

## Notice of Meeting

# Council Overview & Scrutiny Committee



**Date & time**  
**Thursday, 12**  
**September 2013**  
**at 10.30 am**

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

**Contact**  
Andrew Spragg  
Room 122, County Hall  
Tel 020 8213 2673

**Chief Executive**  
David McNulty

andrew.spragg@surreycc.gov  
.uk

**If you would like a copy of this agenda or the attached papers in another format, eg large print or braille, or another language please either call 020 8541 9068, write to Democratic Services, Room 122, County Hall, Penrhyn Road, Kingston upon Thames, Surrey KT1 2DN, Minicom 020 8541 8914, fax 020 8541 9009, or email [andrew.spragg@surreycc.gov.uk](mailto: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 Andrew Spragg on 020 8213 2673.**

### **Members**

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

### **Ex Officio Members:**

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

## **TERMS OF REFERENCE**

The Committee is responsible for the following areas:

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

## PART 1 IN PUBLIC

### 1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

### 2 MINUTES OF THE PREVIOUS MEETING: 17 APRIL 2013

(Pages 1  
- 12)

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

### 3 DECLARATIONS OF INTEREST

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

#### **Notes:**

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

### 4 QUESTIONS AND PETITIONS

To receive any questions or petitions.

#### **Notes:**

1. The deadline for Member's questions is 12.00pm four working days before the meeting (Friday 6 September 2013).
2. The deadline for public questions is seven days before the meeting (Thursday 5 September 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

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

### 6 BUSINESS PLANNING 2014-19 UPDATE

(Pages  
13 - 40)

**Purpose of the report:** Policy Development and Review

To update the Committee on the financial context within which the Council is planning its budget; the Council's strategic response; and plans to ensure a balanced budget is realised over the life of the Medium Term Financial Plan 2014-19.

- 7 THE IMPACTS OF WELFARE REFORM IN SURREY** (Pages 41 - 64)
- Purpose of the report:** Scrutiny of Policy Development and Review
- This report provides an overview of the main changes to the welfare benefits system, assessing their potential implications for residents through the use of three case studies. It identifies the issues for Surrey; the related consequences for Surrey County Council and its partners; and includes a summary of the strategic approach that Surrey partners are taking to support residents who are affected and to minimise additional pressure on services.
- 8 BUDGET MONITORING - JULY 2013** (Pages 65 - 68)
- Purpose of the report:** Scrutiny of Services and Budgets
- Scrutiny of the Council's overall 2013/14 budget monitoring position as at the end of July 2013.
- 9 PERFORMANCE MONITORING 2013-14 - QUARTER 1** (Pages 69 - 72)
- Purpose of the report:** Scrutiny of Services – Performance Monitoring
- 10 INVESTMENT AND TRADING** (Pages 73 - 108)
- Purpose of the report:** Scrutiny of Services and Budgets
- The Committee has requested an overview of trading and investment strategies across the Council.
- 11 FORWARD WORK PROGRAMME** (Pages 109 - 114)
- The Committee is asked to review its Forward Work Programme which is attached.
- 12 DATE OF NEXT MEETING**
- The next meeting of the Committee will be held at 10am on 3 October 2013.

**David McNulty**  
**Chief Executive**

Published: Wednesday, 4 September 2013

## MOBILE TECHNOLOGY – ACCEPTABLE USE

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**MINUTES** of the meeting of the **COUNCIL OVERVIEW & SCRUTINY COMMITTEE** held at 10.00 am on 17 April 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 Friday, 7 June 2013.

**Members:**

A Mr Mel Few (Chairman)  
 \* Mr David Harmer (Vice-Chairman)  
 A Mr Mark Brett-Warburton  
 \* Mr Stephen Cooksey  
 \* Mr Steve Cosser  
 \* Mrs Clare Curran  
 \* Mr Eber A Kington  
 A Dr Zully Grant-Duff  
 A Mrs Sally Ann B Marks  
 \* Mr Steve Renshaw  
 \* Mr Nick Skellett CBE  
 A 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

**42/13 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

Apologies were received from Mark Brett-Warburton, Mel Few, Zully Grant-Duff, Sally Marks and Chris Townsend. There were no substitutions.

In Mel Few's absence David Harmer, the Vice-Chairman, acted as Committee Chairman for this meeting.

**43/13 DECLARATIONS OF INTEREST [Item 2]**

There were no declarations of interest.

**44/13 QUESTIONS AND PETITIONS [Item 3]**

There were no questions or petitions to report.

**45/13 RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SELECT COMMITTEE [Item 4]**

There were no referrals made to Cabinet at the last meeting so there were no responses to report.

