrutiny of Services The purpose of this report is to provide an update of progress to date in establishing and operating the Procurement Partnership between Surrey County Council and East Sussex County Council.	(Pages 83 - 88)
12	**SUPPORT FOR ECONOMIC GROWTH** **Purpose of the report:** Policy Development and Review To provide the Committee with details of the paper ‘Supporting Economic Growth’. This was considered by the Cabinet at their meeting on 26 February 2013.	(Pages 89 - 104)

13 **PROPERTY SERVICES: STRATEGIC ASSET MANAGEMENT PLAN** (Pages 105 - 114)

Purpose of the report: Scrutiny of Services

To provide the Committee with details of the proposed Strategic Asset Management Plan for Property Services.

14 **EXCLUSION OF THE PUBLIC**

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

PART 2 IN PRIVATE

15 **PROPERTY SERVICES: STRATEGIC ASSET MANAGEMENT PLAN** (Pages 115 - 148)

This information is intended to accompany Item 13 on the agenda.

Confidential: Not for publication under Paragraph 3

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

16 **PUBLICITY FOR PART TWO ITEMS**

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

Confidential: Not for publication under Paragraph

17 **DATE OF NEXT MEETING**

The next meeting of the Committee will be held at 10am on 17 April 2013.

David McNulty
Chief Executive
Published: 05 March 2013

MOBILE TECHNOLOGY – ACCEPTABLE USE

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Thank you for your co-operation

MINUTES of the meeting of the **COUNCIL OVERVIEW & SCRUTINY COMMITTEE** held at 10.00 am on 1 February 2013 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its meeting on Wednesday, 13 February 2013.

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
* Mrs Hazel Watson

Ex-officio Members:

Mrs Lavinia Sealy, Chairman of the County Council
Mr David Munro, Vice Chairman of the County Council

Present:

Ms Denise Le Gal, Cabinet Member for Change and Efficiency
Mr W D Barker OBE
Denis Fuller
Mr Nick Harrison, Residents Association Group Leader

* = present

157/13 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

There were no apologies or substitutions.

158/13 MINUTES OF THE PREVIOUS MEETING: 5 DECEMBER 2012 [Item 2]

The minutes were agreed as an accurate record of the meeting.

159/13 DECLARATIONS OF INTEREST [Item 3]

There were no declarations of interests.

160/13 QUESTIONS AND PETITIONS [Item 4]

There were no questions or petitions to report.

161/13 RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SELECT COMMITTEE [Item 5]

There were no issues referred by the Committee at its last meeting, so there were no responses to report.

162/13 BUSINESS PLANNING 2013-2018 [Item 6]

Declarations of interest: None.

Witnesses:
Sheila Little, Chief Finance Officer and Deputy Director for Change & Efficiency
Kevin Kilburn, Financial Reporting Manager
Julie Fisher, Strategic Director for Change & Efficiency
Susie Kemp, Assistant Chief Executive

Denise Le Gal, Cabinet Member for Change & Efficiency

Key points raised during the discussion:

1. The Chairman introduced the item by welcoming Members of the Audit & Governance Committee who had been invited to attend in order to scrutinise the new Treasury Strategy.

2. The Committee questioned how the events that would trigger the decision to undertake debt rescheduling were being monitored. The Chief Finance Officer and Deputy Director for Change & Efficiency confirmed that the department received daily advice from their financial advisors, Sector, as to interest rates trends. This advice would inform the decision as to when it was an appropriate time to reschedule debt.

3. The Chairman raised concerns as to an over reliance on advisors to provide such information, in particular the potential time elapsing between the information being received and the decision to act upon that information. Officers clarified that this trigger was not entirely predicated on advice from advisors, as they were also closely monitoring the market and any potential significant changes within the market. The Chairman acknowledged the processes but still believed that trigger points would avoid chasing the market when the time came to make a decision.

4. Members questioned whether consideration had been given to issuing Surrey County Council bonds onto the market. Officers stated that this had been researched as an option, and they would look at possible similar actions in the future. Members highlighted that they believed the Council would receive a AAA credit rating and would mean that they would be an attractive prospect to potential investors.

5. The Committee noted the list of approved countries for investments and commented that countries such as France and the United States should be added to the list . The view was expressed that there could

be scope to be more flexible and consider including countries that had an AA+ status, rather than just restricting to those with an AAA status.

6. The Committee questioned what implications of reducing the Minimum Revenue Provision (MRP) were, and whether the external auditors had reviewed the decision. Officers outlined that the MRP was a statutory requirement to set aside funds to repay its financial debts in the future. Officers also stated that they were confident that auditors would agree with this decision.

7. The Committee raised queries regarding the decision to reduce the level of the minimum cash balance to £49 million. Officers outlined that the decision to reduce this amount had been taken on the basis that it was unlikely that the Council would be required to meet the entirety of its potential liabilities at once. The Committee were informed that £35 million of this cash balance were needed to meet the monthly staffing costs, with a further £15 million held on the Police's behalf.

8. Members commented that they understood the rationale behind the decision to reduce the minimum level of cash balances, but also raised concerns about the proposal to reduce it by such a large amount. The Cabinet Member for Change and Efficiency commented that the intention was to work towards an improved investment strategy, and, in conjunction with this, reduce the amount of cash balances the County Council is holding. The Chairman requested a detailed cash flow be made available to provide an overview of the year's cash flow pattern.

   Members suggested that the cash holdings at year end, should specifically have an accompanying note showing all cash held on behalf of police and schools separate from that of the Council.

9. The Committee asked for details regarding the recovery of money held in Icelandic banks. The Chief Finance Officer confirmed that £14 million of the £20 million invested had been recovered to date, and it was anticipated that the full amount would be received in due course as a result of the outcome of the legal case.

Budget Planning 2013-18

10. The Committee was informed that the budget figures had been based upon the provisional financial settlement made in December, and subject to the final financial settlement from Central Government. It was anticipated only minor adjustments would result following the announcement of the final settlement. The Chief Finance Officer commented that the recommendations had been scrutinised by the Head of Legal and Democratic Services and the Leader to ensure that any necessary adjustments could be made in a legally sound manner following Council's agreement of the budget.

11. The Committee noted that there were proposals to review the Medium Term Financial Plan (MTFP) for 2013-18 at the end of the first quarter of 2013/14. The Chief Finance Officer clarified that this was due to the

uncertainty over changed funding arrangements (business rates and Local Council Tax Support Schemes).

12. The Committee queried the likely impact if the Council was unable to increase raise the Council Tax by 2.5% on a year by year basis from 2014/15 onwards. Officers confirmed that a 0% increase would leave £15 million gap in the budget each year. The Committee raised a further concern as to the Council's dependence on council tax Compared to the Council's objective of reducing its dependence on Council Tax over the MTFP. The Chief Finance Officer confirmed that a reduction in this reliance was an aspiration of the Financial Strategy.

13. Members questioned why the council tax yield had decreased from £580 million in 2012/13 to £550 million in 2013/14. Officers clarified that this was in part due to Central Government's changes in the arrangements with regards to council tax benefits. This would have a potential impact of £45 million; however some of this had been compensated by a £38 million grant. When a number of other factors, including changes within the council tax base, were taken into account this lead to a council tax yield of £550 million.

14. Members asked for further clarity regarding the methodology that had led to the findings of the SIMALTO survey. The view was expressed that it seemed to favour face-to-face respondents, and officers agreed to provide further details as to how the survey's findings were formulated. This matter was to be followed up by the Service

15. Members raised a question if and what impact of incremental salary grades were on staffing budgets. Officers confirmed that the practice of incremental grade increases were not currently in effect at the Council, and therefore had no impact on staffing budgets.

16. The Committee queried the figures for property income, in particular the increase of £5 million projected in 2017/18. Officers confirmed that there were a number of investments being made in property. It was clarified that it was anticipated that these projects would see an income return from 2017 onwards, and that the five year figures did not reflect fully the predicted long-term benefits of these investments. It was reported that there were ear-marked reserves to meet the borrowing costs of these capital investments. The Chief Finance Officer went on to clarify that each capital project would be required to present a sound business case before proceeding.

17. The Committee discussed the rationale behind the allocation of budgets across the directorates. It was recognised that there had been significant increases in volume demand in both Children's Services and Adult Services during 2011/12, and again in 2012/13 and questioned whether adequate provision had been made to meet these pressures in 2013/14 financial year. Officers clarified that they had been directed by Cabinet to follow the MTFP as far as possible.

18. The Committee requested that whether the details of any proposed carry-forwards across service budgets were included in the year-end figures for 2012/13. The officers responded that at this stage in the year, carry forward requests had not been received.

19. The Committee held a discussion on the proposed 2013/14 budgets for the Change & Efficiency and Chief Executive Directorates. A query was raised as to role and benefits of the Transformational Change service. Officers explained that Transformational Change service was an ongoing function and delivered a number of benefits across the entire of the Council, this included activities such as Rapid Improvement Events.

20. The Committee questioned the change in overall budget figures from 2012/13 to 2013/14, which proposed the Change & Efficiency directorate would reduce from £84.5 million to £82.5 million. Officers clarified that the reduction was anticipated to be a result of identified Public Value Review (PVR) savings.

21. The Committee asked a question regarding the overspend in the IMT budget for 2012/13, and how this would be managed in 2013/14. It was clarified that part of this overspend was due to delays in the change over from Cable and Wireless to the new provider and the slow uptake by partners in utilising the Redhill data centre, but it was anticipated that the savings and income through the centre would begin to be made in the year ahead.

22. The Committee asked for clarification regarding the increase to the Legal & Democratic Services budget in 2013/14. It was clarified that this was in part due to meeting the additional costs of the 2013 County Council election.

23. The Committee discussed the procedure for individual Select Committees scrutinising the directorate budgets that fell within their terms of reference. It was clarified that this would be undertaken after the budget had been approved by full Council in February 2013.

24. The Chairman thanked officers for their report.

Recommendations:

<u>Treasury Management Strategy</u>

(a) That an investment cap of £20M be applied to corporate bond pooled funds, and that a report on the risks associated with these funds be submitted to the Audit & Governance Committee for consideration in advance of any further investment decisions.

Action by: Sheila Little

(b) That consideration be given to establishing a set of criteria to assist with the timeliness of borrowing and investment decisions, for example by specifying that a decision to borrow should be triggered by interest rates falling to a particular level.

Action by: Sheila Little

(c) That the Audit & Governance Committee review the list of approved countries for investments and consider the inclusion of traditional trading partners who do not currently have AAA status but could still be considered safe, such as France and the USA.

Action by: Sheila Little/Nick Harrison

Revenue and Capital Budget 2013/2014 to 2017/2018

(d) That the Cabinet note and comment upon the Committee's concerns on the achievability of the MTFP, given its projections are based on an annual increase in council tax of 2.5% from 2014/15

Action by: Mel Few/Bryan Searle

(e) That, whilst the Committee supports the proposed reduction in cash balances in principle, the Cabinet review the decision to make the full reduction in the next financial year, in order to provide the flexibility to use a proportion of the reserves to meet future capital or revenue expenditure which might otherwise incur borrowing costs.

Action by: Mel Few/Bryan Searle

(f) That information provided to the public about the Council's level of cash held should explain that a significant proportion of the total is held on behalf of schools and the police.

Action by: Sheila Little

(g) That clarification be provided about the weighting given to the responses to the budget public survey depending on whether they resulted from face-to-face or on-line contacts.

Action by: Julie Fisher

(h) That, following the agreement of the budget allocations by the Council at its meeting on 12 March 2013, Select Committees review the detailed proposals for the services within their remit and make recommendations to the Cabinet at its meeting on 26 March as appropriate.

Action by: Select Committee Chairmen/Democratic Services

Actions/further information to be provided:

None.

Committee Next Steps:

None.

163/13 BUDGET MONITORING REPORT [Item 7]

Declarations of interest: None.

Witnesses: None.

Key points raised during the discussion:

1. The Committee noted the Budget Monitoring Report for December 2012 and this formed part of the discussions in Item 6: Business Planning 2013/18.

Recommendations:

None.

Actions/further information to be provided:

None.

Committee Next Steps:

The Committee will consider the budget monitoring report for January 2013 at its meeting in March 2013.

164/13 RECOMMENDATION TRACKER [Item 8]

Declarations of interest: None.

Witnesses: None.

Key points raised during the discussion:

1. The Committee noted the recommendations tracker.

Recommendations:

None.

Actions/further information to be provided:

None.

Committee Next Steps:

None.

165/13 FORWARD WORK PROGRAMME [Item 9]

Declarations of interest: None.

Witnesses: None.

Key points raised during the discussion:

1. The Committee noted the Forward Work Programme.

Recommendations:

None.

Actions/further information to be provided:

None.

Committee Next Steps:

None.

166/13 COMPLETED AUDIT REPORTS [Item 10]

This item was deferred to the Council Overview & Scrutiny Committee meeting on 13 February 2013.

167/13 CHANGE & EFFICIENCY SERVICE REVIEW - IMT [Item 11]

Declarations of interest: None.

Witnesses: Paul Brocklehurst, Head of Information Management and Technology

Key points raised during the discussion:

1. The Committee was provided an update on a number of Information Management and Technology (IMT) initiatives. It was clarified that, following two major failures of the Citrix system in September, there had been no repeat outages. IMT were working closely with partners to ensure any problems were being addressed.

2. The Committee was informed that the savings identified in the Public Value Review (PVR) for 2013/14 were at this stage achievable.

3. The Head of IMT outlined the work being undertaken to implement the new UNICORN Public Services Network (PSN). This network would also include District & Borough Councils, and the Committee asked whether take-up had been slow in relation to this. The Head of IMT commented that progress had been as expected, however it was necessary to co-ordinate with BT with regard to this switch-over and this could impact on the speed at which the change was implemented.

4. The Committee expressed concerns around the length of the UNICORN contract. It had been raised at the Finance sub-group that longer IMT contracts tended to be more costly for the Council as costs for technology usually declined over the longer time frame. An example of price reductions in the telecoms industry was highlighted. The Head of IMT explained that the contract was re-negotiated on an annual basis in order to ensure that the Council was receiving best

value-for-money. The UNICORN contract also functioned as a system integrated model; this meant that any change would go out to competitive tender.

5. The Committee asked for an update on the roll-out of Windows 8. The Head of IMT confirmed that some work had been undertaken to look at the compatibility of Windows 8 with current systems and it was felt that it would be best to exercise caution at this stage. The view was expressed that it would be better to look to long term developments within computing than attempt a short term refresh at this stage.

6. The Committee raised a query regarding the IMT provisions in place to track assets, particularly with the increase in the number of staff working from home. The Head of IMT stated that he was confident that the asset register was up to date, and that IMT were able to identify where and who held these assets.

7. The Committee asked for further details regarding the data centre and what work was being undertaken to encourage new customers to use it. The Head of IMT confirmed that there had been discussions with both the Police and East Sussex Council with regards to the data centre, and that there had been some expressions of interest in the private sector.

8. The Committee noted and recognised the significant progress made by IMT.

Actions/further information to be provided:

None.

Committee Next Steps:

None.

168/13 2012/13 QUARTER THREE BUSINESS REPORT [Item 12]

This item was deferred to the Council Overview & Scrutiny Committee meeting on 13 February 2013.

169/13 STAFFING BUDGET - STAFF NUMBERS AND MANAGEMENT OF VACANCIES [Item 13]

Declarations of interest: None.

Witnesses:
Carmel Millar, Head of HR and Organisational Development
Neil Bradley, HR Group Manager

Key points raised during the discussion:

1. The Committee was informed that the report had been updated following the original discussion on this item at the Council Overview & Scrutiny Committee meeting on 5 December 2012. It was noted that these updates concerned the proposed recommendations contained within the report.

2. The Head of HR and Organisation Development expressed thanks for the important work undertaken by the Task Group in preparing the report and recommendations.

3. The Committee raised the question as to what work was in place to quantify the comparative costs of agency and contracted staff. The HR Group Manager clarified that agency staff were used either to meet a shortage of supply (for example in the case of social workers), or to fill temporary needs such as sickness or vacancy cover (for example in residential care). The former would come at an increased cost compared to permanent staff, and there was an initiative in place to encourage locum staff to become permanent. In the latter case, following the introduction of the Agency Worker Regulations the remuneration of agency staff is the same as permanent workers after the initial period, but no pension contributions were required.

4. The Committee asked how long it would take to implement the recommendations of the task group. Officers confirmed that proposals on the first two recommendations could be made before the new financial year, while the third would be dependent on the method used for implementation.

5. The Committee discussed the management of staff vacancies in relation to structure charts. The view was expressed that charts should reflect accurately where vacancies were within the structure, how long they had been vacant, and where these were being covered by agency workers.

Recommendations:

a) That a policy is formulated to define what constitutes a vacant position in the organisation structure.

Action by: Carmel Millar

b) That criteria are established which vacant positions must meet in order to remain in the organisation structure together with the operating budget allowance.

Action by: Carmel Millar

c) That the definition and criteria be consistently applied in all services in the management of their business plans.

Action by: Carmel Millar

Actions/further information to be provided:

None.

Committee Next Steps:

None.

170/13 DATE OF NEXT MEETING [Item 14]

It was noted that the next meeting of the Committee would be at 10.00am on 13 February 2013.

Meeting ended at: 12.45 pm

Chairman

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MINUTES of the meeting of the **COUNCIL OVERVIEW & SCRUTINY COMMITTEE** held at 10.00 am on 13 February 2013 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its meeting on Wednesday, 13 March 2013.

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
* Mrs Hazel Watson

Ex-officio Members:

Mrs Lavinia Sealy, Chairman of the County Council
Mr David Munro, Vice Chairman of the County Council

Present:

* = present

171/13 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Steve Cosser and Steve Renshaw. There were no substitutions.

172/13 DECLARATIONS OF INTEREST [Item 2]

There were no declarations of interest.

173/13 QUESTIONS AND PETITIONS [Item 3]

There were no questions or petitions.

174/13 RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SELECT COMMITTEE [Item 4]

1. The Committee noted a response from Cabinet with reference to the recommendations made regarding Business Planning 2013/14 and the Treasury Management Strategy at its meeting on 1 February 2013.

2. These responses are included as an additional annex in these minutes.

175/13 RECOMMENDATION TRACKER [Item 5]

Declarations of interest: None.

Witnesses: None.

Key points raised during the discussion:

1. In reference to COSC139 the Committee was informed that the Vice-Chairman was currently corresponding with officers and would provide feedback at the next meeting.

2. In reference to COSC94 it was confirmed that there was work being developed that would be shared with Members. It was clarified that these would include a change to the call-in process. Members queried whether there would be a wider review of the Constitution as part of this work. It was confirmed that a review was not imminent, but that this was likely to be scheduled for the new Council.

3. The Chairman highlighted COSC140 and requested that Select Committee Chairmen approach this scrutiny of the individual service budgets with a view towards ensuring that assigned resources aligned with the strategic priorities.

4. Members discussed the process for budget setting and it was clarified that the overall budgets for individual directorates were set. The Committees would be required to scrutinise the detailed service budgets and feedback to Cabinet any concerns.

Recommendations:

None.

Actions/further information to be provided:

Committee Chairs to report on the outcome of their individual budget discussions at the next Council Overview & Scrutiny Committee meeting.

Committee Next Steps:

None.

176/13 FORWARD WORK PROGRAMME [Item 6]

Declarations of interest: None.

Witnesses: None.

Key points raised during the discussion:

1. The Committee noted its Forward Work Programme and a number of amendments. The Committee was informed that the Procurement item in March 2013 would include a discussion about how the Council's procurement process works. The Property Services Strategic Asset Management Plan would be added to the agenda for March 2013.

2. The scrutiny of detailed budgets and review of the directorate-level strategy would be added to the agenda for March 2013. A full list of carry-forward requests would be brought to the Committee in April 2013.

3. The Committee was informed that the Business Continuity and Financial Trust Management items to be deferred to the April 2013 meeting.

Recommendations:

None.

Actions/further information to be provided:

None.

Committee Next Steps:

None.

177/13 SUPERFAST BROADBAND - QUARTERLY MONITORING [Item 10]

Declarations of interest: None.

Witnesses:
Lucie Glenday, Programme Director Superfast Broadband
Ben Skipp, Superfast Broadband Project Manager

Key points raised during the discussion:

1. The Committee were provided with an update on the current status of the superfast broadband project.

2. Members questioned whether a full postcode search would be available on the website for residents and businesses to see whether they would have access to superfast broadband. Officers confirmed that this would be the case.

3. The Committee asked for clarification with reference to private roads and the installation of superfast broadband. Officers commented that this decision was a commercial one and lay with BT, who had a process in place for such circumstances. However, it was noted that the programme team did not currently have oversight of this process and whether private roads were covered within the intervention area. It was agreed that this would be followed up. The Committee was informed that the need for access for all had been specified as part of the contract with BT.

4. The Committee asked for further details regarding the areas that would not receive coverage in the initial phases of the project being implemented. Officers confirmed that it was a small percentage of the County, and there was an identified separate work stream and funding behind addressing these areas. The Committee was informed that in most of the cases identified it was due to there being an absence of BT-invested infrastructure available, and that BT and Surrey County Council would be working together to look at innovative solutions.

5. Continuing with the discussion on “hard to reach” properties, officers clarified that providing solutions for these properties would have to be within certain cost constraints, but there would be best efforts to source funding in collaboration with residents where possible. Members asked what the cost constraint was, and officers confirmed that there was a contractual cut-off of £1,700 per household. The Committee was informed that there was not a wish to pre-determine the response in such instances as the intention would be to work closely with those affected. A provision of £0.5m was set aside to reach these properties.

6. The Committee drew attention to the original estimation that 1,200-1,300 households would not be covered in the main deployment of superfast broadband, and queried whether this number had changed. It was highlighted by Members that £0.5 million set aside would not meet the cost of installation for 1,300 households. Officers explained that the estimation would continue to change in the lead up to the main deployment, and there were a number of technological improvements in development that could address these issues in a more cost effective way.

7. The Committee raised a question about the possibility of legal challenges from those residents and business not covered in the main deployment, and what contingencies had been put in place to meet these challenges. Officers confirmed that they would be briefed by Legal Services in the lead up to deployment. The Committee was informed that officers had been pro-active in sharing data and that they felt that this would mitigate any potential challenges.

8. The Committee raised a number of queries with reference to the telecoms cabinets used by BT. Amongst these concerns was the level of graffiti and delays in the removal thereof, the placement of the boxes, and the use of advertising on them. Officers confirmed that they met regularly with Highways officers and BT and would take the issues forward.

9. The Committee was informed that the superfast broadband project team were developing stickers to be placed on the telecoms cabinets that would communicate the presence of superfast broadband. Officers clarified that these were being designed with the intention of being discreet, and were being driven by user group feedback. Members voiced concerns that this was setting a precedent for advertising on the telecoms boxes.

10. Officers informed the Committee of a contractual clause with BT that stipulated if more than 20% of residents took up superfast broadband then a percentage of the income would be paid to the County Council.

11. Members raised a question about the benefits of fibre optics in comparison to mobile technology. Officers clarified that fibre optics were a better investment as any future network improvements would rely on them. It was also explained that wireless networks required fibre optics. The Committee was informed that fibre optics were better able to meet high demand in regards to network traffic.

12. The Committee asked for details of how deployment had been negotiated with BT's competitors, such as Virgin Media. Officers commented that they had been robust in meeting the challenge, and set a legal precedent in terms of working with Virgin to agree use of one another's network infrastructure.

13. The Committee queried whether officers were confident that BT would continue to provide the level of service they had promised following the main deployment. Officers stated that they were confident this would be the case, and that a number of milestones had been written into the contractual arrangements.

14. The Committee held a discussion about the wording of the report. In particular they highlighted a concern about the use of the word "necessity" to describe the right to access the internet. Officers acknowledged that this was strongly worded, but felt that it reflected the importance of internet access. Members also commented that BT had found that there were strong links between the quality of telecommunications networks and economic performance.

Recommendations:

None.

Actions/further information to be provided:

The Superfast Broadband Project team to revert on discussions on private roads & removal of graffiti.

Committee Next Steps:

None.

178/13 COMPLETED INTERNAL AUDIT REPORTS [Item 7]

Declarations of interest: None.

Witnesses:
Sue Lewry-Jones, Chief Internal Auditor

Key points raised during the discussion:

1. The Committee was informed that the audit report on Direct Payments had been discussed at the Adult Social Care Select Committee meeting on 30 November 2012. A further follow up was to be scheduled.

2. The Committee raised a question as to Management Action Plan (MAP) following the LASER Contract Governance audit report, and what provision had been made for the recommendation regarding Member scrutiny. Officers informed the Committee that a report would be brought to the Committee meeting in July 2013.

3. The Committee asked about the estimated costs to Surrey as result of the fraud related to the former LASER Head of Energy Procurement. The Chief Internal Auditor confirmed that this was believed to be in the region of £120,000. Efforts were being made speed up the recovery of these monies.

4. Members raised a question regarding the audit report on Corporate Purchasing Cards and where failures had been identified. The Chief Internal Auditor clarified that corporate purchasing cards were used across a number of services including those with remote establishments; examples included children's centres and countryside properties. The audit had looked at 30 card holders in areas that had been identified as "high risk" or that hadn't been previously audited. In some instances it was the case that management and monitoring of card use was not happening. The Chief Internal Auditor confirmed that concerns had been identified in the Countryside Group and disciplinary action had been taken.

5. Members asked for clarification as to whether the audit report of Corporate Purchasing Cards was a review or follow-up audit. Officers explained that the process with new audits was to look at previous audits undertaken and identify whether the actions identified in the previous MAP had been carried out.

6. The Committee was informed that one of the issues identified was that the guidance on corporate purchasing cards was not always being shared when new managers had been appointed. The Committee commented that there was a need to address this as part of the STARS programme.

7. The Cabinet Member for Change and Efficiency informed the Committee that she had met with officers within Procurement to discuss the audit on Corporate Purchasing Cards. She had directed officers to address the issues raised by improving and updating the criteria around the purchasing cards.

8. Members asked whether Internal Audit could undertake spot checks in order to ensure that the corporate purchasing cards were being used appropriately. The Chief Internal Auditor commented that this would not be appropriate, as Internal Audit should not act as regular management check for individual services. The Committee was informed that the expectation would be that Procurement would undertake its own checks to safeguard against misuse.

9. Members raised a question regarding the audit of Special Schools – Funding of Residential Provision. It was clarified that there was a new data collection process being implemented in April 2013 and the Education Select Committee would scrutinise this in a future meeting.

Recommendations:

None.

Actions/further information to be provided:

None.

Committee Next Steps:

None.

179/13 2012/13 QUARTER THREE BUSINESS REPORT [Item 8]

Declarations of interest: None.

Witnesses:
Ben Unsworth, Senior Performance & Research Manager
Carmel Millar, Head of HR and Organisational Development
Neil Bradley, HR Group Manager

Denise Le Gal, Cabinet Member for Change & Efficiency

Key points raised during the discussion:

1. The Committee was presented with the Quarter Three Business Report for 2012/13. Members expressed the view that quoting 95% of residents being as satisfied with their neighbourhood did not prove the statement regarding Surrey County Council being a council that was performing well, as it was felt that the two did not directly correlate.

2. The Committee praised the performance in relation to sickness absence. However, Members highlighted that the use of the Chartered Institute of Personal Development (CIPD) Local Government Average in comparison to the County Council sickness absence rate quoted did not compare like-for-like, as the latter excluded staff working with vulnerable adults and schools. It was noted that the graph contained in annex 1 included more comprehensive figures.

3. The Committee queried the inclusion of the percentage of residents' who feel they can influence decisions in the 'Residents/Value' section of annex 1, given that there had been no significant change in the number since March 2011. It was expressed by Members that they did not feel there was an alignment between the desired targets and service development in this particular instance. Officers commented that the service data produced is shared with the individual services and this impacted on policy development. However, it was also observed that some indicators proved difficult to influence.

4. Members commented that the percentage of local residents who felt they could influence decisions was not dissimilar to the number that voted in local elections. Officers expressed the view that this was coincidental, and added that the statistic reflected a national trend for areas of relative affluence reporting a lower percentage than those areas of greater deprivation. It was stated by Members that they would like feedback on how local committees had impacted on this statistic.

5. Members raised a question about the use of complaints data in guiding services. It was clarified that the Communities Select Committee had scrutinised the use of customer feedback at their meeting on 16 January 2013 and had made recommendations to Cabinet.

6. The Committee asked for clarification regarding the report and its intended audience. Officers commented that it was published as a Cabinet report and intended for the public and officers. The Chairman commented that he felt that the report would be more effective if it highlighted targets and the Council's direction of travel. This would include a year-to-date performance, an outlook indicator and key challenges going forward.

7. The Committee stated that there were still felt to be a number of concerns in relation to the lack of link between the One County, One Team: People Strategy 2012-2017 and the promises being used as performance measures.

8. The Head of HR commented that the People Strategy had been circulated to the Directorate Leadership Teams and that each directorate had then integrated them into their own strategy. An example of this was the Adult Social Care 'Supporting You' strategy. The Committee was informed that this had been in recognition of the fact that different directorates had identified different starting points, and different action plans required to achieve their strategic goals.

9. It was raised by the Committee that the statistics reported from the employee survey in Annex 3 indicated that 56% of respondents had reported that they had an opportunity to discuss their career development in the past 12 months. However, the number of respondents who reported having an annual appraisal was 70%. It was felt that these statistics should reflect one another more closely, and the Committee queried the benefit of the reported statistics when they raised ambiguities about their inter-relation.

10. The Head of HR commented that the Directorates recognised the need to address concerns about appraisals. She stated that the full-staff survey due to be undertaken in 2013 would identify and target areas of low performance on a team-by-team level. It would then be a case of putting extra input and resource into supporting the appraisal process in these areas.

11. The Chairman commented that the figures presented in the Quarterly Business report were often top-level and failed to assist in identifying areas for further scrutiny. The Committee queried whether the report could be re-structured to present the information at a service or directorate level. This would enable the Committee to direct concerns to the appropriate Select Committee.

12. The Cabinet Member for Change & Efficiency stated that the Deputy Leader presented the report to Cabinet, who discussed regularly the information and where there might be areas of concern. It was highlighted that the progress of individual directorate priorities was contained within the report. However, the Committee clarified that the concerns were related to topics, for example where appraisals were not being carried out, rather than individual directorate strategies. The Cabinet Member for Change & Efficiency commented that she would note the Committee's concerns and raise them in discussion with the Deputy Leader.

13. Members queried the increase in Full-Time-Equivalent (FTE) staffing numbers. It was clarified that this was due to the County Council taking on additional responsibilities.

    [Clare Curran left the meeting at 11.45 am]

14. The Committee held a discussion about the merits of the HR promises. Some Members commented that they would benefit from a more stream-lined approach, as there were currently areas where they crossed over and created ambiguity. However, the view was expressed that the promises were helpful to officers and that it sent a message to employees regarding the aspirations of the Council as an employer.

15. The Committee went on to explore a number of options about how the information coming out of the Quarterly report could be presented to COSC in the future. Amongst the suggestions was a regular update on the statistics coming from the staff survey, or providing the Committee with an exception report where it identified key areas of concern. It was agreed that Officers would explore these options with Democratic Services.

[Nick Skellett left the meeting at 12 noon]

Recommendations:

- 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.

Actions/further information to be provided:

None.

Committee Next Steps:

None.

180/13 ONE TEAM COMMUNICATIONS REVIEW [Item 9]

Declarations of interest: None.

Witnesses:
Louise Footner, Head of Communications
Susie Kemp, Assistant Chief Executive

Key points raised during the discussion:

1. The Committee was informed that the intention of the One Team Communications Review was to draw together the various strands of communications within the Council and improve co-ordination. This would include a more strategic approach to communications and ensuring that it continued to deliver clear public value. Officers expressed the view that communications was not just about marketing, but also about engaging and having an active dialogue with residents.

2. The Committee asked for clarification regarding the communications and engagement strategy, in particular what was expected to change in refreshing it. Officers confirmed that it was necessary to update the strategy to reflect the new corporate strategy.

3. The Committee was informed that the recommendations of the Communications Review would be taken to Cabinet in June or July 2013. It was noted that the review had taken longer than originally anticipated due to the 2012 Olympic events in Surrey.

4. The Committee discussed a number of experiences they had encountered where residents had not been aware of key pieces of information pertaining to the County Council, in particular the Surrey "Switch & Save" scheme was highlighted. Officers confirmed they would investigate this further. However, they commented that information had been widely circulated, including to Parish Councils.

5. Members asked whether the Communications team made use of the 'Residents/Value' information reported in annex 1 of the Quarterly Business Report. It was confirmed that these were one of the performance measures used by the Communications team, and the information had been fed into the One Team Communications Review.

6. The Committee discussed concerns that the current emphasis within communications was on a corporate and leadership led perspective, and asked for confirmation that the One Team Communications Review would place a greater focus on a Member and resident based approach. Officers acknowledged that a certain degree of the

Council's communications would be focused around Cabinet as its decision-making body. However, it was also stressed that residents and Members were seen as key components in the Communications review. In particular there had been a number of discussions about the role Members have in communicating information.

[Mark Brett-Warburton left at 12.20pm]

7. The Committee commented that Members were one of the key resources the Communications team could use in identifying communications channels on a local level. The view was expressed that some Members wished to engage with the methods of digital communication available, but would also wish to receive additional support in this respect. Officers stated that they would welcome Member feedback, either through informal channels or the Communications Review Member Reference Group.

8. The Committee was informed that the emphasis around communications had shifted from more traditional methods to a new, more digitally-based environment. Officers commented that the One Team Communications Review sought to respond to these changes. It was stated that the emphasis was on developing a strategic focus in getting messages across, as well as joining up these messages across services and partners. The review was also felt to reflect the development of Surrey as a brand, as opposed to the Council as a brand, and this would include recognising partnerships.

9. Members expressed the view that it was difficult to recognise the benefits of the review's recommendations without a breakdown of the associated costs and staffing. It was also queried whether there would be a stream-lining of communications costs, in line with the required efficiency savings outlined in the Medium Term Financial Plan (MTFP). Officers confirmed that the current document was focusing on high-level recommendations, and that a communications review in a large organisation would inevitably involve a degree of complexity. However, it was highlighted that there would be work undertaken with directorates to identify where efficiencies could be made in relation to communications.

10. Members asked for further clarification with reference to the definition of "one team". The Head of Communications confirmed that this was about getting the individual directorates communications to work in a joined-up fashion towards an outcome that was defined by the central Communications Team.

11. It was queried as to the timing of the recommendations and how this could be scrutinised so that it was taken into account in relation to the individual directorates' budgets. It was clarified by officers that the intention was to implement the recommendations across the whole organisation in October 2013, and this would be the timeframe in which it would be advisable for a further update to the Committee.

Recommendations:

- That a further report on the implementation of the recommendations following the Communications review is presented to the Committee in October 2013.

Actions/further information to be provided:

None.

Committee Next Steps:

None.

181/13 CHANGE & EFFICIENCY SERVICE REVIEW: PROPERTY [Item 11]

Declarations of interest: None.

Witnesses:
John Stebbings, Chief Property Officer

Denise Le Gal, Cabinet Member for Change & Efficiency

Key points raised during the discussion:

1. The Committee queried what changes had been effected following the reorganisation of Property Services. A question was raised whether the revised structure had appropriately addressed the issue of serving three Cabinet Members. It was explained to the Committee that the Chief Property Officer brought together the areas of crossover. It was further clarified that this was done with the oversight of the Cabinet Member for Change & Efficiency, who took main responsibility for the execution of the capital budget and programme delivery.