**46/13 DEMOCRATIC SERVICES: SCRUTINY REPORT 2012/13 [Item 5]**

**Declarations of interest:** None.

**Witnesses:**

Bryan Searle, Senior Manager for Scrutiny and Appeals, Democratic Services  
Rachel Yexley, Scrutiny Manager, Democratic Services

David Hodge, Leader of the Council

**Key points raised during the discussion:**

1. The Committee was presented with the Scrutiny Report for 2012/13 and invited to make comment. Members expressed the view that there was often an issue with timing in relation to scrutiny of specific topics. It was widely felt that a greater emphasis should be on policy development rather than review. It was highlighted that overview was one of the principal purposes of any Select Committee.
2. Members commented that the role of Council Overview & Scrutiny Committee (COSC) still needed some clarification, in particular how it operated in relation to other Select Committees. It was also highlighted that the Committee would need to resist asking detailed questions when matters relating to a specific directorate arose. It was proposed that COSC could, in part, direct their concerns for scrutiny by the other Select Committees through the recommendations process.
3. The Committee held a discussion around the need for better financial training for Members. It was also felt that the reports should be written in a manner that enabled a member of the public to understand them.
4. The Committee commented that there was a need to ensure that recommendations were followed up in a more accountable and transparent way. It was proposed that the recommendations tracker was restructured to include a greater clarity around accountability and whether a recommendation had been achieved. Officers agreed that these changes should be implemented.
5. The Committee highlighted the need to ensure that Members had an understanding of the principles and methods involved in scrutiny. In particular it was suggested that Members could be supported through training in effective scrutiny and improved questioning.
6. The Committee discussed induction for new Members following the election in May 2013. It was felt that induction materials needed to be more engaging and resist using jargon. Some frustration was expressed regarding the occasionally poor Member engagement with Select Committees, and it was requested by the Committee that the respective Leaders of the political groups challenged their Members when this was found to be the case.
7. A discussion was held around the nature and length of the reports supplied in Select Committee agenda papers. The Committee strongly supported the principle that "less is more" in terms of the number of items scrutinised by committees at each meeting. It was also

suggested that the aim should be to have short reports in bullet-point format, and this could be trialled with one committee.

8. The Committee raised the need for improved public engagement, and suggested that links should be made with Local Committees through the Community Partnership Team. However, concerns were also raised that the distinction between the Local Committees and Select Committees needed to remain clear to residents.
9. Members suggested that there was a requirement to incorporate the views of service users and residents more in the scrutiny process. The Health Scrutiny Committee was cited as an example of where there had been particularly successful community and stakeholder engagement.
10. Members held a discussion regarding their opportunity to input into the document, it was agreed that officers would ensure that Member feedback was taken into account.
11. The Committee commented that there appeared to be some changes to staffing structures within the support for Democratic Services. It was confirmed by officers that this had been undertaken to make the best use of resources.
12. The following amendments to the annual report were agreed:
  - The outcomes and impacts of the work of the Supporting Families Task Group to be added to the paragraph on page 4.
  - The first line of the 'Every School a Good School' paragraph on page 5 to read "even before Cabinet announced..."
  - The report to stress the fact that Member engagement is crucial in order to achieve effective scrutiny.

#### **Recommendations:**

- a) That subject to the amendment listed above, the annual report be circulated to Members and stakeholders, and made available to Council officers via S-Net.

Action by: Bryan Searle/Rachel Yexley

- b) That a response be sent to Members in relation to the improvements to the scrutiny process suggested at the meeting, and that, where appropriate, revised scrutiny arrangements be adopted following the County Council elections.

Action by: Bryan Searle/Rachel Yexley

#### **Actions/further information to be provided:**

A response to be provided as outlined in recommendation b).

**Committee Next Steps:**

None.

**47/13 STRENGTHENING THE COUNCIL'S APPROACH TO INNOVATION [Item 6]**

**Declarations of interest:** None.

**Witnesses:**

Julie Fisher, Strategic Director for Change & Efficiency

David Hodge, Leader of the Council

**Key points raised during the discussion:**

1. The Strategic Director for Change & Efficiency briefly outlined the Cabinet reports concerning the Council's approach to innovation. It was highlighted that the intention was to develop a systemic approach to innovation, and also consider the various models of delivery that this could entail.
2. The Committee commented that there was a need to develop innovative thinking around processes, and to look at examples of this from both the public and private sector. Members expressed the view that they felt that the Council should pursue innovative thinking, rather than innovation. The Rapid Improvement Events (RIEs) were highlighted as an example of innovative thinking.
3. Members raised a question concerning the commissioning and co-production processes and how this was being informed by innovation. Officers commented that co-design with service users and stakeholders was central to the commissioning process. It was confirmed that a commissioning framework was being developed across the County Council.
4. The Committee made a number of comments about the role of community engagement with regards to setting out the priorities of the County Council. It was highlighted that this was necessary for ensuring residents felt involved and informed on a local level. The Strategic Director for Change & Efficiency agreed that Local Committees should have a role in the consultation around service delivery and innovation.
5. The Committee discussed the proposals to set up a trading company owned by the County Council. Officers commented that the nature of any company, and who sat on the shareholder board would be defined by the business case in each instance. It was highlighted that the risks identified around setting up a trading company would be a key consideration. It was confirmed that the Council Overview & Scrutiny Committee would have the responsibility of scrutinising any governance arrangements in relation to a trading company owned by the County Council. Members commented that the Council needed to decide what it did well and research the possibilities around any trading venture carefully.



6. The Committee commented that the success of the Rapid Improvement Events (RIE) and Public Value Reviews (PVR) should inform the innovation agenda. Members expressed the view that the success of the RIEs lay in the ability to utilise practitioners' insight and also ensure they felt they had ownership around the changes proposed. The Leader of the Council confirmed that RIEs would still remain a part of the process around developing innovation.
7. Officers informed the Committee that they would have the opportunity to review the refreshed Corporate Strategy for 2013-17 which would be presented to Cabinet in June 2013.

**Recommendations:**

None.

**Actions/further information to be provided:**

None.

**Committee Next Steps:**

The Committee will continue to scrutinise future proposals related to the innovation agenda and any potential business case for a County Council owned trading company.

**48/13 FINANCIAL MANAGEMENT NEW TECHNOLOGY PROJECT [Item 7]**

**Declarations of interest:** None.

**Witnesses:**

Sian Ferrison, Transformation and Development Manager

Kevin Kilburn, Financial Reporting Manager

**Key points raised during the discussion:**

1. The Committee asked for further details regarding the appointment of a new Project Manager. Officers confirmed that changes within the team had enabled the project to move forward and that the technical issues which had been identified were being resolved.
2. Members asked whether the financial management reporting package was bespoke. Officers clarified that it was off-the-shelf software that was being developed to meet the Council's reporting requirements. It was confirmed that the user community for the new software was estimated to be around 2,000. It would be used by every manager for sickness absence reporting, every budget holder for budgeting monitoring and those staff who support them in these management roles.
3. The Committee was informed that it was anticipated that the technology would go live in the next 6 months. Officers stated that the key challenge remaining related to the testing processes. User

acceptance testing was being undertaken and 85% of the business testing scripts had been completed. The go live date would be dependent on any defects found through the remainder of the testing phase.

4. Members raised a question as to whether the technology could be used in conjunction with Surrey-i. Officers commented that this option had not been explored and it is not known whether the software is compatible.
5. The Transformation and Development Manager was praised by the Committee for her engagement with the Member's Reference Group, and for her involvement with the project delivery.

**Recommendations:**

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

**Actions/further information to be provided:**

None.

**Committee Next Steps:**

None.

**49/13 SURREY COUNTY COUNCIL AND EAST SUSSEX COUNTY COUNCIL  
SHARED SERVICE DELIVERY AGREEMENT [Item 8]**

**Declarations of interest:** None.

**Witnesses:**

Simon Pollock, Interim Head of Shared Services

**Key points raised during the discussion:**

1. The Committee was given a summary of the Shared Services delivery agreement. Members were informed that this had come into effect from 1 April 2013, and that there was a potential for similar agreements being made with other public sector partners in the future. The Committee praised the Interim Head of Shared Services for his concise report.

**Recommendations:**

None.

**Actions/further information to be provided:**

None.

**Committee Next Steps:**

None.

**50/13 APPRAISAL DATA - POSITION STATEMENT [Item 9]**

**Declarations of interest:** None.

**Witnesses:**

Carmel Millar, Head of Human Resources

**Key points raised during the discussion:**

1. The Committee was informed that the response rate from managers had risen to approximately 80% since the publication of the figures contained within the agenda papers. The view was expressed that the exercise had been a useful one as it had encouraged some new managers to request additional training in appraisals. It was confirmed that the final results regarding the appraisal data would be available by June 2013.
2. The Committee was told that the staff survey, due to take place in autumn 2013, would contain a number of questions regarding the appraisal process.
3. Members queried why the original three week response period had been extended. Officers confirmed that the feedback from managers was that the appraisal process was still ongoing, and that it would be more appropriate for this data to be collected over a longer period.
4. The Committee asked when staff might be exempt from the appraisal process. It was confirmed that the appraisal process was obligatory for all staff, with the exception of temporary staff, those working out a notice period and those due to retire in the following six months.
5. Members asked for clarification regarding the 360° appraisal process. Officers confirmed that this was when feedback was sought from those that the staff member worked with. It was clarified that this was not deemed appropriate for every employee, but was used for the majority of staff within the Council.
6. The Committee had a discussion around how Members might receive similar feedback and appraisal opportunities. It was confirmed that there was an ongoing discussion regarding this within the Member Development Steering Group.
7. The Chairman thanked the Head of HR on behalf of the Committee for responding to Members' concerns.

**Recommendations:**

None.

**Actions/further information to be provided:**

None.

**Committee Next Steps:**

None.

**51/13 PROGRESS REPORT FOR BUSINESS CONTINUITY ARRANGEMENTS  
[Item 10]**

**Declarations of interest:** None.

**Witnesses:**

Ian Good, Head of Emergency Management  
Susie Kemp, Assistant Chief Executive

**Key points raised during the discussion:**

1. The Committee was informed that the arrangements within Surrey for the Olympics in 2012 had informed much of the business continuity arrangements for the Council. It was confirmed that Business Continuity was intended to focus on the gaps within the service, for example where it required more than an hour to recover IMT systems after a systems failure.
2. Officers commented that it was the feeling that business continuity had become embedded across the County Council. This was indicated in the number of projects that included business continuity as part of their standard business and development processes. The Committee was informed that the Emergency Management Team were consulted by services on a regular basis and that it was felt that the business continuity approach had become more proactive over the past year.
3. Members questioned how business continuity was undertaken when external contractors were involved. The Head of Emergency Management commented that his team worked with Procurement in order to understand the risks and make suitable emergency provisions where necessary.
4. The Committee asked how services would respond if they experienced failure on the mobile phone network. It was clarified that a business impact analysis had identified procedures and solutions, and that the Emergency Management Team worked closely with colleagues in the emergency services to identify where key priorities lay.
5. Officers were asked to comment on the recruitment of a risk management co-ordinator by some services. The view was expressed that in some cases the nature of the complexity of the work would require an identified individual officer to undertake a regular overview of the risks involved.
6. Members suggested that the Council could benefit from an unannounced and unplanned rehearsal of the business continuity