2. Members commented that Property Services operated within two remits, maintaining and developing estates and then the longer term strategic investments. It was queried how decisions were taken into which remit particular decisions fell. Officers commented that the reorganisation had implemented "virtual teams". This had enabled Property Services to undertake a more holistic view that took into account both asset management, and strategy and planning.

3. The Committee was informed that Property Services was developing a Strategic Asset Management Plan. The intention behind this was to look at the longer term in relation to acquisitions and disposal, and where this related to the day-to-day management of properties. Officers stated that part of this work was ensuring that conversations were being undertaken across the service and with the asset partner to ensure the best value for money.

4. Members commented that they saw the reorganisation as a way of ensuring progressive improvements in building management, but queried how this might play out in practice in relation to the ambiguities around reporting structures. The Chief Property Officer

commented that it was not solely guided by the progressive elements, but also about improving understanding about strategic investments and how these worked within the Property Services framework. The Chief Property Officer expressed the view that the restructure had brought about incremental improvements and that he was confident regarding the direction of travel.

5. Members commented that they would like to see more performance management information being made available in conjunction with Property Services. This would include customer satisfaction, the current number of outstanding repairs, and the results of any occupancy surveys undertaken.

Recommendations:

None.

Actions/further information to be provided:

Officers to provide information on the monthly rental income the Council received, as well as a breakdown of rental arrears.

Committee Next Steps:

None.

182/13 DATE OF NEXT MEETING [Item 12]

It was noted that the next meeting of the Committee would be 13 March 2013 at 10am.

Meeting ended at: 12.57 pm

Chairman

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Item 6

SURREY
COUNTY COUNCIL

Council Overview & Scrutiny Committee
13 March 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.

Contact details: 020 8541 9019, bryans@surreycc.gov.uk.

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 will be shared with Members as agreed at the meeting on 18 October 2012.	17/04/2013
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.	06/2013
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 will be provided on 13 March 2013	13/03/13

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 will be provided on 13 March 2013	13/03/13
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 will be provided on 13 March 2013	13/03/13
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

SURREY
COUNTY COUNCIL

Council Overview & Scrutiny Committee
13 March 2013

FORWARD WORK PROGRAMME

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

Recommendations:

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

Next Steps:

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

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

Contact details: 020 8541 9019, bryans@surreycc.gov.uk

Sources/background papers: None.

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OVERVIEW AND SCRUTINY WORK PROGRAMME
April 2013 to June 2013

(items added or changed since the previous meeting are highlighted in **BOLD**).

April 2013				
Date	**Title**	**Description**	**Accountable Officer**	**Method of Handling**
17/4/13	Budget Monitoring Report	To review the month end budget report and make recommendations as appropriate.	Kevin Kilburn	Report to Committee
17/4/13	Completed Audit Reports	To update the Committee on the Internal Audit reports completed since the previous meeting, and to consider those reports on services within the Committee's remit where concerns have been identified.	Sue Lewry-Jones	Report to Committee
17/4/13	**Change & Efficiency Review: Shared Service Centre**	**To receive a further progress report on the Shared Services Centre.**	**Simon Pollock**	**Report to Committee**
17/4/13	**Appraisal Data**	**To provide a break-down of appraisal data on a directorate by directorate level in order to facilitate appropriate scrutiny by the relevant Select Committees.**	**Carmel Millar**	**Report to Committee**

17/4/13	**Business Continuity**	**To receive a further progress report on Business Continuity in relation to the Public Health team, IMT and Property to include the following:** • **Work underway to ensure the move of the Director for Public Health's team is incorporated into the SCC Business Continuity Management.** • **The maintenance of Business Continuity arrangements alongside the current changes in the estate and IMT portfolios.**	**Ian Good**	**Report to Committee**

June 2013				
Date	**Title**	**Description**	**Accountable Officer**	**Method of Handling**
	Surrey-i	To receive a further update report on Surrey-i following recommendations made by Committee on 14 November 2012	Ben Unsworth	Report to Committee

To be scheduled/possible future items:

- *Meeting with the Chief Executive of Surrey Connects*
- *Quality Board*
- *Surrey First*

Council Overview and Scrutiny Committee: Task and Working Group Tracker

March 2013

Task Groups

Task Group	Members	Responsible Officer	Key Reporting Dates	Commentary
Countryside Management Task Group **Purpose**: To develop a countryside management strategy that incorporates sound governance principles, is financially sustainable and promotes partnership working.	Simon Gimson (Chairman) Mark Brett-Warburton Stephen Cooksey Tom-Phelps Penry Denise Turner-Stewart Michael Sydney	Tom Pooley	**Environment & Transport Select Committee** 6 March 2013 **Cabinet** 26 March 2013	First meeting held on 30 July 2012. The Task Group has completed its witness sessions with key stakeholders. The final report will be submitted to Select Committee on 6 March 2013 and Cabinet on 26 March 2013.
Improving the Coordination and Quality of Work of Utilities Companies (Utilities Task Group) **Purpose:** 1) To establish how the Council can work more effectively with utilities companies to better communicate and	Pat Frost (Chairman) Mike Bennison Stephen Cooksey Michael Sydney	Tom Pooley	**Environment & Transport Select Committee** 10 January 2013 **Cabinet** 5 February 2013	Activities completed to date include publication of a press release and distribution of a survey to County Councillors and Parish Councils to help inform the review. A positive response was received. The Task Group has interviewed a number of witnesses from utilities companies and street works officers from neighbouring authorities. The final recommendations have been

co-ordinate street works. 2) To improve the standard and quality of work carried out by utilities companies.				agreed and these were all approved by the Select Committee in January 2013. The report was well-received by Cabinet, and all of the Task Group's recommendations were approved on 5 February 2013. Follow-up work will be undertaken on a 6 monthly basis to monitor implementation of recommendations. This will be formally reported to the Select Committee.
Prioritisation of Highways and Highways Structures Maintenance Task Group **Purpose:** 1) To make best use of limited capital funding to maintain the condition of highways and highways structures in their current state, ideally aiming for improvements. 2) To address concerns raised by Members regarding the prioritisation system for Highways Maintenance. 3) To determine an effective means of prioritising Highways	Steve Renshaw (Chairman) Pat Frost David Goodwin	Tom Pooley	**Environment & Transport Select Committee** 10 January 2013 **Cabinet** 5 February 2013	The first phase of the review has been completed. This considered a maintenance prioritisation system for highways maintenance. The second phase was completed in December 2012 and focused on drawing up a maintenance prioritisation system for highways structures. The Highways Maintenance Five Year Programme has been submitted to the Task Group for consideration and was considered at Select Committee in January 2013. The Select Committee will receive regular update reports in 2013 regarding the Five Year Programme.

Structures Maintenance.				
Community Infrastructure Levy (CIL) Task Group **Purpose**: To consider what the County Council needs to do to develop effective plans for the Community Infrastructure Levy in conjunction with its District and Borough partners.	Mark Brett-Warburton (Chairman) Pat Frost Chris Norman	Tom Pooley	**Environment & Transport Select Committee** Interim report: 31 May 2012 Final report: TBD, 2013 **Cabinet** Interim report: 24 July 2012 Final report: TBD, 2013	Interim report was considered by the Select Committee and welcomed by the Cabinet, who supported the Task Group's view that preparation for the introduction of CIL would be crucial. The Task Group's recommendations were agreed by the Cabinet. The Chairman of the Task Group met with Officers in October 2012 to identify a suitable way forward to engage with the ongoing development of CIL across Surrey. A verbal update proposing an appropriate way forward will be given to the Select Committee in March 2013. The future work of the Task Group will be determined following the 2013 elections.
Engagement with High Need Areas in Surrey Task Group The aim of the Task Group is to look back at previous Council "Priority Place" style initiatives and evaluating the results. This will lead to the development of a series of recommendations for future projects.	Steve Cosser Members TBC	Jisa Prasannan	**Communities Select Committee** TBD **Cabinet** TBD	This Task Group has been deferred until after May 2013 in order to enable the work to be completed to an appropriate level of detail.

Supporting Families Task Group A scrutiny review of how the Surrey Family Support Programme is putting in place a range of sustainable, multi-agency services that will improve the outcomes for families with multiple needs.	Clare Curran Sally Marks Peter Hickman Steve Cosser Tim Hall	Cheryl Hardman Jisa Prasannan	**Children and Families Select Committee** 10 October 2012 30 January 2013 20 March 2013 **Cabinet** 26 March 2013	The scoping report was considered at the 10 October meeting of Children and Families Select Committee and was endorsed at the 18 October meeting of Council Overview and Scrutiny Committee. The Task Group has completed all its witness sessions with services and partner agencies. The Task Group has also considered DCLG documents, benchmarking information, and the proposed performance management framework. A short update report, providing an interim response to the work of the Surrey Family Support Programme was presented to the Children and Families Select Committee on 30 January 2013. The Task Group are currently agreeing recommendations. The Task Group report will be considered by the Children and Families Select Committee on 20 March 2013, following which the Task Group will report to Cabinet on 26 March 2013.

Member Reference Groups and Working Groups

Adult Services Business Process Review Member Reference Group	Mel Few David Harmer Ernest Mallett Tim Hall	Leah O'Donovan	**Adult Social Care Select Committee** Post-May 2013	A further meeting was held in February to discuss the scoping of a Rapid Improvement Event. Members felt that the RIE team had wrongly focused on the

Following concerns about the functionality and value-for-money of the AIS adult social care IT system, Members will monitor the implementation of a business process review aimed at improving the processes.	Keith Witham			middle of the assessment process rather than the very beginning. Officers have gone back to the RIE team to discuss requirements and the RIE is still scheduled to go ahead on 8 April with the summary meeting on 12 April, to which members will be invited.
Staff Numbers and the Management of Vacancies Working Group A review of the processes in place for monitoring and managing staff vacancies across the organisation.	Zully Grant-Duff Mark Brett-Warburton	Bryan Searle	**Council Overview & Scrutiny Committee** 5 December 2012	A report was submitted to Committee in December 2012. The recommendations were then rewritten following discussion and presented to the Committee for final approval in February 2013. The response from Human Resources is an agenda item for the Committee meeting on 13 March 2013.
Fire Governance Review Member Reference Group	Chris Norman John Orrick	Julia Kinniburgh Jisa Prasannan	**Communities Select Committee** TBC	Member Reference Group will oversee and act as a sounding board for a project reviewing governance arrangements for the Fire and Rescue Service. The Group is currently being formed, with the intention that the first meeting will take place by early April 2013.
Combined Cultural Services PVR Implementation Member Reference Group	Angela Fraser David Munro Denis Fuller John Orrick	Sally Wilson	**Communities Select Committee** 11 March 2013	This Member Reference Group (MRG) has been created to ensure member involvement in the implementation of the combined Cultural Services PVR. Members sitting on this MRG have all been involved in at least one of the MRGs for the individual PVRs within Cultural Services. The first meeting of this MRG will take place on 11 March 2013.

Registration	Michael Bennison Dennis Fuller John Orrick	Peter Milton Sally Wilson Linda Aboe	**Communities Select Committee** 11 March 2013	Post Registration Service PVR, the Member Reference Group is monitoring the progress of the actions coming out of the PVR recommendations.
Library	Steve Cosser Chris Norman David Wood Michael Sydney Colin Taylor	Peter Milton Sally Wilson Rose Wilson	**Communities Select Committee** 12 March 2013	Post Registration Service PVR, the Member Reference Group is monitoring the progress of the actions coming out of the PVR recommendations.

Completed Task Groups – Monitoring Report

Championing Parents Task Group To identify what Surrey parents want from the Education system and how the Council can best champion their interests.	Dorothy Ross-Tomlin Clare Curran Carol Coleman Cecile White (Co-opted Member) Sean Whetstone (Co-opted Member) Duncan Hewson (Co-opted Member)	Damian Markland	**Education Select Committee**: 28 March 2012 **Cabinet:** 24 April 2012	The report was welcomed by Cabinet with all 36 recommendations being accepted. A meeting has taken place with the new Cabinet Member for Children and Learning to discuss an action plan for implementing the recommendations. A six month progress report was presented to the Committee in November 2012.
Localism Task Group **Purpose:** To develop a vision for Localism in Surrey	Steve Cosser (Chairman) Eber Kington Sally Marks John Orrick	Jisa Prasannan	**Communities Select Committee** 15 March 2012 **Cabinet** 24 April 2012	The Report was welcomed by the Cabinet as it demonstrates the Council's commitment to Localism and partnership. All of the recommendations were accepted. The Chairman of the Select Committee was invited by the Leader at the Cabinet Meeting to meet with the Cabinet Member for Communities and the Olympics 2012 and relevant officers to work together to drive this agenda forward once the Public Value Review of Local Committees concluded in the Autumn of 2012.

				The Community Partnerships PVR has now concluded, but concerns were expressed at Council Overview & Scrutiny Committee (COSC) that the recommendations made by the Localism Task Group were not being fully considered. The Chairman of Communities Select Committee and the Chairman of COSC will be meeting with the Leader and the Cabinet Member to discuss these concerns.
Carers Assessments Member Reference Group To monitor the officer-led Task and Finish group tasked with increasing the rate of carers assessments being undertaken by adult social care.	Linda Kemeny Caroline Nichols Chris Pitt Jane Thornton (Co-opted Member; Action for Carers)	Leah O'Donovan	**Adult Social Care Select Committee** 18 May 2012 **Cabinet** not required	The Task Group and Member Reference Group final reports went to the 18 May 2012 meeting. The impact has been an improvement in the number of carers identified in the system and assigned to a service user and social worker. Monitoring will include regular reporting to the Committee and a Member will sit on the new monitoring board, involving external and internal representatives
Occupational Therapy Assessments Task Group **Purpose:** To identify any obstacles in the assessment process for Disabled Facilities Grant funding, specifically the process involving assessment	Yvonna Lay Caroline Nichols Ernest Mallett Peter Hickman (Health Scrutiny representative)	Leah O'Donovan	**Adult Social Care Select Committee** February 2013 **Cabinet** not required	The Task & Finish Group made its final report to the 14 February 2013 meeting. The Group concluded that the primary issue lied in the lengthy Disabled Facilities Grant process and this was best dealt with going forward by the already-convened joint County and Borough/District officer Disabled Facilities Grant group. The Committee will receive update reports from the officer group going forward. It also resolved to send the report and a letter setting out concerns to the relevant Government

by an OT.				department for DFGs.

SURREY
COUNTY COUNCIL

Council Overview & Scrutiny Committee
13 March 2013

Follow up of Task Group Report on the Management of Vacancies

Purpose of the report: Scrutiny of Services

To provide an update following the recommendations made by the Council Overview & Scrutiny Committee at its meeting on 1 February 2013 regarding the management of vacancies.

Introduction:

1 At its meeting on 1 February 2013, the Committee considered the report of the Task Group investigating the management of staff vacancies in the County Council. This report is an update on the implementation of the recommendations.

Detail:

2 The Task Group made the following recommendations:

(a) That a policy is formulated to define what constitutes a vacant position in the organisation structure.

(b) That criteria are established which vacant positions must meet in order to remain in the organisation structure together with the operating budget allowance.

(c) That the definition and criteria be consistently applied in all services in the management of their business plans.

3 The responses to the recommendations are set out below.

4 **Recommendation (a)**

Definitions (see also the definitions set out in Annexe 1 of the Task Group report):

Establishment Budget - The budget for the staff needed to provide the service. This comprises the budgeted Full Time Equivalent (FTE) positions.
Filled Position – This is a position filled by a member of the contracted staff
Occupied Position – A position unfilled by contracted staff may, nonetheless, be occupied by, for example, an agency worker
Vacancy – A vacancy is a position which is being actively recruited to and where authority to recruit has been granted. A vacancy may arise in a filled position where a hiring manager is recruiting whilst a leaver is working their notice, or in an occupied position where we are trying to displace an agency worker, or in a position within the establishment budget that is unoccupied.
Authority to recruit – A hiring manager has authority to recruit when they have both Head of Service approval and available establishment budget

5 **Recommendation (b)**

5.1 Control of Staffing Costs

The key overall control for staffing costs is the establishment budget. In setting the establishment budget the number of FTE's required to deliver the service is considered as well as the Council's ability to afford that cost. Establishment budget with be spend on a mix of staff of the types described in Annexe 1, and are intended to comprise both Filled and Occupied Positions but, inevitably, there will be occasions when positions are unoccupied and some of this is potential underspend is budgeted for by the use of the 'vacancy factor' described in the Task group report.

5.2 The key operational control is the 'Authority to Recruit' which requires a hiring manager to have both available establishment budget and Head of Service approval.

5.3 In conducting budget monitoring and forecasting budget managers review filled, occupied and unoccupied positions.

5.4 Should there no longer be a requirement for a position it would have a zero forecast for the rest of the financial year.

5.5 In Quarterly forecasting, such forecast underspends of establishment budget may be removed from a cost centre and transferred to another part of the Service or the Directorate or held as a projected Directorate underspend. In such cases hiring managers would no longer have Authority to Recruit and any such positions could be delimited in the Organisation Management structure.

6 Recommendation (c)

6.1 This should be applied by identifying the forecast underspends using the forecasting tool in the new Finance Dashboard. Detailed roll out plans for the Dashboard within the next financial year are yet to be confirmed.

6.2 The Authority to Recruit process should be implemented within the recruitment system (applicant tracking system –ATS).

6.3 In many instances it would not be possible to identify on the Organisation Management (OM) structure which agency or Bank staff are occupying a position due to the volumes and very short term nature of the contracts. The practicality of identifying any long term agency contracts on OM should be investigated further.

Recommendations:

(a) That the Committee reviews progress on the proposals to meet the Task Group's recommendations.

(b) That, if the Committee feels the proposals would fulfil the recommendations, the proposals be explored with Directorate leadership teams to confirm their feasibility.