arrangements. It was suggested that a peer group could propose a scenario and this would then allow the Council to ensure its arrangements were suitable. Officers agreed with the idea in principle, and commented that they would be willing to explore this providing Members supported the idea. It was clarified that smaller scale testing occurred regularly.

7. The Committee asked what joint working was undertaken with partners around business continuity. It was confirmed that joint planning was undertaken with other organisations both within and outside of the County. The Olympics was cited as a positive example of this joint working.

**Recommendations:**

None.

**Actions/further information to be provided:**

The Assistant Chief Executive will take proposals for an unannounced and unplanned test of business continuity arrangements to the Corporate Leadership Team and report back.

**Committee Next Steps:**

None.

**52/13 BUDGET MONITORING [Item 11]**

**Declarations of interest:** None.

**Witnesses:**

Kevin Kilburn, Deputy Chief Finance Officer

John Furey, Cabinet Member for Transport and Environment

**Key points raised during the discussion:**

1. The Deputy Chief Finance Officer briefly outlined the February 2013 budget monitoring report and confirmed that the provisional financial outturn for 2012/13 would be presented to Cabinet on Tuesday 23 April 2013.
2. The Committee was informed that individual services were in the process of identifying which amounts that would be carried forward into the next financial year. It was explained that the principle behind a carry forward was that it should not be fortuitous, but should reflect where a piece of work was carrying on through the end of the financial year. It was estimated that the carry forwards would be £6.5 million overall.
3. The Committee raised a question about the reported underspend of £1.2 million in the staffing budget for Environment & Infrastructure. The Cabinet Member commented that this underspend had been an

anticipated result of the “one team” staffing review, and that the finances were due to offset over-expenditure under Highways maintenance and Local bus services. It was confirmed that majority of Highways vacancies had been filled since September 2012.

4. The Committee held a discussion regarding Project Horizon and the directorate’s priorities. It was raised that these could differ from local concerns on occasion. The Cabinet Member for Transport & Environment confirmed that a programme review would be undertaken regarding road markings. The Committee commented that while it recognised that the priorities had been set accordingly in the Environment & Infrastructure Directorate, the reasons for an underspend had not been made clear to Members following previous requests for information. It was also highlighted that the presentation of the figures contained within the report could be made clearer.
5. Officers clarified that the wording and figures in paragraph 42 of the report (page 92) should read as follows:  
 “The directorate is currently projecting an underspend of -£2.2m against a budget of £74.4m. This is predominantly due to confirmation that there are no commitments against the Olympics contingency (£1.0m), underspends in member allocations (£0.5m) and community improvement fund (£0.1m) where payments are unable to be made this financial year, increased income in Registration (£0.3m) and miscellaneous savings across the remaining services.”

**Recommendations:**

None.

**Actions/further information to be provided:**

None.

**Committee Next Steps:**

None.

**53/13 RECOMMENDATION TRACKER [Item 12]**

**Declarations of interest:** None.

**Witnesses:** None.

**Key points raised during the discussion:**

1. The Committee reviewed its Recommendations Tracker. There were no further comments.

**Recommendations:**

None.

**Actions/further information to be provided:**

None.

**Committee Next Steps:**

None.

**54/13 DATE OF NEXT MEETING [Item 13]**

The Committee noted that the next meeting of the Council Overview & Scrutiny Committee would be a private induction meeting on 7 June 2013 at 10am, and that the next public meeting of the Committee would be on 3 July 2013 at 10am.

Mel Few and David Harmer were thanked by the Committee for their work as Chairman and Vice-Chairman. The Committee also thanked Andy Spragg and Bryan Searle for the support provided.

Meeting ended at: 12.45 pm

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**Chairman**

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Council Overview and Scrutiny Committee  
12 September 2013

**Business Planning 2014-19 Update**

**Purpose of the report:** Policy Development and Review

To update the Committee on the financial context within which the Council is planning its budget; the Council's strategic response; and plans to ensure a balanced budget is realised over the life of the Medium Term Financial Plan 2014-19.

**Introduction:**

1. This paper provides the Committee with an update on: the context within which the Council is planning its budget for 2014-19; the strategic response; and plans to realise a balanced budget for 2014-19.

**Challenges:**

2. The Medium Term Financial Plan (MTFP) for 2014-19 is being refreshed. This is being done against a backdrop of the toughest financial challenge that has ever been faced by local government. Sustainable solutions need to be found so the Council can continue to ensure good outcomes and value for money for all residents.
3. The Council has a proven track record in dealing with challenging circumstances. The work since 2009 to improve performance and reduce costs within the organisation has placed it in a stronger position to manage in the current fiscal climate.
4. For example, the Public Value Review (PVR) Programme from 2009-12, aimed at reducing costs and improving performance identified £279m of savings to 2016 while drawing on the knowledge and experiences of residents to improve services. Examples of positive outcomes included personalised care packages for people with learning disabilities, and value being added to the role of the county's youth centres by providing Skills Centres to support young people not in education, employment or training (NEETs).

5. The Council's achievements have been recognised externally. In its most recent annual audit findings (reported to Audit & Governance Committee on 2 September 2013), the Council's new external auditors, Grant Thornton concluded that the Council demonstrates good financial resilience. The process for assessing this was rigorous, involving a number of internal stakeholder interviews and extensive review of supporting evidence. The report notes that '*...current arrangements for achieving financial resilience are adequate*' (the highest rating possible) and that '*the Council has systems in place to address future challenges*'. While the Peer Review conducted earlier this year concluded that the foundations had been laid for the Council now to 'take off' and continue to improve further.
6. However, public spending reductions, coupled with rising demand for Council services continue to present significant challenges which will need to be addressed as the MTFP is refreshed.

<b>Strategic response:</b>
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7. In response to these challenges the Cabinet reviewed progress against delivery of the existing MTFP at its meeting in July 2013, following the Government's Spending Round 2013 announcement in June. (Annex 1 to this report summarises the MTFP 2013-18.)
8. Additional savings were agreed from 2014/15 onwards. The review identified further savings of £19.5m in 2014/15 and £56m for the four years 2014-18. The Cabinet also asked officers to continue working on developing further savings options.
9. These options will include:
  - a) Working with partners to achieve savings from joint working, for example via the **South East 7** partnership and building on existing successful arrangements with **East Sussex County Council**.
  - b) Working with partners through the Government's **Public Service Transformation Network** to deliver innovative solutions for example on improved collaboration between Surrey's "blue light" emergency services and a scaling up of the Supporting Families Programme. The outline business cases are due to go to the Cabinet in October 2013.
  - c) Developing new **models of delivery** such as social enterprises.
  - d) Continuing with **Rapid Improvement Events** to further improve efficiency.
  - e) Continuing to drive service transformation via the '**Shift**' framework.
  - f) Diversifying the Council's **income** sources in order to increase its financial resilience (see the separate report on the Council's Investment and Trading strategies).

10. The lessons learned through the PVR programme have increased the focus on co-design and co-delivery. The Council does not make decisions and then worry about the potential impact on residents and users. Rather it actively engages them in designing solutions that improve outcomes and value for money.

### **Conclusions:**

11. While delivery of these activities will be neither easy nor straightforward, officers are confident that a coherent strategic response is in place to deal with the challenges that local government faces in Surrey and elsewhere.
12. As the Cabinet and Council continue the process of refreshing the MTFP, Select Committees will have the opportunity to feed in views through workshops planned throughout the autumn, and will be able to reflect on service budgets in early 2014. COSC will also wish to assess the cross-cutting impacts of budget decisions on residents.

### **Financial and value for money implications**

13. As the Government's austerity policies continue to take shape, and demand for the Council's services continue to grow, the impact on the Council's ability to maintain and enhance service quality, while aiming to achieve a balanced budget will be significant. The business planning process is therefore crucial in assessing the strategic options that are most likely to strengthen the financial resilience of the Council, enabling continued delivery of public value for residents.

### **Equalities implications**

14. Officers will carry out Equality Impact Assessments (EIAs) on identified savings proposals to understand their impact on groups with protected characteristics.

### **Risk management implications**

15. A risk-based approach will be adopted to assess achievability of the delivery of activities that will contribute towards achieving the MTFP savings target for 2014-19. This will continue to be reflected in the Leadership Risk Register.

### **Implications for the Council's priorities**

16. The Council's Corporate Strategy, which articulates its priorities, provides the foundation for refreshing the MTFP.

### **Recommendations:**

17. That COSC regularly reviews progress as business planning continues over the autumn.

## Next steps:

18. The Cabinet and Corporate Leadership Team will continue to work together on proposals that will feed into the refreshed MTFP 2014-19.
19. As the work continues, the Council will continue to engage with a range of key stakeholders, including residents, businesses, the Voluntary, Community and Faith Sector (VCFS) and trade unions, to seek feedback and share emerging proposals.
20. Members will continue to be involved including via Select Committees and Member seminars.