Report contact: Neil Bradley, HR Group Manager
Contact details: 020 8541 9624
Sources/background papers: Council Overview & Scrutiny - Task Group Report, 1 February 2013

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SURREY
COUNTY COUNCIL

Council Overview and Scrutiny Committee
1 March 2013

BUDGET MONITORING REPORT FOR JANUARY 2013 (PERIOD 10)

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

Introduction:

1. The January 2013 month end budget report will be presented to the cabinet meeting on26 February 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 January.
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

Contact details: kevin.Kilburn@surreycc.gov.uk
020 8541 9207

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SURREY COUNTY COUNCIL

CABINET

DATE:	**26 FEBRUARY 2013**
REPORT OF:	**MR DAVID HODGE, LEADER OF THE COUNCIL**
LEAD OFFICER:	**SHEILA LITTLE, CHIEF FINANCE OFFICER AND DEPUTY DIRECTOR FOR CHANGE AND EFFICIENCY**
SUBJECT:	**BUDGET MONITORING FORECAST 2012/13 (PERIOD ENDING JANUARY 2013)**

SUMMARY OF ISSUE:

To note:

- the year-end revenue and capital budget monitoring projections as at the end of January 2013.

Please note that the Annex 1 to this report will be circulated separately prior to the Cabinet meeting.

RECOMMENDATIONS:

It is recommended that the 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)

REASON FOR RECOMMENDATIONS:

To comply with the agreed strategy of providing a monthly budget monitoring report to cabinet for approval and action as necessary.

DETAILS:

1. The council's 2012/13 financial year commenced on 1 April 2012 and this is the eighth financial report of this financial year.

2. The council has implemented a risk based approach to budget monitoring across all directorates and services. The risk based approach is to ensure that resources are focused on monitoring those budgets assessed high risk, due to their value or volatility. There is a set of criteria to evaluate all budgets into high, medium and low risk.

3. High risk areas report monthly, where as low risk services areas report on an exception basis. This is if the year to date budget and actual spend vary by more than 10%, or £50,000, whichever is lower.

4. Annex – Section A to this report sets out the council's revenue budget forecast year end outturn as at the end of January 2013. The forecast is based upon current year to date income and expenditure as well as projections using information available to the end of the month. The report provides explanations for significant variations from the budget.

5. Annex – Section B to this report updates Cabinet on the council's capital budget.

6. Annex – Section C provides details of the revenue changes to government grants and other budget virements.

Consultation:

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

Risk management and implications:

8. Risk implications are stated throughout the report and each Strategic Director has updated their strategic and or service risk registers accordingly. In addition, the Leadership risk register continues to reflect the increasing uncertainty of future funding likely to be allocated to the council.

Financial and value for money implications

9. The financial and value for money implications are considered throughout this report and will be further scrutinised in future budget monitoring reports. The council continues to have a strong focus on its key objective of providing excellent value for money.

Section 151 Officer commentary

10. The Section 151 officer confirms that all material, financial and business issues and risks are considered throughout the report.

Legal implications – Monitoring Officer

11. There are no legal issues and risks.

Equalities and Diversity

12. Any impacts of the budget monitoring actions will be evaluated by the individual services as they implement the management actions necessary.

Climate change/carbon emissions implications

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

14. Any impacts on climate change and carbon emissions to achieve the Council's aim will be considered by the relevant service affected as they implement any actions agreed.

WHAT HAPPENS NEXT:

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

Contact Officer:
Sheila Little, Chief Finance Officer and Deputy Director for Change and Efficiency
020 8541 7012

Consulted:
Cabinet / Corporate Leadership Team

Annexes:
Annex 1 – Section A – Revenue Budget Summary
Annex 1 – Section B – Capital Budget Summary
Annex 1 – Section C – Revenue Budget movements

Sources/background papers:
None

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Budget Monitoring – January 2013

Summary - Revenue

The Council set its budget for the next financial year on 12 February 2013 and in doing so demonstrated the multi year approach to financial management and control that it has adopted. The council 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 £5.5m. 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. 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. If these transfers to the Budget Equalisation Reserve are approved, then the council's services would face a small overspend, which would be offset by forecast 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. To date £52.5m has been achieved with a further £13.2m expected to be achieved in the remaining two months 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. For the ten months to the end of January 2013, the council had spent and committed £140m of capital expenditure and forecasts a further £10m 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)

Revenue Budget - Month End Financial Position – January 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
Funding:						
Council Tax (ten instalments)	-464	-406	-580	-174.0	-580	0
Government Grants (incl Formula Grant)	-774	-696.5	-928.8	-232.3	-928.8	0
Total Income	-1,238.00	-1,102.50	-1,508.80	-406.3	-1,508.80	0
Net Revenue Expenditure:						
Service Income	-112.2	-112.2	-133.3	-28.2	-140.4	-7.1
Service staffing costs	254.8	246.4	306	51.4	297.8	-8.2
Service non-staffing costs	686	677.2	841.2	177.0	854.2	13.0
Schools - net expenditure	522.4	429.7	522.4	92.7	522.4	0.0
Total Net Revenue Expenditure	1,351.0	1,241.1	1,536.3	292.9	1,534.0	-2.3
Increase(-)/ decrease in reserves & balances	**113.0**	**138.6**	**27.5**	**-113.4**	**25.2**	**-2.3**

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.
5. In addition to the above earmarked pressures, Environment & Infrastructure is predicting an overspend (+£0.8m). Offsetting this overspend are Children, Schools and Families (-£3.8m), Customers & Communities (-£2.1m), Change & Efficiency (-£3.9m) and Central Income & Expenditure (-£3.6m). This leads to a -£2.3m underspend.

Table A2 – Directorate net revenue budgets, expenditure and forecasts

	Year to Date Budget £m	Year to Date Actual £m	Full Year Budget £m	Remaining Forecast Spend £m	Outturn Forecast £m	Forecast Variance £m
Adult Social Care	280.9	283.6	337.2	55.5	339.1	1.9
Children, Schools & Families	244.7	236.1	295.5	55.6	291.7	-3.8
Schools	522.2	429.6	522.4	92.8	522.4	0
Customers & Communities	61.6	59.7	74.4	12.6	72.3	-2.1
Environment & Infrastructure	104.6	103.3	130	27.5	130.8	0.8
Change & Efficiency	72.6	67.2	87.8	16.7	83.9	-3.9
Chief Executive's Office	11.6	11.4	14	2.5	13.9	-0.1
Budget Equalisation Reserve	0	0	9.0	17.5	17.5	8.5
Net Service Expenditure	**1,298.2**	**1,190.9**	**1,470.3**	**280.7**	**1,471.6**	**1.3**
Central Income & Expenditure	52.8	50.2	66.0	12.2	62.4	-3.6
Net Revenue Expenditure	**1,351.0**	**1,241.1**	**1,536.3**	**292.9**	**1,534.0**	**-2.3**

Adults Social Care: (Current Forecast: is an overspend of +£1.9m or +0.6%, a decrease in overspend of -£2.4m from the previous month)

6. The directorate is predicting to be overspent by +£1.9m at year end, a decrease in overspend of -£2.4m from the November position. The key change from the December position has been the receipt of £2.2m of Department of Health funding allocated to the County Council via the PCT for winter pressures.

7. The ASC budget continues to face considerable pressures, leading to the forecast that an overspend of £1.9m 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, a trend which has increased since November but has been offset by increased income and,
   - staff recruitment difficulties and the need for complex partnership working have slowed delivery of some savings.

8. 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.

9. 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, £2m 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.

10. 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.

11. 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 January projections

Forecast Efficiency Savings in the remainder of 2012/13:

- £(1.0) m - Maximising Income through partnership arrangements. Continuing Health Care (CHC) savings of £ (1.2) m have been validated as at the end of January 2013. Based on 2011/12 performance and the backlog of cases still awaiting assessment additional savings are expected, but full year savings have been reduced to £3m because of risks brought about by changes in health economy and growing numbers of individuals losing CHC with associated backdated payments to health that reduce the net CHC savings the department secures.
- £2.4m – Additional DoH winter pressure funding for 2012-13 is being drawn down as a contribution towards ASC's wider budget pressures.
- £ (0.03) m - S256 Attrition - £ (2.2) m of savings were achieved in full as at the end of January 2013. A further £ (0.03) m of savings are projected for the remainder of the financial year.
- £(0.1)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. £2.3m of reclaims had been achieved by the end of January 2012.
- £(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.
- £(0.6)m - An adjustment has been applied to Older People Home Care projections to account to 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 increase of +£0.4m from December

The key variances within Older People services are:

- £4.0m - 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.
- £0.8m - 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.
- £1.3m - Overspend in relation to Other Community Services, including respite, day care and transport due to strategic shift as part of the personalisation agenda.
- £0.7m - 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.

- £(0.6)m - Underspend on Direct Payments primarily due to a reduction in the actual start position and an overachievement against the demography and inflation efficiencies.

£(0.7)m of management actions are included in the January monitoring position for Older People.

The main changes from last month are:

- £0.5m - Increase across Older People spot care packages mainly in Nursing due to a net increase of 8 placements, price pressures due to 24% of placements being above the fee guidance and 2011-12 accrual pressures.
- £0.2m - Reduction in Management Actions
- -£0.4m – Reduction in HBC profections due to a higher level of ceased packages (198) in January compared to the new packages.
- -£0.1m Reduction in reablement costs due to continues recruitment delays.
- £0.2m Inrease in in-house Residential Homes and Day Care Services.

Physical Disabilities: £1.7m overspend, a decrease of £0.3m from December

The key variances within Physical Disability services are:

- £1.5m - Overspend on Direct Payments due to the start position in spot care being higher than budgeted and a net increase of 121 direct payments services from April to December 2012/13.
- £0.6m - 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.
- £0.3m - Overspend on Nursing spot care, mainly due a net increase of 9 spot nursing care packages so far this year plus some MTFP savings being achieved against other policy lines.
- £(0.4)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

£(0.05)m of management actions are included in the January monitoring position for PSD.

The main changes from last month were:

- £(0.1)m – Decrease in spot services primarily in Supported Living due to a net reduction of 7 services in January
- £(0.3)m – Decrease in Commissioning PSD contracts including HIV and Equipment Pool..
- £0.1m - Reduction in Management Action planned savings.

Learning Disabilities: £8.3m overspend, an increase of £0.2m from December

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 55 Supported Living services between April and January 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.
- £(0.3)m - Underspend across other community services due to Direct Payments reclaims and reduction of other community service projections
- £(0.1)m - Underspend on In-house Supported Living, Day Services and Residential care.

£(0.05)m of management actions are included in the January monitoring position for PLD.

The main changes from last month were:

- £0.5m - Reduction in Management Action planned savings, mainly relating to the reduction in forecast LD PVR savings this year.
- £(0.5)m - Decrease in Residential spot care due to a net reduction of 3 placements in January.
- £0.2m – Increase in external Day Care due to an increase in one to one recharges offset against decreases within in-house services together with additional volumes.
- £(0.2m) – Reduction in Direct Payment projections due to a net reduction of 3 services in January and increased DIRECT PAYMENTS reclaims.
- £0.1m – Increase in Nursing spot placement costs relating to a new placement in January.
- £0.1m - Increase in in-house services including Kingston & Wimbledon YMCA establishments.

<u>Mental Health: £(0.2)m underspend, no significant change in projection from December</u>

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

No significant change from the December report.

<u>Other expenditure: £(5.8)m underspend, an increased underspend of £(0.6)m from December</u>

The key reasons for the underspend on Other Expenditure are:

- £(3.0)m - Underspend on core establishment including on-costs due to ongoing workforce reconfiguration and delays in recruitment.
- £(2.1)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 throught the renegotiation of contracts in respect of volume and unit costs ahead of the 4 year plan.

No management actions are included in the January monitoring position for Other Expenditure.

The main changes from last month were:

- £(0.4)m - Increased underspend on core establishment budgets due to further recruitment delays and a senior management decision to not commence any new recruitment until the start of the next financial year.
- £(0.1)m - Increased underspend on funds carried forward from 2011/12 as a contribution to pressures within the main client groups.
- £(0.1)m - Reduction in the Supporting People spend due to the renegotiation of contracts.

Income: £(7.0)m surplus, an increased surplus of £(2.1)m from December

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

- £(7.5)m - Surplus on Other Income due to £(5.7)m of draw downs of Additional Department of Health 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 £(1.4)m ,unbudgeted income within Service Delivery of £(0.3)m and £(0.1)m additional Carers income.
- £(0.9)m - Potential surplus on Fees & Charges based on the year to date position. .
- £1.1m - 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.
- £0.3m - 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.

£(6.0)m of management actions are included in the December monitoring position for Income.

The key changes from last month were:

- £(1.7)m - Increase in Other Income due to the inclusion of £(2.2m) DoH winter pressure funding for 2012-13 offset by £0.5m changes in CHC management actions.
- £(0.4)m - Increase in Fees & Charges due to an increase in the Management Action to reflect a potential overachievement of fees and charges across this financial year based on current billed income.

Children, Schools & Families: (Current Forecast: Underspent by -£3.8m or -1.2%, -£0.3m increase in underspend since December).

12. The projected year end revenue position for Children Schools and Families is for an underspend of -£3.8m. This represents an increase in underspend of £0.3m. The main reason for this is recognising that the remaining resources held by the strategic director for change and other initiatives is unlikely to be spent in 2012/13, an improvement in the position for children's services, offset by a fall in commercial services anticipated income for the remainder of the financial year.

13. In addition Children Schools and Families projects a £2.0m underspend related to Dedicated Schools Grant funded services which is determined by the Schools Forum.

14. 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 £970,000; the implementation of the RIE around homelessness requires an investment of £150,000 which is aimed to reduce costly bed and breakfast spend through improved housing contracts with providers; the implementation of the national Troubled Families initiative across Surrey partners will span 2 or 3 years and requires the second year investment of £250,000; the implementation of the youth service skills centre contracts in the latter half of 2012/13 require the continuing investment of £150,000 to reduce NEETs; the recent inspection identified the need for improved partnership working and an investment of £100,000 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 £900,000 over a two year period.

<u>Children's Services</u>

15. The projected overspend has reduced slightly since last month by £0.1m to £2.5m, 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:

- <u>Looked After Children and Children in Need, both staffing and care costs</u> - 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 decrease in the anticipated overspend of £0.1m as both care and team commitments have been reviewed across the board prior to year end.
- <u>Agency Placements</u> - the projected overspend remains at £2.1m for both children with disabilities and care. This reflects the increasing number of placements being made throughout the year. Management action to avoid high cost placements continues.
- <u>Fostering and Adoption Allowances</u> – 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 this month and now stands at +£0.5m resulting from a steady increase in the numbers requiring a service.
- Safeguarding Services – the overspend had reduced following Cabinet Member approval of a virement from centrally held budgets to relieve the pressure on the service.

16. Overall service pressures are being offset by underspent staffing budgets across the service (-£0.9m) 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).

Schools & Learning

17. The anticipated underspend for schools and learning has reduced this month by £1m to -£3.5m on county funded services, although £0.5m of this reduction relates to the treatment of income from schools in relation to the delayed broadband project as income in advance. There is a further underspend of -£2.4m relating to DSG funded areas as last month. A further -£0.5m underspend relates to broadband provision in schools and is funded by them from delegated budgets. The project is delayed and the budget will underspend although it and the matching schools funding will be carried forward.
18. The main reason for the decreased underspend is a reduction in the anticipated underspend by commercial services (£0.6m) as activity and income has reduced below that anticipated in December. Also additional commitments have been identified in relation to school improvement (0.3m).
19. A further underspend has been identified in relation to early years of -£0.1m mainly in relation to DSG funded activity in Children's Centres bringing the overall projected position for the service to -£4.1m. The other main reasons for the Early Years underspend relate to: three and four year old (DSG) provision (-£1.7m), provision for two year olds (-£0.85m, building a world class workforce bursaries underutilised (-£0.3m), application of grant from previous years (-£0.2m), children's centres (-£0.6m) and staffing vacancies (-£0.4m).
20. The transport budgets are now expected to overspend by £0.2m compared to a breakeven position last month. This overspend is mainly related to SEN transport where the number of routes has increased.
21. The anticipated underspend on ISPB allocations remains at £0.4m. The overspend on agency placements however has increased by £0.2m to £0.7m.
22. In addition to the above there are staffing underspends across the directorate of- £1.8m 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

23. Services for Young People are projecting a small underspend of -£0.1m.

Strategic and Central Resources

24. The main budget item under the Strategic Director's control is the residual balance of the 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 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 January 2013 and is unlikely to be spent in 2012/13.

Customer & Communities (Current Forecast: -£2.1m underspend or -2.9%, an increase in underspend of £0.2m from last month)

25. The directorate is currently projecting an underspend of -£2.1m 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.
26. 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.
27. 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 arising from anticipated delays in receiving signed funding agreements preventing payments being made before 31 March. The service will have a firmer position on the likely committed underspend by the end of February and will request that this be carried forward to allow these to be honoured early in 2013/14.
28. 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. During the last month there was an increase of £0.2m in relation to fire and Olympic look and feel.

Environment & Infrastructure (Current forecast: +£0.8m overspend, an decrease in overspend of £0.4 from last month)

29. The directorate is forecasting a +£0.8m overspend: Highways are predicting a +£0.5m overspend, Economy, Planning and Transport are predicting a +£0.2m overspend, and Environment are predicting a £0.2m overspend. Offsetting these overspends is a -£0.1m underspend in other Directorate costs.
30. Highways capital recharges + £0.5m (overspend): There is likely to be a shortfall in the recharge of staff costs to capital schemes, as a result of the phasing of applicable activities (e.g. for design and preparation works).
31. Staffing - £1.2m (underspend): Following a review an underspend of £1.2m is now expected, primarily in Highways. Recruitment has taken place throughout the year, and in some cases additional temporary staff have been employed to deliver projects across the Directorate.
32. Local bus services & concessionary fares + £0.5m (overspend): Local bus services are expected to overspend by +£0.3m, primarily due to the need to replace services previously operated by Countryliner. The Concessionary Fares scheme for reimbursement of travel costs for elderly and disabled passengers is currently expected to overspend by +£0.2m.
33. Highways maintenance +£0.8m (overspend): An overspend is expected primarily due to additional emergency road maintenance and illuminated street furniture.