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**Report contact:** David McNulty, Chief Executive

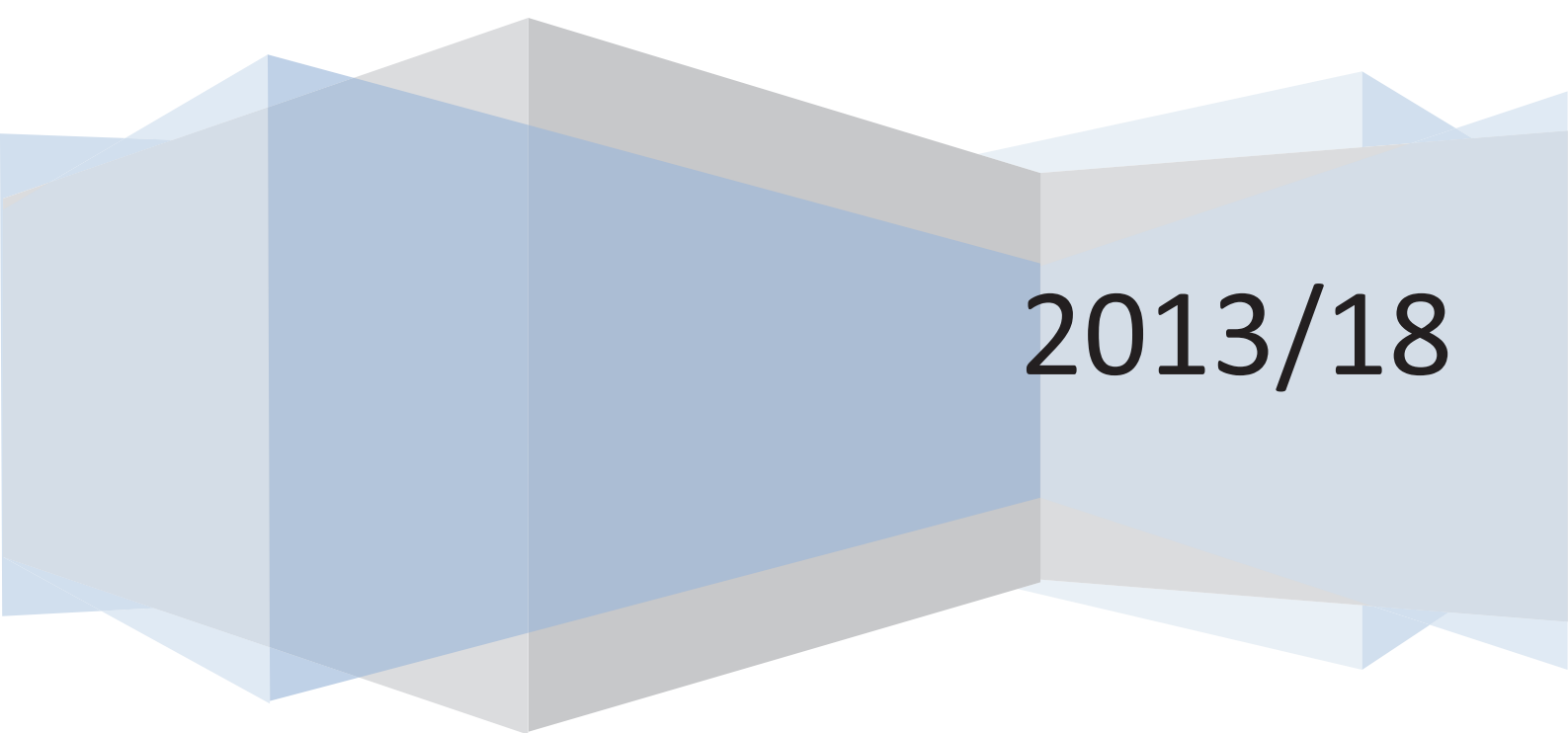
**Contact details:** 0208 541 8018  
david.mcnulty@surreycc.gov.uk

### Sources/background papers:

- 'Confident in our future' Corporate Strategy 2013-18
- [Medium-Term Financial Plan 2013-18, Quarter One 2013/14 Review, Report to Cabinet, 23 July 2013](#)
- [2012-13 Financial Resilience, Report to Audit and Governance Committee, 2 September 2013](#)
- [Public Value Review Programme Closing Report, Report to Cabinet, 27 November 2012](#)
- Local Government Association Corporate Peer Challenge: Surrey County Council Final Report, March 2013
- [Investment Strategy, Report to Cabinet, 23 July 2013](#)
- [Public Service Transformation, Report to Cabinet, 23 July 2013](#)
- [Strengthening the Council's Approach to Innovation: Models of Delivery, Report to Cabinet, 26 March 2013](#)

## Medium Term Financial Plan

### Section 1: Overview



2013/18

# One County One Team: Surrey County Council

## The Corporate Strategy

Reproduced Council paper 7 February 2012 Item 5, para 5-11

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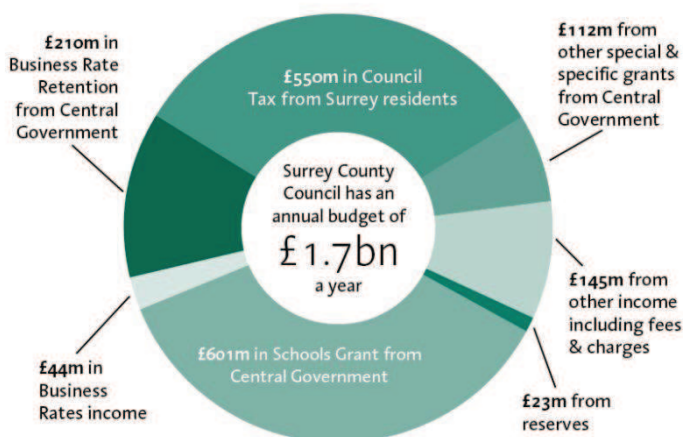
- 1.1. The 'Leading the Way' Cabinet report of July 2009 set out the framework for developing the County Council's budget strategy. This proposed the movement from a one-year budget cycle to a four-year budget. The Cabinet recommended developing Operational Categories/ Directorate Strategies that covered the same period and set out strategy, priorities and resources for the four-year period. In February 2011 the County Council approved the MTFP 2011-2015.
- 1.2. In 2011 the Council developed the One County, One Team Corporate Strategy over the five years 2012 – 2017. It has developed its budget and financial strategy alongside this. Cabinet approved the detailed five year MTFP 2013 - 2018 on 26 March 2013.
- 1.3. One County, One Team provides a clear vision and sense of direction for the Council's staff as well as a signpost for residents, businesses and partner organisations over the next five years.
- 1.4. One County, One Team has six areas the Council must focus on and get right to achieve the vision:
  - Residents:  
Individuals, families and communities will have more influence, control and responsibility;
  - Value:  
We will create public value by improving outcomes for residents;
  - Partnerships:  
We will work with our partners in the interest of Surrey;
  - Quality:  
We will ensure the highest quality and encourage innovation;
  - People:  
We will develop and equip our Officers and Members to provide excellent service;  
and
  - Stewardship:  
We will look after Surrey's resource responsibly.
- 1.5. The Council will know it has achieved these objectives, if at the end of the five years:
  - Surrey residents consider that the Council provides good value for money;
  - the Council is in the top 25% of performance for every service area;
  - unit costs are within the lowest 25% of all county councils, and
  - a significant majority of staff report they are proud to work for Surrey County Council.
- 1.6. The Council's budget and financial strategy and MTFP fully support the Council's aims to improve outcomes for residents and businesses as it moves towards its vision of being among the most effective councils in England by 2017.
- 1.7. In preparing its budget proposals for 2013/14 and future years, the Council considered how the budget supports its objectives and other key strategies, either through appropriate targeted investment or other measures.
- 1.8. The Council will refresh the Corporate Strategy and supporting Directorate Strategies in the spring as one of the first tasks of the new Council. The 2013/14 priorities listed here are a roll forward of the key priorities in place through 2012/13 with some minor amendments to remove any actions that are fully completed and no longer relevant (e.g. delivery of the 2012 Olympics).

# One County One Team: Surrey County Council

## Where does our money come from?

### Day to Day income (Revenue)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Income	£1,628.2m	£1,662.3m	£1,664.8m	£1,679.8m	£1,700.5m	£1,728.1m
Reserves	£16.8m	£23.0m				
% Year Change in income		2.1%	1.5%	0.9%	1.2%	1.6%



## Summary Grants & Glossary

**Business Rates Retention Scheme (BRRS) & Business rate income:** The new BRRS is effective from 1 April 2013. The system replaces the formula grant funding system that pooled business rates income at national level before redistributing the funding via the four block formula grant. Under BRRS, locally collected business rates will be shared between local and central government. In Surrey the business rates income will be shared: 50% to central government, 40% to the district or borough council and 10% to the county council.

Authorities whose baseline share of business rates (government estimate of business rates income used to determine tariff or top-up status) is greater than the government's calculation of their need to spend, will have to pay any excess above this need level to central government as a tariff. Authorities in the reverse situation (i.e. needs assessment higher than their business rates baseline) will receive a 'top-up' from central government.

Surrey County Council is a top-up authority, so receives a top-up grant from the government. All the districts and boroughs in Surrey are tariff authorities, so have to pay their excess business rates income to central government.

**Council Tax:** The amount that households pay depends on their band (A to H) which is based on the value of the property in 1991. There are special provisions for single person households, disabled people and students as well as some other groups. People with low incomes may be eligible for Council Tax support which is administered by the districts and borough councils.

### **Specific and special UK Government grants 2013/14:**

Early Intervention grant	£30m
Young People's Learning Agency	£27m
Private Finance Initiatives (PFI)	£17m
Other various government grants	£12m
Pupil Premium	£10m
Fire pensions	£7m

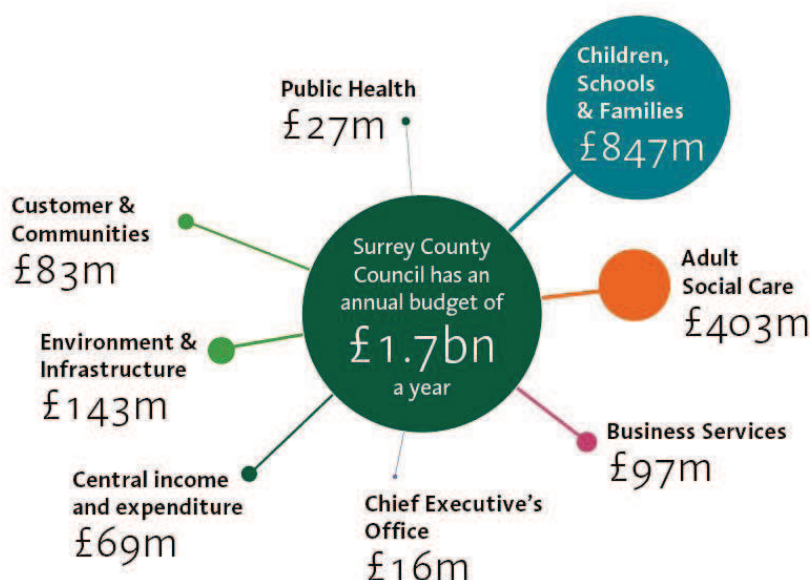
# One County One Team: Surrey County Council