34. New Homes Bonus - -£0.5m underspend. The 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.

35. Local Sustainable Transport Fund grant – the Department of Transport agrees to reprofile LSTF grant, carrying forward £0.6m into 2013/14. Revenue budgets have been adjusted accordingly.

36. Carry forwards totalling £1.6m will be requested to allow completion of New Homes Bonus projects (£0.45m) and road safety schemes (£0.2m). In addition, and following the success of the Olympics in the county, the £1m unused contingency will be used as a response to winter damage.

37. Other variations – other variations, including overspends on waste management (£0.3m) and streetworks income (£0.2m) combine to a net overspend of £0.6m.

38. **Change & Efficiency (Current forecast: -£3.9m underspend or -4.4%, an increase in underspend of £1.4m from the previous month)**

39. Overall, the Change and Efficiency revenue budget is projected to underspend by -£3.9m for the year consisting of underspends in Property (-£3.5m), Human Resources (-£0.5m), Finance (-£0.5m), other minor variations (-£0.3m), offsetting an overspend in IMT of £1.7m

40. 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, nor will the expected income from partner contributions to the Data Centre. 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.

41. 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.

42. 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.

43. Further savings (£1m) 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.

44. A comprehensive review of the planned maintenance budget has been completed and confirms a projected underspend of £1.0m, as a result of the new contracts implemented this 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. Income from rents is expected to be below budget 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).

45. An underspend of £0.6m 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.

46. There will be a saving of £0.2m in the Finance budget as a result of external audit fees being reduced. The move from the Audit Commission to Grant Thornton is expected to deliver a saving of 40%.

47. 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.

48. All of the above savings help to offset an overspend in IMT totalling £1.7m. In particular there is an increased spend in IMT of £0.3m for dual running costs in the final quarter to ensure the new Unicorn contract with BT can go live on 1 April and efficiency savings of £0.5m have not been met with regard to the Cable & Wireless contract, costs associated with bringing SAP hosting in-house were higher than originally anticipated due to timing changes, In addition, in order to escalate the delivery of a step-change in IT capability across the organisation, some investment planned for next year will be brought forward. These initiatives include an improved and more resilient scanning solution and upgrade to the Citrix hardware.

Chief Executive's Office (Current Forecast: £0.1m underspend or 0.4%, an increase in underspend of £0.2m from last month).)

49. The overall projection for the directorate is a small underspend of £0.1m 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.

50. Legal and Democratic Services are forecasting an overspend of £0.4m due to the expected continuation of high levels of complex Child Protection cases in 2012/13, despite additional funding of £185,000 being added from Children's, Schools and Families' carry forward to provide additional staffing. Management action is being taken to minimise the impact. Underspends in other departments, in particular within Policy, Performance & Audit (£0.2m) due to current staff vacancies offset this pressure to result in the net predicted budget position.

Central Income & Expenditure (Current Forecast: -£3.5m underspend or -4.6%, an increase in underspend of £1.5m from last month)

51. The full year forecast for the Central Income and Expenditure budget is for an underspending of -£3.5m. This is an increase of £1.5m from last month. This increase is in relation to the New Homes Bonus grant, which will not all be used in the current year and will be proposed to be carried forward to fund the economic development schemes planned for 2013/14. The projected costs in relation for protected salaries and redundancies have also been updated.
52. 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.
53. 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.
54. 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 -£0.2
55. Expenditure on Redundancy and Compensation is currently expected to overspend by £500k, based on cases approved to date this year. There have been 118 new cases approved this year against 138 assumed in the budget - an increase of 7 from December. 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 increase in future months so this budget will continue to be closely monitored

Staffing Costs

56. The Council's total full year budget for staffing is £306.0m. Expenditure to the end of January 2013 is £246.64m.
57. 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.
58. Bank and agency staff enable managers to manage short term variations in demand for services or vacancies for contracted staff.
59. 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.

60. Table A2 shows the staffing expenditure for the first ten months of the year against budget, analysed among the three staff categories.

Table A2 – Staffing costs to end of January 2013.

	Budget £m	Actual £m	%	Variance £m
Contracted		226.1	92%	
Agency		12.0	5%	
Bank		8.5	3%	
Total Staffing Cost	254.8	246.6		-8.2

61. The favourable current variance of £8.2m 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.

62. In setting the budget, the Council based the staffing cost estimate on 7,700 full time equivalent (FTE) staff. Table A3 shows that there are 7,408 contracted FTEs in post at the end of January.

Table A3: Full Time Equivalent by directorate

Directorate	**Jan FTE**	**Dec FTE**
Adult Social Care	1,901	1,887
Children Schools & Families	2,569	2,533
Customer and Communities	1,469	1,464
Environment & Infrastructure	507	502
Change & Efficiency	785	772
Chief Executive Office	177	176
Total	**7,408**	**7,334**

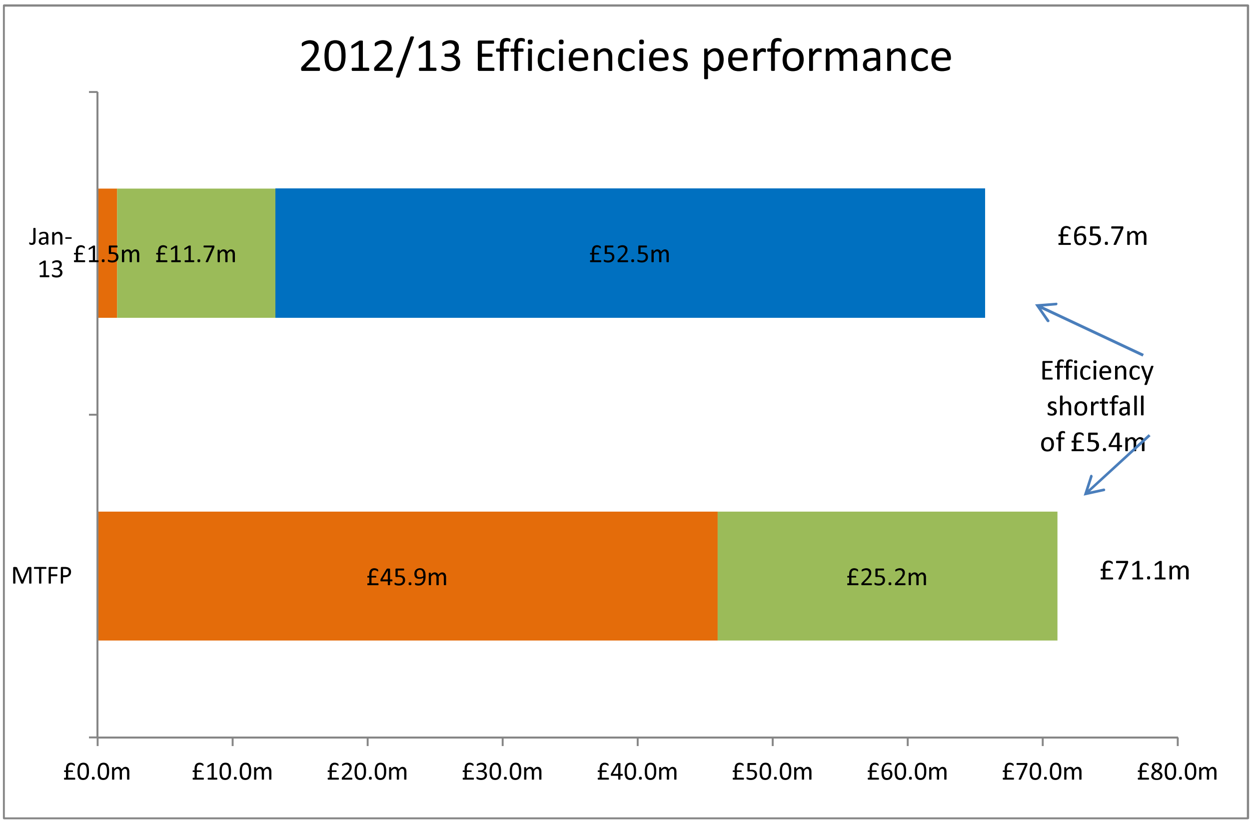
63. There are 118 “live” vacancies, for which active recruitment is currently taking place. The remaining vacancies are either filled by agency and bank staff on a short term basis or not being actively recruited to at present.

Table A4- full time equivalents in post and vacancies

	Dec FTE	**Jan FTE**
Budget	7,700	7,700
Occupied contracted FTE	7,334	7,408
“Live” vacancies (ie: actively recruiting)	127	118
Vacancies not occupied by contracted FTEs	239	174

Efficiencies

64. 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 £65.7m of these to be achieved.



65. Although there is a shortfall in achieving the efficiencies in the Medium Term Financial Plan, Strategic Directors are looking to deliver all of their £1.5m amber savings to add to the £11.7m green savings and £52.5m 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

66. 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

67. 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

68. 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

69. 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 – January 2013

70. 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 £148.9m planned in 2012/13. This is an increase of £1.0m on the budget reported in December, which is mostly due to third party contribution to schools.

71. 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 financed in future years. An example of this is the Woking Bandstand Joint Venture investment

72. 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 £000s	YTD Actual £000s	Committed £000s	**Apr –Jan YTD & Committed £000s**	Feb - Mar Remaining Forecast £000s	**Full Year Forecast £000s**	**Full Year Variance £000s**
Adult Social Care	**1,687**	465	418	**883**	319	**1,202**	**-485**
Children, Schools & Families	**9,455**	10,227	172	**10,399**	1,889	**8,510**	**-945**
Schools Basic Need	**31,992**	26,017	2,549	**28,566**	1,418	**29,984**	**-2,008**
Customers & Communities	**5,402**	1,923	191	**2,114**	293	**2,407**	**-2,995**
Environment & Infrastructure	**49,980**	37,945	18,821	**56,766**	-8,080	**48,686**	**-1,294**
Change & Efficiency	**47,761**	27,818	13,090	**40,908**	17,102	**58,010**	**10,249**
Chief Executive's Office	**10,173**	173	0	**173**	150	**323**	**-9,850**
c.fwd adjustment	**-9,525**			**0**	0	**0**	**9,525**
Total	**146,925**	**104,568**	**35,241**	**139,809**	**9,313**	**149,122**	**2,197**

Children, Schools & Families

73. The forecast under spend of -£0.9m is principally caused by additional funding received for school funded capital projects.

School Basic Need

74. The Schools Basic Need programme is expected to be -£2.0m under budget; which is the net result of bringing schemes forward and of procurement savings made on the demountables programme and reductions in the programme where schemes are no longer required.

Customer & Communities

75. The Fire & Rescue Service vehicle and equipment replacement scheme is currently underspent by £1.3m. There is a significant programme of purchases underway for the financial year. It is estimated that a further £124,000 will be committed and goods

received within this financial year. Additional commitments are planned but it is likely that all will be received by 31 March 2013 due to the lead time for procurement.

76. 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

77. The Directorate is forecasting a £1.3m underspend:

- **Developer funded schemes - £1.0m (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.
- **Highways maintenance +£0.7m (overspend).** Additional schemes have been carried out this year, and additional costs have been incurred disposing of tarmac.
- **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 -£0.6m (underspend).** Smaller variations, including underspends on bridge strengthening and maintenance at closed landfill sites combine to this underspend.
- **Local Sustainable Transport Fund grant** – the DfT have agreed to reprofile LSTF grant, moving £1.7m into 2013/14. Capital budgets have been adjusted accordingly.

Change & Efficiency

78. Following the Cabinet's approving Phase One of the Woking Bandstand Project, the directorate's capital budget will be fully spent for this financial year. After completion of the due-diligence and establishment of the Joint Venture Company, it is expected that the first tranche of Phase 1 funding commitment will be paid in February. This Project forms a part of the council's strategy for encouraging economic growth and will be self financing in future years. 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 also form a part of the strategy for economic growth across the county. If these projects complete before the 31 March 2013, then this will further increase capital expenditure, which is self-financing in future years.

79. 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 however work will not now start until the new financial year, creating an in-year underspend. Also, the change in specification (to modular lights) requires permanent planning permission and so the work will not now start until the new financial year, creating an underspend for this year.

80. Non-schools projects will underspend by £5.0m. The overage payment of £2.1m in relation to the Waste site at Charlton Lane is now unlikely to proceed this financial year. Other variances are primarily as a result of planning issues particularly in relation to Gypsy sites 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.

81. There is a projected overspend on IT projects (£0.9m) funded by the Equipment Renewal Reserve in the current year. This is due to the significantly increased number of laptops that were purchased as part of the desktop refresh 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 (-£0.6m) needs to be carried forward to fund systems improvements in the future.

82. 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 will be a significant up-front investment of £4m. 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 of will be achieved in future years' revenue expenditure.

Chief Executive Office

83. 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.

84. 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

85. 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 £1,527.3m. In addition to grant changes, DSG carry forwards, academy conversions and other minor movements in quarters 1-3, there was a school adjustment in December and other minor movements. These changes are summarised in table C1.

Table C1: Movement of 2012/13 revenue expenditure budget

	Council Tax	Formula Grant	Government Grants	Reserves	Total
	£m	£m	£m	£m	£m
Original MTFP	580.0	148.6	767.3	16.8	**1,512.7**
Previous changes					
Q1 changes			0.9	11.7	**12.6**
Q2 changes		1.0	16.6	-1.0	**16.6**
Q3 changes			-7.1		-7.1
Previous changes		**1.0**	**10.4**	**10.7**	**22.1**
January changes					
LSTF			1.5		1.5
School adjustments for January			0.1		**0.1**
Minor changes			-0.1		**-0.1**
January changes	0.0	**0.0**	**1.5**	0.0	**1.5**
Updated budget – Jan 2013	**580.0**	**149.6**	**779.2**	**27.5**	**1,536.3**

86. 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.

87. Government grant changes in January totalled £326,629. This comprised:

- school adjustments totalling £133,560
- minor changes in Customer & Communities and Children, Schools and Families.

88. The Cabinet is asked to note these grant changes and approve that they are allocated to the relevant services.

89. 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 January. 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 – January 2013

	Original MTFP Budget	2011/12 Carry Forwards	Government Grants	Virements	Full Year Updated Budget
	£m	£m	£m	£m	£m
Adult Social Care	331.5	3.8		1.9	337.2
Children, Schools and Families	289.3	2.6	3.7	-0.2	295.5
Schools	518.9		4.1	-0.6	522.4
Customers and Communities	70.6	1.8	1.1	1.0	74.4
Environment and Infrastructure	125.6	0.9	2.6	1.0	130.0
Change and Efficiency	84.7	2.3	0.1	0.7	87.8
Chief Executive's Office	13.6	0.1		0.3	14.0
Corporate Projects	1.5			-1.5	0.0
Risk Contingency/ Budget Equalisation Reserve	9.0	0.0	0.0	0.0	9.0
Service Revenue Expenditure	1,444.7	11.5	11.6	2.6	1,527.3
Central Income / Expd.	68.1	0.1	0.3	-2.6	66.0
Total Revenue Expenditure	**1,512.8**	**11.6**	**11.9**	**0.0**	**1,536.3**

SURREY
COUNTY COUNCIL

Council Overview and Scrutiny Committee
13 March 2013

Completed Internal Audit Reports

Purpose of the report: Scrutiny of Services

The purpose of this report is to inform Members of the Internal Audit reports that have been completed since the last report to this Committee in February 2013.

Introduction:

1. On 22 February 2010 the Audit & Governance Committee recommended that a standing 'internal audit' item be put on all Select Committee agendas. This Committee has agreed to consider all relevant Internal Audit reports that have attracted an audit opinion of either "Major Improvement Needed" or "Unsatisfactory" and/or those with high priority recommendations.

2. This report provides a list of the 6 Internal Audit reports that have been issued since the last report to this Committee in February 2013. Of the audit reports issued, none attracted an audit opinion of "Unsatisfactory" or "Major Improvement Needed" however two audit reviews – Building Maintenance and Financial Assessments and Charging - resulted in High Priority recommendations being made.

Internal Audit and the Reporting Process:

3. The Accounts and Audit Regulations 2011 require that a local authority "must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". The Internal Audit plan for 2012/13, which sets out the work that Internal Audit will complete during the year to meet its statutory responsibility, was approved by Audit and Governance Committee on 5 April 2012.

4. The Internal Audit reporting and escalation policy requires that all final audit reports are circulated with a management action plan, agreed by the relevant Head of Service, which sets out what management action is proposed in response to audit recommendations. Included in the audit report is the auditor's opinion on the controls in place. The audit opinion will fall into one of the following agreed classifications:

- Effective
- Some Improvement Needed
- Major Improvement Needed
- Unsatisfactory

5. All final audit reports are circulated to the relevant strategic director; the Cabinet Portfolio holder; and, the relevant Select Committee Chairman. In addition, all members of the Audit and Governance Committee receive full copies of all Internal Audit reports.

Internal Audit Reports issued since the last report to this Committee:

6. The table below shows all the audit reports (including audit opinion) that have been issued since the last report to this Committee on 13 February 2013:

	Audit	Opinion	Number of recommendations rated as High Priority	Relevant Select Committee	Cabinet Member
1	TravelSmart Programme	Some Improvement Needed	0	E&TSC	John Furey
2	Building Maintenance	Some Improvement Needed	3	COSC	Denise Le Gal
3	Members' Disclosures and Declarations	Effective	0	COSC	Denise Le Gal
4	Corporate Governance Policies	Some Improvement Needed	0	COSC	Denise Le Gal
5	Financial Assessments and Charging	Some Improvement Needed	1	ASC	Sally Marks
6	Network Controls	Effective	0	COSC	Denise Le Gal

7. A summary of the key findings and recommendations for the Building Maintenance and Financial Assessments and Charging audits, both of which included some High Priority Recommendations, is attached as Annex A.

IMPLICATIONS:

8. There are no direct implications (relating to finance, equalities, risk management or value for money) arising from this report. Any such matters highlighted as part of the audit work referred to in this report, would be progressed through the agreed Internal Audit Reporting and Escalation Policy.

Recommendations:

9. That the Committee notes the audits completed in the period and considers whether any additional action is required.

Next Steps:

10. That the Committee receives further updates on completed internal audit reports at future meetings, and continues to focus its attention on audit reports with the audit opinion of either "Major Improvement Needed" or "Unsatisfactory" and/or high priority recommendations.

Report contact:
Sue Lewry-Jones **Contact details:** 020 8541 9190
Chief Internal Auditor

Sources/background papers:

- 2009/10 Review of the Effectiveness of the System of Internal Audit, Audit & Governance Committee, 22 February 2010
- Final audit reports and agreed management action plans

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Completed Audit Reports (January - February 2013)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Building Maintenance	The County Council's buildings are assets which require proper maintenance in order to ensure that they function as efficiently and effectively as possible in supporting front line services. Deterioration of buildings if not checked can lead to significant future financial burdens, disruption of services and potential legal and health and safety implications.	Following changes to the method of payment to the contractor, an exercise was undertaken with the assistance of Procurement which shows that, based around some prudent assumptions, savings in the region of £322,000 or 11.3% for 2011/12 have been secured. Compensation Events (CEs) arise where the nature of works change from that specified impacting on time and / or costs. The contractor should advise the client of these and provide a costed breakdown of the impact on the scheme which the client will review and agree. In all cases looked at by the auditor, where CEs arose there was no supporting documentation detailing how the CE had been costed and any impact assessed. A review of a sample of files indicated that management of works could be enhanced in a number of areas. Condition surveying is a key process underpinning any robust asset management plan. This audit review highlighted a number of concerns, e.g. > the large number of entries with either no assessed completion date or cost, > the high number of works categorised as condition 'C' or 'D' (major defects / life expired, potential imminent failure)	Some Improvement Needed	All CEs to be supported by a detailed breakdown of adjustments to costs / timings which will assist in the budget monitoring process. This documentation should be retained on file in support of the variation. (**H**) Based on the review of files a series of recommendations were made on improvements around: > Budget setting > Compliance with Procurement SO > Completeness of documentation > Application of contract uplifts > Recovery of overcharged sum (**H**) Management should ensure that the condition survey information is subject to regular review and updating. Schemes which remain scheduled for previous financial years should be revisited and scheduled as appropriate. (**H**)

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Financial Assessments and Charging	Adults Social Care (ASC) is currently transferring financial assessments from the ABACUS system to the SWIFT system. There are approximately 5,000 clients billed through SAP every month for annual contributions to their social care of £38.5m. The majority of service users are billed in relation to a residential service.	The migration to assessment in SWIFT has been slower than initially hoped. Over 90% of residential service users now have a current assessment on SWIFT but there has been a delay in transferring the service users with non-residential care. The target for the completion of the migration to SWIFT is 31 March 2013, although it is likely this will overrun. There is a programme to transfer the remaining service users in tranches but it relies on the capacity of the ASC teams. A key area of the migration has been to ensure data quality in terms of correct assessments, and so frequent comparisons were made to compare the before and after migration effect on charges raised to ensure all were billed correctly, thus offsetting the delay in the ability to record the check in SWIFT. The audit found that one area team has not been completing the required 5% management check of all financial assessments.	Some Improvement Needed	Management should ensure the 5% sample checks are undertaken for all assessments in line with agreed procedures. **(H)**

[1] **Audit Opinions**

Effective	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Major Improvement Needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Unsatisfactory	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

[2] **Audit Recommendations**

Priority High (H) - major control weakness requiring immediate implementation of recommendation
Priority Medium (M) - existing procedures have a negative impact on internal control or the efficient use of resources
Priority Low (L) - recommendation represents good practice but its implementation is not fundamental to internal control

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SURREY
COUNTY COUNCIL

Overview and Scrutiny Committee
13 March 2013

Procurement Partnership with East Sussex County Council

Purpose of the report: The purpose of this report is to provide an update of progress to date in establishing and operating the Procurement Partnership between Surrey County Council and East Sussex County Council.

Introduction:

1. The purpose of this report is to provide an update to Members on the progress made in establishing and operating the Procurement Partnership with East Sussex County Council.

2. The report provides a summary of progress to date, including milestones achieved, and next steps.

3. The report also provides members with an update on leadership arrangements for the partnership, and summarises the lessons learnt from the first year of operating the partnership model.

Background

4. As outlined in detail in the report and business case brought to Lead Member and Deputy Leader in February 2012, as well as the update in November 2012, the benefits of entering into a partnership arrangement with ESCC are:

    a. The opportunity to leverage our external spend with another County Council. The intention is to develop opportunities to procure jointly where that is the best option and manage jointly the major suppliers that we both use in order to drive additional savings.

    b. The procurement partnership model will strengthen our current procurement capacity and capability by building a stronger and more resilient team. The arrangement has been recognised across the SE7 as supporting the agenda towards greater sharing and collaboration.

c. It will position SCC at the forefront of any regional procurement discussions as this is the first procurement partnership model in the SE7. It will allow SCC to shape the regional picture in the future to ensure we are able to take advantage of further opportunities as they arise.

Update on progress

5. Since member approval was gained at both authorities a number of milestones have been achieved, include ongoing work to increase the readiness and enable both organisations to work together in partnership, through a category management approach.

6. The shared leadership arrangement has been operating in practise for 10 months, with 7 months having passed since formal ratification of the Joint Working Agreement. This is still relatively early in the development of the procurement partnership, with the current stage of the partnership outlined below, and the leadership model as the arrangements enters year two also described.

Achievements

7. As described in the last report in November, senior procurement capacity from Surrey County Council has been shared with East Sussex County Council since April 2012, and forecasted income for this financial year from the arrangement is approximately £130k. Two senior officers from Surrey operate in East Sussex on average two to three days per week in total.

8. There is now much closer working between the 2 procurement teams, with regular visits between category teams taking place each month to share information and identify and work on joint projects.

9. We have started to establish a single procurement lead across the 2 Councils on some of these projects to ensure minimal duplication of officer and more efficient use of resources.

10. For East Sussex County Council, the development of the Procurement Partnership with Surrey County Council was part of a larger review of the organisations' corporate functions, and continues to be recognised as one of the strands of their overall improvement and efficiency programme. For the first time, East Sussex CC have been able to identify procurement savings as part of their budget setting process for 2013/14. This gives added senior support and focus to those joint projects which both authorities are working on together.

11. Surrey County Council senior officers led the restructure, staff consultation and the creation of a new structure and job descriptions for the East Sussex procurement resource, which went live on 1 January

2013. This new structure at East Sussex mirrors the Surrey category structure making it easier for both teams to work together and start to share resources.

12. Procurement resource across both East Sussex and Surrey County Councils is structured around categories of spend. This means that there are teams in each authority responsible for spend in Adults Social Care, Children's services spend, and Corporate, Environment and Communities spend; covering categories such as property, waste, highways, IT and HR.

13. There has been a lot of progress in the last few months on joining the Councils' procurement systems and processes together. Both Councils are now using the same spend reporting and supplier classification in SAP which will make it easier to identify joint opportunities through analysis of category and supplier spend.

14. Officers are currently evaluating proposals for electronic tendering and contract management software, with the winning provider being implemented across both organisations during March and April. This will make it easier to let joint contracts in the future and will give us the ability to jointly report and manage shared suppliers.

15. The formal governance arrangements for the Procurement Partnership have also been established with meetings of the Partnership Oversight Group, a senior officer meeting attended by two Corporate Directors from each local authority and intended to provide direction and accountability for the partnership, planned for the rest of the year.

16. During this time, opportunities for joint procurement projects have been identified across a range of categories, including Adults Social Care, Highways and IT. So far this has led to a range of active projects and the identification of forecasted savings of £500k for 2012/13 and a further £2m in 2013/14, with the majority of these savings arising from projects in Highways and IT. These savings will be realised throughout the financial year as activities and projects are completed.

17. The first phase of joint projects has now been established. In Adults Social Care both teams continue to share information to identify joint opportunities in Telecare and Extra Care Services. As proof of concept around our common strategic suppliers £16,000 has already been delivered through a joint negotiation with further savings expected to be achieved as this approach develops further. A further example of where opportunities with shared suppliers are being pursued is within the IT category for example both organisations have worked together to re-negotiate Citrix licence costs with savings of £63,000 delivered through leveraging our joint spend. Finally the Highways workstream continues to be delivered through a joint procurement team established under the East Sussex and Surrey partnership.

Leadership

18. The shared leadership arrangements continue to require ongoing review to ensure both Councils are getting the right level of support. It has been

recognised that it is difficult for the shared Head of Procurement to have a significant impact in leading and influencing the joint agenda across both Councils whilst spitting their time, and to date this challenge has been met in part by sharing the leadership role at East Sussex CC across the two most senior officers in the Surrey Procurement function.

19. With the recent resignation of the Head of Procurement and Commissioning at Surrey, there is an opportunity to review the current leadership model to ensure a realistic approach is agreed going forward.

20. The Chief Officers of both Councils have reaffirmed their commitment to working in partnership on procurement and to continue with a shared Head of Procurement

21. However, in recognition of the large workload that both teams currently need to deliver, and in order to provide more senior capacity across the two teams in the short-term, it has been agreed that East Sussex will recruit an interim Head of Procurement to allow the Acting Head of Procurement and Commissioning to focus on delivery the challenging procurement agenda for Surrey CC. The two roles will work very closely together to ensure that the teams are continuing to identify and deliver joint procurement opportunities during this interim period, and a recruitment exercise for a shared Head of Procurement will follow later in the year.

Conclusions:

22. Although relatively early in establishing the arrangements, progress is being made in developing the Procurement Partnership, and the last six months have seen key components put in place to allow ongoing success.

23. Senior officer support to align commissioning strategies and approaches across the 2 Councils is also going to be vital as the partnership moves into year two and beyond and this will impact on how quickly efficiencies can be delivered.

24. The focus of the partnership, and of both Procurement functions is now turning to delivering the second phase of projects and further identification of new savings opportunities. Spend in Children's services and Property will be looked at next across the 2 Councils to identify further opportunities.

Financial and value for money implications

25. It should be noted that East Sussex County Council spends in excess of £350m annually and Surrey County Council has an annual revenue spend of approx £680m. Both organisations have a medium term financial plan in which procurement activities are contributing to the overall savings being delivered.

Equalities Implications

26. This report does not have any direct equalities implications. The commissioning of services, and awarding of contracts will continue to be

subject to individual equality impact assessments (EIAs) as appropriate. Any development of procurement strategies and relevant policies for both ESCC and SCC will also be subject to EIAs as required and responsibility for these will remain with the individual local authority.

Risk Management Implications

27. Any risks associated with the projects being delivered through the partnership will be managed appropriately. The Partnership Oversight Group provides overall governance, including risk management and will in particular monitor the resources being shared across the two organisations to ensure that these are driving the expected benefits.

Implications for the Council's Priorities or Community Strategy

28. None.

Recommendations:

29. That the Committee notes the progress of the Procurement Partnership with East Sussex.

Next steps:

Officers will continue to work in partnership with their respective teams at East Sussex on the projects already identified in Adults, IT and Highways to deliver the estimated savings.

Recruitment for a shared Head of Procurement will commence later in the year, with ongoing progress reported to Members accordingly.

Report contact: Andrew Forzani, Head of Procurement and Commissioning, Laura Langstaff, Procurement & Commissioning Manager

Contact details: Andrew.Forzani@surreycc.gov.uk or 020 8541 9233
Laura.Langstaff@surreycc.gov.uk or 020 8541 8597

Sources/background papers:

Report to the Overview & Scrutiny Committee on 20th Jan 2012 and 14th November 2012

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SURREY
COUNTY COUNCIL

Council Overview & Scrutiny Committee
13 March 2013

Support for Economic Growth

Purpose of the report: Policy Development and Review

To provide the Committee with details of the paper 'Support for Economic Growth'. This was considered by the Cabinet at their meeting on 26 February 2013.

Introduction:

1. The attached document is the Cabinet paper 'Support for Economic Growth'. It was considered by the Cabinet at their meeting on 26 February 2013.

2. The proposed recommendations contained within the paper were agreed by the Cabinet Members.

Recommendations:

That the Committee scrutinise the Cabinet Paper 'Support for Economic Growth' and make recommendations as necessary.

Report contact: Peter Martin, Deputy Leader
Trevor Pugh, Strategic Director for Environment & Infrastructure

Contact details: 020 8213 2554

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SURREY COUNTY COUNCIL

CABINET

DATE: **26 FEBRUARY 2013**

REPORT OF: **MR PETER MARTIN, DEPUTY LEADER**

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

SUBJECT: **SUPPORT FOR ECONOMIC GROWTH**

SUMMARY OF ISSUE:

This report identifies economic growth as a key priority for the county council, both to secure an increase in the size and value of the economy and to generate employment. Surrey is a large and strong economy with a Gross Value Added (GVA) in excess of £30 billion (2011 actual). Surrey's very success creates a significant challenge to its global competitiveness because of the way in which investment in critical infrastructure lags behind the need generated by strong growth. Actions proposed in this report promote growth and also address constraints to the global competitiveness of the county. They will benefit both residents and businesses in Surrey. Additional powers and funding, particularly from the Government would significantly enhance the implementation and effectiveness of these proposed actions.

The report is not a list of all the activity to support economic growth within the county and does not seek to provide an answer for every economically related issue. The paper should be seen as a statement of intent rather than as an economic strategy or action plan. Applying the One Team ethos, it recognises the key leadership role of the county council working with district and borough councils, businesses and other public sector partners across Surrey to push forward economic growth.

RECOMMENDATIONS:

It is recommended that:

1. Cabinet endorses the approach set out in this paper to support economic growth, including further exploration of the specific delivery mechanisms detailed in the report, as outlined in paragraphs 12 and 13.

2. Cabinet agrees to working towards the development of potential deals with Government, in partnership with district and borough councils that wish to take part, with a view to securing greater financial and other powers and freedoms and investment in the county to support growth.

REASON FOR RECOMMENDATIONS:

The approach will assist the council in achieving the One County, One Team Corporate Strategy 2012-17 (as endorsed by Cabinet on 31 January 2012 and by full Council on 7 February 2012), which includes a specific priority to make Surrey's economy strong and competitive. It would support the council in its efforts to secure investment in Surrey, which would, in turn, help maintain the quality of life in the county.

Delivery of the proposed mechanisms will bring benefits to Surrey residents and businesses in terms of improved employment opportunities and funding both for economic infrastructure and public services. It should also enhance the county council's reputation with the business community.

DETAILS:

1. Over the last two decades, the Surrey economy has gone from strength to strength experiencing a trend rate of growth in GVA (which measures the production of goods and services) above the national average. GVA in 2011 rose by 3.5% to over £30 billion. The county benefits significantly from major international gateways, particularly the airports, and from proximity to London and associated road and rail connections. Economic growth has come primarily from high value business sectors, many of which are global in reach. The economy continues to be differentiated between a small number of very large firms and a much larger number of small and often micro businesses that employ fewer than 10 staff. Rising employment has contributed significantly to growth; indeed there are around 600,000 jobs in Surrey. While unemployment levels have risen due to the recession, they remain well below the national average. The economy has a high level of knowledge based businesses in a number of key growth sectors: advanced manufacturing, computer gaming and digital and creative technologies, pharmaceuticals, electrical and mechanical engineering, and financial, business and professional services.

2. Surrey residents are highly skilled: more than 70% are educated to NVQ level 2 or higher and over 40% have attained a degree. The county has an attractive environment and offers a good quality of life. Surrey's already well established businesses, ranging from 250 international corporates through some 60,000 successful small and medium sized enterprises (SMEs), are happy to identify Surrey as their home.

3. GVA rose by 3.5% in both 2010 and 2011 and now stands at £30.3 billion. Despite the recession, the Surrey economy has grown by 7% since 2009, during which time the UK economy has struggled to achieve modest growth. Surrey remains a highly desirable place to live, work, start and grow a business. However, Surrey's global competitiveness and economic strength risks being weakened in the absence of additional investment in the county's infrastructure. The attractiveness of the southeast and Surrey for some of the major global and national businesses located in the county, as well as SMEs, has reduced due to inadequate infrastructure and other constraints, principally congestion, skills and housing. The economy is also being constrained by higher unemployment, in particular increasingly stubborn and significant rates of youth unemployment.

4. Inevitably, the performance of the Surrey economy is closely tied to that of London and the airports, but economic success has led to congested roads, inadequate infrastructure and high house prices. The attractiveness of Surrey as a place to do business is also being threatened by inadequacies in respect of:

- business critical infrastructure
- commercial land and premises for a range of business types
- inward investment and access to investment finance
- people with the right skills (either at entry or junior levels or at more senior levels)
- housing and provision of more affordable housing to allow entry level recruitment and then retention of staff; and
- town centre regeneration.

5. Against this background, the county council has the opportunity to set out a commitment to growth and the development needed to support it, and in particular:

   - articulate a **narrative on growth** to support the council's existing commitment to a strong and competitive economy, setting out why growth is needed, the benefits to Surrey residents, why investing in Surrey makes sense and the main ways in which the county council will support it through its powers, resources and community leadership activity, particularly to lobby on the basis of collective support for specific improvements and investment

   - the development of appropriate **mechanisms** to provide funding for initiatives to support economic growth, which might form a Surrey Proposition, in partnership with districts and boroughs, which can then be used as the basis for a wider approach supplemented by deals with Government and with others to enhance its effectiveness; and

   - an **action plan** bringing together existing and planned work to identify specific infrastructure and other developments to which the new and existing mechanisms would be applied to give them practical effect.

A Growth Narrative

6. The Surrey economy is sizeable and impressive. With a GVA of over £30 billion per annum, it is larger than many major UK cities such as Birmingham, Liverpool and Leeds. Surrey contributes almost £6 billion a year in personal income taxation to the Exchequer, second only to London, making it the south east region's largest contributor and bigger than the metropolitan areas of Greater Manchester, West Midlands, West Yorkshire and Merseyside. Surrey is home to major international businesses, and has many towns that are amongst the most competitive in the country. The Surrey economy can be seen, in basic terms, as having four principle components:

   (a) globally competitive and other large businesses attracted by international gateway connectivity and proximity to London. For this sector the main issues in terms of staying in the county and growing their businesses are the pressures on **infrastructure** (such as congestion, capacity of public transport and the availability of other linkages such as high speed broadband which affect their connectivity); availability of **employment land** and **premises** (including space for parking); an appropriately **skilled workforce**; and suitable **housing** (both for executives and affordable housing for less senior employees)

(b) high-end technology based firms which often form clusters and need **employment land and premises close to knowledge hubs** and **investment finance** for development

(c) SMEs (including many micro-businesses) which are by far the largest part of the economy by numbers of firms (82% of businesses in Surrey employ fewer than 10 staff), require **advice, support (including leadership support) and access to finance**

(d) town centres across the county which provide a local retail focus and direct employment opportunities for local residents, but are in some cases in need of **regeneration** to improve footfall and attract new businesses.

7. The One County, One Team Corporate Strategy 2012-17 sets out the priority to make Surrey's economy strong and competitive, and the council has taken action to support it, particularly through:

- setting up **Surrey Connects**, a business - local government partnership working with stakeholders to stimulate enterprise growth across Surrey. Surrey Connects has a headline ambition to double the value of the Surrey economy to £52 billion by 2030 (based on a GVA of £26 billion in 2010), through supporting Surrey's key growth and globally competitive sectors to achieve smart economic growth

- the **Surrey Future** initiative to agree, in partnership with districts and boroughs, infrastructure priorities for the next 15 – 20 years to support Surrey's economic development, and to build consensus around how we manage planned growth sustainably

- creating the **Supply2Surrey** portal, including the Build Surrey portal launched on 7 February, to help local businesses bid for council contracts as part of the council's pledge to ensure that 60% of its spending goes to local businesses

- promoting and supporting **apprenticeships**. As described in paragraph 12, the council will extend the successful incentive scheme for Surrey businesses to take on apprentices which is already supporting 265 apprenticeships for young people in 2012-13

- **engaging** with strategically important local businesses

- **enhancing relationships and collaboration with business representative bodies**: the Federation of Small Businesses, the Surrey Institute of Directors and Surrey Chambers of Commerce (signing Memoranda of Understanding with the latter two bodies).

8. The argument that growth should now become a specific priority to which the council should devote targeted effort is supported by the analysis that:

- growth has stalled nationally in the recession. Surrey's economy continues to grow and generate prosperity for the rest of the UK as well as for its own residents and businesses

- the international competitiveness of Surrey and the southeast has been falling due to the pressures from congestion, a lack of skills and a lack of affordable housing, which make the area less attractive to business

- there is a strong sense that Surrey's natural strengths, due to its advantageous location between two international airports and sharing a border with a major global capital city are not being maximised, which if they were would generate greater income for Surrey and the Exchequer

- many of the constraints on growth, in particular inadequate infrastructure, housing and skills are all issues which affect the well being of Surrey residents directly.

9. Surrey is a good place for government to invest in to support economic and jobs growth. Compared to many other parts of the UK, the resilience of the economy and the strength of existing firms make investment less risky and more likely to lead to a faster and greater return. Surrey has high rates of business creation (a measure of innovation and entrepreneurship), that have been sustained even during the recession and have outpaced all other counties in the south east. This has been affirmed by figures released by Barclays Bank in 2012 which showed that Surrey is the top performing county for business start-ups during the recession era. Around one in seven businesses that started in Surrey over the last three years are now turning over more than £100,000 compared to the national average of one in ten.

10. The emphasis is on **smart economic growth**. This means supporting activity to help Surrey's key growth sectors/ high value businesses to flourish; improved productivity through supporting knowledge, innovation and creativity; investment in skills and training; and activity to address unemployment, particularly youth unemployment among Surrey residents.

11. The outcomes will be an increase in the size of the economy and in employment increasing the return to the Exchequer from the county. This will be achieved through smarter use of resources. The government could use an increased contribution from Surrey to support less well off parts of the country. For Surrey residents and businesses the benefits from a growing and prosperous economy and some of the steps that are needed to achieve it include:

- investment in skills and training for residents
- attracting, growing and retaining businesses that in turn provide funds for better public services
- improved local facilities and services supported through the proceeds of development
- more vibrant town centres and increased spending in the local economy supporting local businesses
- improved work place health and well being and productivity
- additional jobs
- more affordable homes for residents
- helping residents into employment
- improved transport infrastructure to help relieve congestion
- retaining Surrey's existing business wealth

The Council's role in supporting growth

12. The council can play a significant direct and indirect role in developing the Surrey economy as both a provider and commissioner of services, as a large employer and through its wider leadership role. This can be seen as operating at several levels: what the **council can do by itself**; what it can do with **districts and boroughs** and **with others in Surrey and the southeast** and what it could achieve through a wider **deal with Government**. Taking each of these in turn:

(a) <u>business as usual</u> activity, particularly on the provision of public services which set the context for Surrey as an attractive place to live and do business – schools, roads, the environment and community safety

(b) <u>specific initiatives</u> that the council has already undertaken such as:

- targeting 60% of council spend with local SMEs, without compromising competition rules or service quality considerations

- supporting apprenticeships in relation to future workforce strategy. The council will extend the successful incentive scheme for Surrey businesses to take on apprentices to 500 young people in 2013-14. This will be one of the largest county council supported apprenticeship programmes in the country.

- developing a countywide high speed broadband network that will make Surrey the best connected county in the UK

- delivering a major programme of road schemes

- establishing and maintaining a more meaningful engagement with strategically important businesses in Surrey, and with business representative organisations. This is helping the council to understand better how we and other public sector agencies can work with employers to deliver greater prosperity for Surrey

- supporting Surrey Connects with a focus on supporting innovation and enterprise, competitiveness and the knowledge economy

- working with the Enterprise M3 and Coast to Capital LEPs to secure investment in economic growth in Surrey.

(c) <u>focusing other strategies and plans and our strategic influence on growth</u> – a more explicit aim will allow the council to focus other work that the council has underway. Where appropriate, reports will be coming forward to Cabinet for agreement on some of the specific factors and mechanisms which are critical for growth:

- **infrastructure improvement** through Surrey Future and the new Local Transport Bodies (LTBs). The aim of Surrey Future is to support Surrey's economic development through building relationships between public sector partners and business, and agreeing infrastructure priorities for the next 15-20 years that are properly integrated with spatial priorities for growth, and supports other plans and strategies. This will put Surrey in a strong position to both lobby and bid effectively for funding to deliver infrastructure and other economic initiatives. In November 2012, Cabinet approved preparatory work on a set of schemes for which it will seek funding from the LTBs.

- the use of the council's **asset base** to support economic growth
- **capital investment** in activities to support economic growth, including the major road schemes programme
- attracting (foreign direct) **inward investment** (this work is being led by Surrey Connects with the support of the council and UK Trade and Investment)
- supporting **innovation and enterprise –** including through Surrey Connects
- supporting **skills and training** in the workforce to meet employer needs, and activity to reduce youth unemployment and help young people become ready for work
- developing a strategy for supporting **tourism** reflecting its contribution to economic growth
- **rural development** underpinned by a refresh of the Surrey Rural Strategy.

New Mechanisms: A Surrey Proposition

13. On top of this significant current activity the county council can do more to support economic growth. Accordingly, the council proposes to develop a Proposition to take further action using its own resources to stimulate and support economic growth building on the approach of the infrastructure investment fund which the council is establishing to fund initiatives which will generate savings or income in the longer term. This approach would also provide an offer to Government to secure additional funding or powers (as described in the following section) which would increase the return to the economy from the capital and other resources being used to support growth.

14. Accordingly, the main focus would be the development of arrangements through which Surrey County Council and others would jointly fund infrastructure and other developments to support economic growth including:

    - <u>forward funding</u> to allow stalled developments to proceed particularly where there is a need for enabling infrastructure. Repayments would be made from the Community Infrastructure Levy (CIL) and from developer contributions in the operational phase. There are relatively small public funds for this held by the LEPs (principally the Growing Places Fund), but councils can exert some influence over their use

    - <u>asset backed investment</u> using the council's land or property holdings as an equity investment in joint venture arrangements with private sector partners to bring forward development

    - <u>loan financing</u> or <u>equity investment</u> to provide financial support for commercial developments structured through appropriate legal vehicles such as a joint venture company structure

    To implement these approaches, the council would make use, as necessary, of prudential borrowing ensuring that each proposition is financially affordable and that financial returns are assessed with regard to the risks and benefits delivered.

15. Appropriate partnership or company structures and associated governance would be needed to enter into such arrangements.

16. Business rate arrangements will also change from April 2013 with implications for councils' relationship with business for the use of resource. The scheme also provides an incentive to promote business growth in order to secure additional locally retained receipts (although these are shared between the districts and boroughs and the county council and for the most part replaces grant funding as part of wider changes in the local government finance system).

17. Separately, Surrey Connects and the Surrey Institute of Directors are exploring demand among Surrey businesses for a private equity scheme that could invest in local companies to generate and accelerate economic growth and additional employment. Such a scheme would lever in funds from a range of partners and aim to deliver a return on investment. If a proposition for such a scheme is developed, Cabinet would need to consider the detailed business case for any contribution to be made from council funds.

Collaboration to secure a shift in investment

18. The effectiveness of the measures that the council can take will be greatly expanded and enhanced by securing collective agreement with partners in Surrey about the way forward and seeking wider deals with Government.

<u>Boroughs and Districts</u>

19. The county council already works with boroughs and districts across Surrey on the strategic developments such as Surrey Future in order to secure a collectively supported position on the bidding for investment and support in strategic infrastructure. As Surrey Future develops the detailed work the need for it to focus on the development of the shared economic vision for the county becomes increasingly significant.

20. There is now an opportunity to build on this co-operation with some or all of the boroughs and districts for example on:

- collective action on economic development activity which could extend to the development of joint or pooled budgets for those councils which wish to take part
- pooling growth in business rate receipts to back infrastructure or other development that would support economic growth where pooling would increase the aggregate of receipts available for these purposes
- giving full effect to their roles within the planning system in setting the context for commercial and other developments which would support growth locally and provide benefits to residents.

Local Enterprise Partnerships (LEPs)

21. Local economic growth is now led by Local Enterprise Partnerships (LEPs - new business-civic bodies). There are 39 LEPs covering England; two of which include parts of Surrey: Enterprise M3 (EM3), which covers the western districts, and Coast to Capital (C2C), which covers the eastern districts. The Deputy Leader of the council sits on the board of both LEPs, as well as the board of Surrey Connects. Surrey Connects provides a unified voice for Surrey and champions the county with government; it also represents Surrey in the EM3 and C2C LEPs - a role that is welcomed by both these bodies. Both the council and Surrey Connects are supporting the LEPs to deliver their respective strategies and business plans.

22. Increasingly, Government is passing funding allocations to LEPs. This funding, at present mostly around transport and infrastructure, is subject to competitive bidding with schemes capable of early delivery being prioritised for funding. To date, the LEPs have awarded around £2.3 million in forward funding for several schemes in Surrey, more is expected. It is important that Surrey develops and costs a programme of transport and other schemes ready to attract external funding. This could result in an additional £7-10 million investment in Surrey for transport schemes through the Local Transport Bodies (LTBs), being set up on LEP boundaries, with funding for schemes devolved to them. Funding through the LTBs could help deliver the major schemes programme approved by Cabinet last November.

23. Surrey needs to work with LEPs as delivery bodies/ enablers for smart economic growth in Surrey. Both LEPs are currently having a Growth Conversation' with government; these conversations are about possible funding for schemes to unlock growth. Surrey is engaging with the LEPs to seek support for schemes that can be started in the near future, as well as to identify a strategic project eligible for a share of the £5.5 billion of additional infrastructure investment and support for businesses announced by the Government in the Autumn Statement.

24. The Government is currently considering its response to the Heseltine Review 'No Stone Unturned in Pursuit of Growth' and may devolve further significant sums to the LEPs on a competitive basis. The inclusion of some of these additional funds within a single local investment fund would significantly enhance the effectiveness of action in Surrey, particularly on skills and employment support, and the council intends to discuss this with Government.

Wider South East

25. Investment in strategic infrastructure will often need to be with other partners in the greater southeast, particularly for schemes that need the agreement of the Department for Transport, Highways Agency and Network Rail. For example, strategic corridor schemes such the **London-Portsmouth corridor**, removal of the capacity bottleneck on the rail network immediately west of Woking, and addressing the **capacity issues along the A3** in and around Guildford are both of a scale as to be significant for the southeast as a whole.

Government

26. Having developed its programme to support economic growth and developed effective collaboration with some boroughs and districts and with the LEPs, the overall approach to supporting growth would be greatly enhanced by a dialogue with Government to secure further changes in roles, powers and funding which would enhance the effectiveness of the action that the council and partners are able to take.

27. The council has clear priorities for such a discussion which include control or influence over a much wider range of funding sources in the area. Principally, the council has made clear to Ministers that it would want a **devolved single pot** of funding to include:

- retention of a higher proportion of **business rate growth** and other changes that would increase the benefits of pooling receipts to support economic growth

- transfer of **Highways Agency budget and powers** for the non-motorway parts of the Strategic Road Network in Surrey to allow local prioritisation of investment, and the strengthening of collaborative working between Surrey, the Highways Agency and other partners to ensure local priorities are better reflected in the Highways Agency's strategic plans

- funding for **major transport schemes** post 2014

- the **Skills Funding Agency further education budget** as part of a skills fund, alongside contributions from councils and the private sector to ensure that provision is more relevant to the economy in Surrey.

The council would also want:

- greater influence over and involvement in the operation of the Department of Works and Pensions **Work Programme** aimed at getting people into work

- a more formal working relationship with **Job Centre Plus**, in particular on prioritisation

- greater influence over both **Highways Agency and Network Rail** prioritisation, and a greater say on rail franchising, and

- the unlocking of land that is held by other Government agencies needed for development in Surrey, to allow more asset backed approaches to proceed. Allied to this would be the creation of a **Single Property Board** (comprising all relevant Government departments, Surrey councils, Surrey Police and the NHS) to facilitate integrated management of the public sector portfolio and generate operational efficiencies by co-locating services.

CONSULTATION:

28. The chief executive and chairman of Surrey Connects, and the chief officers of both the EM3 and C2C LEPs have been consulted on the proposed

approach, which has also been discussed with Surrey borough and district council chief executives.

RISK MANAGEMENT AND IMPLICATIONS:

29. A significant change to the local government finance system will commence in April 2013, with local authorities retaining a share of the business rates collected in their area. The scheme provides a limited incentive to promote business growth in order to secure additional locally retained receipts, recognising that these are shared between central government (50%), districts & boroughs (40%) and the county council (10%). There is a risk to the county council if the business rate base declines as funding would reduce but districts and boroughs potentially suffer a greater loss due to the complex mechanics of the scheme.

30. Government funding for infrastructure has significantly reduced in recent years. Unless the council is able to successfully bid for the remaining grant funding available, it will face an increasing responsibility to fund the infrastructure and services needed to support local economic growth. Failure to deliver measures, such as those designed to reduce congestion, will reduce residents' quality of life and would harm Surrey's reputation.

31. An element of the proposed programme is focused on capacity building, e.g. to develop transport schemes that attract external funding to support local economic development. There is no guarantee that external funding will be secured. However, without the early development of these schemes, the council will be hampered in its ability to bid for and secure external funding for economic development.

Financial and Value for Money Implications

32. Elements of the programme to support economic growth will require funding as they are developed, and decisions on the allocation of funds will be sought at the appropriate time.

Section 151 Officer Commentary

33. The Section 151 Officer confirms that the proposals outlined in this paper do not have any immediate financial impact or any further financial considerations above those already considered by Cabinet in preceding papers, for example in relation to the development of transport schemes as described in the November 2012 Cabinet report.

34. Specific proposals will require Cabinet approval based upon a full evaluation of the financial business case and consideration of the risks involved. Appropriate and specific partnership, company structures and governance arrangements may be required in some instances. In addition, the availability and scale of any financial assistance to pursue these objectives will need to be considered alongside other County Council objectives.

Legal Implications – Monitoring Officer

35. Under the power of general competence, contained in Section 1 of the Localism Act 2011 the Council has a wide power to do "anything that individuals generally may do". This could, in principle, include both making

loans and grants and borrowing in order to do so. In exercising its powers the Council must follow its own procedures and act for proper purposes, which would include supporting economic growth in the county. Any decision must also balance any risks against the potential rewards. It will therefore be important to ensure that decisions on any proposal brought forward under these propositions are considered by the relevant decision maker, supported by a proper business case, alongside the Council's fiduciary, equalities and other duties.

Equalities and Diversity

There are no identified negative equalities impacts. Where additional funding for infrastructure and transport schemes is secured, there will be positive impacts though increasing access to services and employment opportunities. Growth in businesses based in Surrey will in some cases generate additional jobs. Focusing skills and training support on young residents will also help positively address Surrey's relatively high level of youth unemployment. Where applicable, equality impact assessments will be undertaken as a part of decisions on individual projects.

Corporate Parenting/Looked After Children implications

The county council recognises it has a responsibility to young people in the county who might struggle to make a successful transition from education to employment, in particular our Looked After Children and young people leaving care. The current economic downturn has reduced the number and variety of jobs that are available in Surrey, with further disproportionate impact on the most disadvantaged groups. Care Leavers aged 16-18 years old are over five times more likely to be NEET (not in employment, education or training) than their peers who have not been in care. Being a 'Corporate Parent' is not just a role for social care services but is everyone's responsibility. For this reason, the county council wants to ensure that a percentage of any work experience, apprenticeships or employment opportunities are targeted at this, and other, key priority groups.

Safeguarding responsibilities for vulnerable children and adults implications

36. Adults with social care support needs are significantly underrepresented in the workplace. Fewer than 10% of adults with learning disabilities are in paid employment and the majority of this number are in part-time work. The current economic climate has made finding suitable employment opportunities to help people back to work more challenging than ever.

Providing effective support for vulnerable adults into employment and reducing inequalities and discriminatory practice is a key priority for the county council. The council uses its purchasing power and community influence to promote employment opportunities, so that people can access these routes back to full social inclusion.

Public Health implications

37. Supporting more people into work will improve well being and productivity and support fitter, more active, more socially linked and more resilient communities. This approach needs to be coupled with maintaining the attractiveness and quality of Surrey's outstanding natural landscape and

environment (which has an economic value in its own right) to encourage more use of these intrinsic assets, to promote health and well being, and reduce the incidence of both long term and chronic illness.

Climate change/carbon emissions implications

38. The county council attaches great importance to being environmentally aware and wishes to show leadership in cutting carbon emissions and tackling climate change.

39. The proposed approach includes projects that will contribute to long term improvements in public transport provision and reduce congestion. Other activities in the programme would also contribute to reducing business travel requirements, such as higher levels of home working supported by a countywide high speed broadband network.

WHAT HAPPENS NEXT:

The activities and proposals set out in this paper will be developed as a programme to support economic growth. Many activities are already underway, but priority will now be given to developing the new arrangements described in the paper and refining their scope and focus (including through preliminary discussions with Government officials) so that they can be presented formally to Government at the earliest opportunity.

Agreement to the proposals in this paper is an important commitment to economic growth and will send a strong signal to businesses that the county council is strengthening its efforts to support Surrey's economy. A package of communications measures will be agreed with the Deputy Leader emphasising the additional steps that the council now intends to take.

The county council will continue to play an active role in the EM3 and C2C LEPs in order to secure investment in Surrey's economic future, and in Surrey Connects to support delivery of its strategy and action plan.

Specific approval for elements of the programme will be sought as appropriate.

Contact Officer:
Damian Testa, Economy Team Manager, E&I, Tel no: 020 8541 7068
Kevin Lloyd, Senior Policy Manager, Chief Executive's Office, Tel no: 020 8541 7273

Consulted:
Cabinet Member for Assets and Regeneration Programmes
Surrey Chief Executives
Strategic Director Environment and Infrastructure
Assistant Director, Economy, Transport and Planning
Chief Executive, Surrey Connects
Chairman, Surrey Connects
Director, Enterprise M3
Director, Coast to Capital
CLT Economic Competitiveness Board
Strategy Group Manager

Sources/background papers:

- Surrey County Council, 'One county, one team corporate strategy 2012 to 2017'
- The Surrey Local Economic Assessment, December 2010
- Surrey Connects Strategy, August 2011
- Surrey Connects action plan, summer 2012
- Cabinet report on superfast broadband in Surrey, 24 July 2012
- Wave 2 City Deals Prospectus, Autumn 2012
- Cabinet report on supporting the economy through investment in transport infrastructure 2012-19, 27 November 2012
- Heseltine Review 'No Stone Unturned', October 2012
- Barclays press release, entitled, 'Surrey revealed as nation's start-up success story' (http://www.newsroom.barclays.com/Press-releases/Surrey-revealed-as-nation-s-start-up-success-story-87e.aspx), 6 February 2012

SURREY
COUNTY COUNCIL

Council Overview & Scrutiny Committee
13 March 2013

Property Services: Strategic Asset Management Plan

Purpose of the report: Scrutiny of Services

To provide the Committee with details of the proposed Strategic Asset Management Plan for Property Services.

Introduction:

1. The attached document forms the Executive Summary of the proposed Strategic Asset Management Plan for Property Services.

2. The entirety of the Strategic Asset Management Plan will be published as a Part 2 item.

Recommendations:

That the Committee scrutinise the Strategic Asset Management Plan and make recommendations as necessary.

Report contact: John Stebbings, Chief Property Officer, Property Services

Contact details: 020 8213 2554

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Strategic Asset Management Plan

Building a better Surrey

SURREY COUNTY COUNCIL

Making Surrey a better place

Contents

Foreword

Management of our assets and the link between buildings and the delivery of services to the residents of Surrey has never been more important.

With challenging economic times and the need to stimulate growth, asset management is now a top priority for central government and the wider public sector.

We in Surrey have a key role to play and have already been recognised for our work in initiatives such as the government's Capital and Asset Pathfinder programme and Surrey First.

Our Strategic Asset Management Plan provides a route map that allows our customers, elected members and staff to see our direction of travel and our forward-thinking and innovative approach to property. It includes the whole range of our activities, from investment and acquisition to the day-to-day management of our built estate. All of these areas will be instrumental in improving services in Surrey.

The plan highlights some key actions that members and officers are committed to deliver. We will take a personal role in seeing these through. The publication will be a living document, with subsequent revisions planned on a regular basis.

We are delighted to introduce this Strategic Asset Management Plan and trust that everyone finds it a useful and informative document.

Denise Le Gal
Cabinet Member for
Change and Efficiency

Denise Le Gal

Tony Samuels
Cabinet Member for
Assets and
Regeneration
Programmes

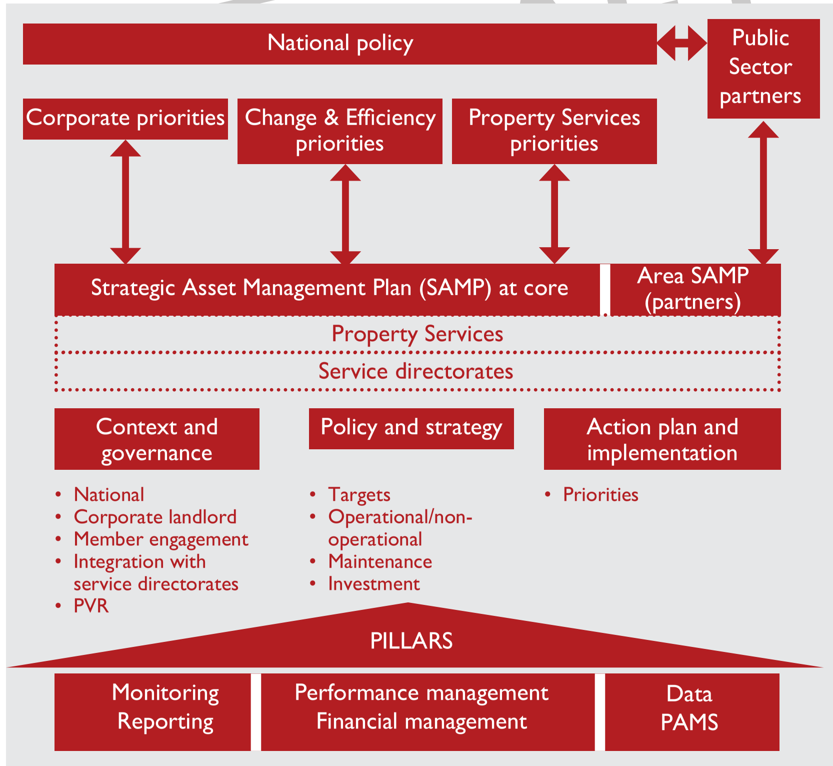
A R Samuels

Executive summary

Context

The importance of our assets and their strategic management has long been a priority for the council. We have recognised the significant positive impact the assets can have on service delivery, often providing the catalyst for service improvement.

Sitting at the core of the Property Services function, this Strategic Asset Management Plan will guide our future property decisions and provide the link between the strategic consideration of assets and their role in the delivery of the council's services. Underpinning the plan is a set of customer-focused actions that both officers and members are committed to deliver.



The diagram above illustrates the plan in context. It shows how the plan acknowledges the Corporate Priorities, the priorities of the Change and Efficiency Directorate and the Property Services priorities, and uses these as principal reference points.

These priorities run through the core of the plan, providing clarity on the vision and values for the council, how the directorate and Property Services strives to meet these, and the targets against which these will be measured. Of note is the targeted spend through local Surrey suppliers, the CO_2 and energy usage reduction, support for regeneration, growth and investment, and the move towards smarter and more flexible ways of working.

In parallel, the plan shows how it will accommodate other drivers which will affect asset management, including national policy areas such as the Localism Act and the Community Right to Bid. It sets out the important role the county council has in working with other public sector partners through initiatives such as Surrey First, and the council's involvement in government programmes such as the Capital and Asset Pathfinder.

Customers, including residents, members, service directorates and staff, are provided with a clear view of how Property Services will work with them through virtual teams and an end-to-end approach to delivery.

All of this is supported by a set of key actions to improve the services and supporting pillars that underpin all of the work, providing rigour in the management, systems and controls for the department.

Governance framework

A council-wide Public Value Review was carried out in 2010/2011, which found that although the Property function was ahead of the game in its aspirations for a more strategic and customer-centric service, it had some specific areas for improvement. Since then, Property Services has restructured with a new management team in place and an under-pinning structure that covers the property lifecycle as 'one team'. The corresponding culture change is a key strand of the restructure and one which is already starting to see real benefits in the engagement of customers and a joining up across the department.

Led by the Chief Property Officer, a team of five senior managers covers Asset Investment and Regeneration, Asset Strategy and Planning, Schools and Programme delivery, Transformation and Delivery, and Performance Management.

Property Services works within an approved governance framework that provides delegated limits of approval from Cabinet to individual Cabinet members and officer/member groups. These are set in the context of the council's five-year Medium Term Financial Plan and associated corporate processes.

A key area of the governance arrangements is the integration with the service directorates. A concept of virtual teams has been introduced to deliver effective customer relationship management. This allows the customers to have an account team comprising the relevant property personnel which will flex to meet changing demands. It is anticipated that this approach will be extended to link with wider team in the Change and Efficiency Directorate.

Building on the efficiency theme and the desire for more cross-public sector working, a cluster arrangement has been set up with Hampshire County Council and a number of other participating authorities, to look at a co-ordinated approach to procurement and delivery of large programmes of capital works. This is already being recognised as an exemplar delivery model across the public sector and is achieving significant savings.

Policies and strategies

The governance framework set out above supports a set of policies and strategies that span across the whole of Property Services. Some of these are well established and embedded within the council, while others are relatively new and are still developing, having been introduced to meet a particular need or set of circumstances. In summary, the policies and strategies are:

Carbon management and sustainability is concerned with reducing the estate's carbon emissions and effectively managing its energy consumption. A programme of work of £13.1m over a four year period is looking at energy efficient schemes, which has already seen a CO_2 reduction of 12%. A wider carbon management plan to 2017 has been adopted which is seeking to reduce emissions through management of the estate, street lighting, building design, investment programmes and procurement practices.

Furthermore, the council is part of the Surrey Climate Change Partnership with Surrey Police, the Primary Care Trust and the 11 district and borough councils. This group has developed the Surrey Climate Change Strategy to provide an area-based approach to carbon reduction and sustainability.

Partnership working sets out the council's approach to working with our public sector partners in areas such as the property cluster, the projects identified by Surrey First and the co-location of Adult Social Care locality teams. Linked with partnership working, the partners are also exploring new and innovative approaches to the public ownership of property and looking at how partners can build capacity through the sharing of resource.

The Schools Estate section looks at the asset management approach to the education estate, which comprises around 380 facilities across community schools, foundation schools, voluntary aided and controlled schools and academies. The Schools and Learning Service and Property Services is developing a plan that will provide an asset management strategy for each area, a 5 year schools programme and Medium Term Financial Plan, and a 15 year forecast for infrastructure planning. The teams are also looking at working with the service to develop a set of protocols to provide a consistent approach to school place planning and a clearer and quicker route to decision making. In addition, the Special Education Needs (SEN) strategy is being refreshed and Property Services is helping identify and develop corresponding asset management plans.

The schools asset management plan will be central to the service directorate's strategy development, allowing a long-term planning horizon. This will include building condition, building solutions and a whole lifecycle cost approach.

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The Non-Schools Estate covers a wide-range of assets that are needed by the service directorates outside of the education estate. Property Services works collaboratively with the service directorates to assess the short, medium and long term impacts on the council's assets and future asset needs. More specifically, Property Services assists the directorates as their strategies evolve, providing supporting strategic advice to assist in the direction of travel and option setting of those emerging strategies which have property and asset implications. Examples of the types of assets include fire stations for Surrey Fire and Rescue, older person homes and residential care provision, waste recycling centres, centres for service for young people and gateways for disability services.

Office Accommodation has a particular focus in the plan, emerging from the Making a Difference programme. This area looks at more efficient and flexible use of the office estate, enabling the technology to allow this to happen and challenging existing working practices and culture. Property Services is taking a strategic view across the estate and will draw together a business case that contains occupancy needs, staff location, directorates' future needs, desk numbers and flexible working opportunities.

The Rural Estate extends to around 1,200 hectares with approximately one hundred tenants occupying a mixture of dairy farms, grassland farms, smallholdings and grazing as well as cottages and rural businesses. Property Services manages this estate with priorities "to optimise the financial, social and environmental returns through proactive management that promotes dynamic involvement with the local communities it serves". These are underpinned by three objectives:

1) optimising revenue and returns
2) supporting rural businesses and communities
3) supporting good environmental stewardship.

Housing management – although not a housing authority, the council holds a portfolio of properties used for residential purposes. These fall into the categories of tied housing, private rented and vacant houses, and gypsy sites. All of these properties need management by Property Services, including management of vacant properties, maintenance, disposals and performance measures.

Income and Investment Strategy – the council has powers to acquire land or property which is either planned, where a specific need has already been identified, or opportunistic where a property is offered for sale and the council can demonstrate a clear benefit in acquiring it. For planned purchases, capital within the council's budget is identified in the Medium Term Financial Plan to provide facilities such as schools.

The council is developing an investment strategy to produce and enhance revenue streams to contribute to service costs and to facilitate economic development and regeneration of towns and other areas in Surrey.

Similarly, the council also has a Disposal / Transfer Strategy which historically was used for surplus assets as a result of changes to service provision. This is now linked to the investment and income strategy with assessment now including potential for alternative use, risk profile, funding, control of delivery and procurement issues.

Risk management is part of the council's Constitution and is embedded in Property Services, being integral in all that we do. As well as health and safety, it covers programme, delivery and financial risk, fire, asbestos, Equalities Act (access) and statutory inspections. An essential part of the risk management approach is the Emergency Planning and Business Continuity arrangements which are there to keep all core functions operational in the event of an emergency.

Procurement is managed in conjunction with the council's strategic procurement function. For Property Services, this means a programme approach to professional sourcing, harnessing opportunities through a detailed knowledge of the supply chain and collaborating with other authorities to get economies of scale and share knowledge. Goals and measures of success are in place ranging from procurement savings, supply chain savings and percentage of construction-related spend through local suppliers.

Maintenance - Property Services is responsible for maintaining the council's buildings and their plant and equipment effectively, efficiently and economically:

- to a standard which ensures that the condition of all buildings does not hinder use or provision of services
- to comply with legal requirements
- to maintain the value of the council's property

As is the case for many local authorities, the council has a backlog of maintenance. This is prioritised to the budget available using a risk management approach, considering future service plans, energy usage, performance trends and condition.

Maintenance is carried out using regimes including cyclical maintenance, responsive maintenance and planned maintenance. Maintenance staff form a key part of the customer-facing virtual teams.

Property Services has in place a buy-back arrangement with schools for maintenance. Presently, up to 75% of schools buy back a service of some kind. A new Buyback service is due to be launched in April 2013.

Facilities Management (FM) is the 'first line' of contact for building users and covers the day-to-day management of the corporate portfolio of non-schools buildings. FM takes two approaches:

1) Fully Services Accommodation, a range of hard and soft FM services across five key council offices
2) Integrated Facilities Management, which is a service covering compliance and building management issues in 240 non-school sites.

The Helpdesk is the focal point for all building users to log responsive service calls. Providing a 24 hours a day, 7 days a week, 365 days a year service, the helpdesk is an important source of intelligence for Property Services and aids greater budgetary control, collaboration between technical and professional staff, and data into maintenance regimes. Future plans are to extend the helpdesk and transform it into an all encompassing Property Helpdesk.

Action plan and implementation

In preparing this strategic asset management plan, we have not only focused on the work currently being undertaken by the council but have given some real thought to the actions that will improve Property Services. By aligning these with the corporate strategy, it is possible to make the connection between the actions identified and how these support the council's priorities, which in turn benefit the residents of Surrey.

The actions range from development of policy areas through to some very specific tasks, all of which the management team agree are instrumental in improving the service delivered. These actions will be tracked through management reporting processes and will be reported to members on an annual basis.

Supporting all of the work set out in the plan and the corresponding set of actions are the supporting pillars – the management processes, systems and controls that run through Property Services. These fall into four main areas:

1) **Performance management** – a framework to monitor the performance and consistency across Property Services, focusing on targets, measured against Key Performance Indicators (KPIs) and monitoring of performance of the department, supplier contracts and performance down to individual asset level. Benchmarking against comparable public sector organisations is undertaken.
2) **Financial management** - the Property Finance team provides professional financial information, analysis, advice and support, produces all external financial reporting on council activities and lead on the council's annual budget setting and in-year monitoring arrangements. The finance team also sets the financial framework for the council, covering the regulations, instructions and guidance on all financial activities.
3) **Data management** - property data is recognised as a key tool in driving value from the council's property assets. It is used for the day to day management of assets, measuring their performance and providing information to support asset strategy. Integral to the management of data will be the implementation of a new Property and Asset Management System (PAMS), which is currently underway in a joint initiative with Hampshire County Council. PAMS will provide a fully integrated property information system that will facilitate partnership working, bringing together property asset data, financial information, maps, spatial information from CAD plans, and document management. PAMS will assist public sector partners in the sharing of property data. It will also aid management of the plethora of property documents held in the department and help make property information more accessible and transparent, both internally and externally.
4) **Reporting** - is key to decision making in Property Services and supports the governance process and general management of property business. It is broken down into three categories: 1) decision making – at departmental, directorate and Cabinet level; 2) performance - regular reporting of key performance indicators at departmental and directorate level; 3) business planning and improvement – regular reporting of progress against plans and targets at departmental and directorate level.

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