## What will we spend our money on?

### Day to Day Spending (Revenue)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Overall	£1,645.1m	£1,685.3m	£1,661.8m	£1,679.8m	£1,700.5m	£1,728.1m
% Year Change		2.4%	-1.4%	1.1%	1.2%	1.6%

### 2013/14 Operational Categories budgets



### Why has the day to day spend changed?

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2013/18 £m
<b>Net budget funded from reserves</b>	<b>16.8</b>	<b>23.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>16.8</b>
Income changes	-34.1	-5.0	-15.6	-20.7	-27.6	-102.9
Expenditure changes	108.5	58.0	48.4	36.3	52.1	333.9
Savings & reductions	-68.3	-29.4	-25.5	-27.7	-15.6	-166.5
Savings to be identified	0.0	-46.6	-7.4	-8.4	-19.0	-81.4
<b>Revised net budget</b>	<b>23.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### How achievable are the savings?

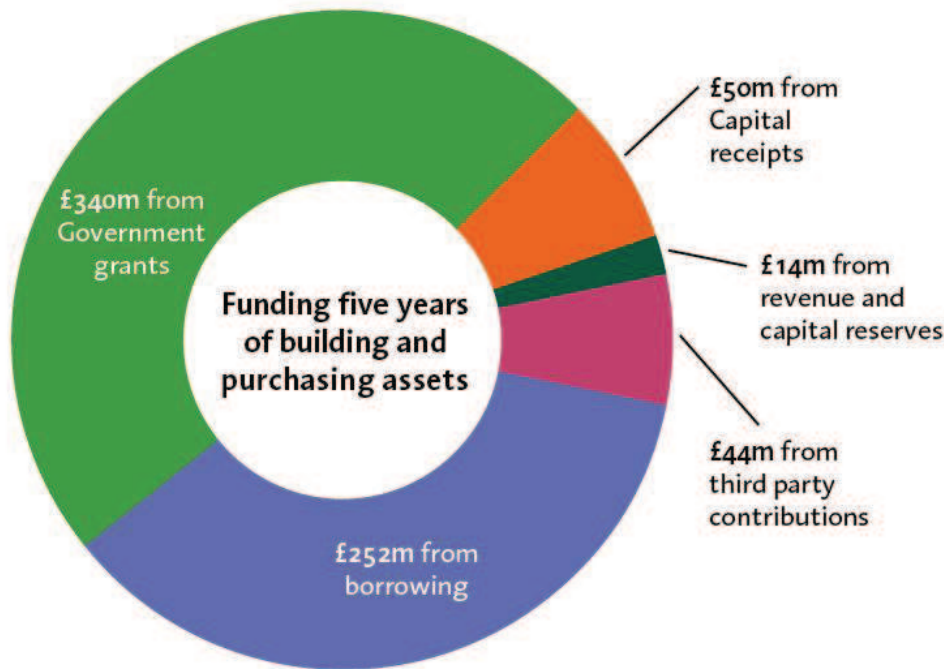
	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Red Risks	32.8	5.7	9.0	15.6	4.3	67.4
Amber Risks	24.1	17.0	13.3	9.9	10.8	75.1
Green Risks	11.3	6.8	3.2	2.2	0.5	24.0
<b>Total</b>	<b>68.3</b>	<b>29.4</b>	<b>25.5</b>	<b>27.7</b>	<b>15.6</b>	<b>166.5</b>



# One County One Team: Surrey County Council

## Long term spending to purchasing or building assets (Capital)

### Funding



**Capital receipts** is an estimate of the potential funding mostly from the sale of buildings that the council no longer needs. The way a council provides its services can change and therefore its accommodation needs can change too. A building previously required could be sold to enable the council to purchase the right building for its current needs.

**Third party contributions** is an estimate of the potential funding from developers when building new residential and business properties. The funding is negotiated to support any infrastructure requirements to enable the new development to function eg: roundabouts to help with the increased traffic flow, extra school places for the housing of more families or to support the cost of another fire station in the area.

**Borrowing:** This is linked to the treasury strategy. The council reviews its ability to fund the capital programme through all other sources except borrowing. Therefore the amount of expenditure needed each year of the capital programme, which is unfunded from any other source is funded through borrowing. If you would like to read a more detailed description and further information on borrowing please refer to Section 3 of the Medium Term Financial Plan.

**Grants 2013/14:**

Highways maintenance	£73m
Schools basic need	£75m
Unspecified future grants	£49m
Schools capital maintenance	£68m
Integrated transport block	£33m
Walton Bridge	£4m
Devolved Formula Capital (devolved to LA schools)	£11m
Department of Health capital grant	£11m
Fire capital grant	£4.5m
Local Sustainable Transport Fund	£8m
Other capital grants	£3m

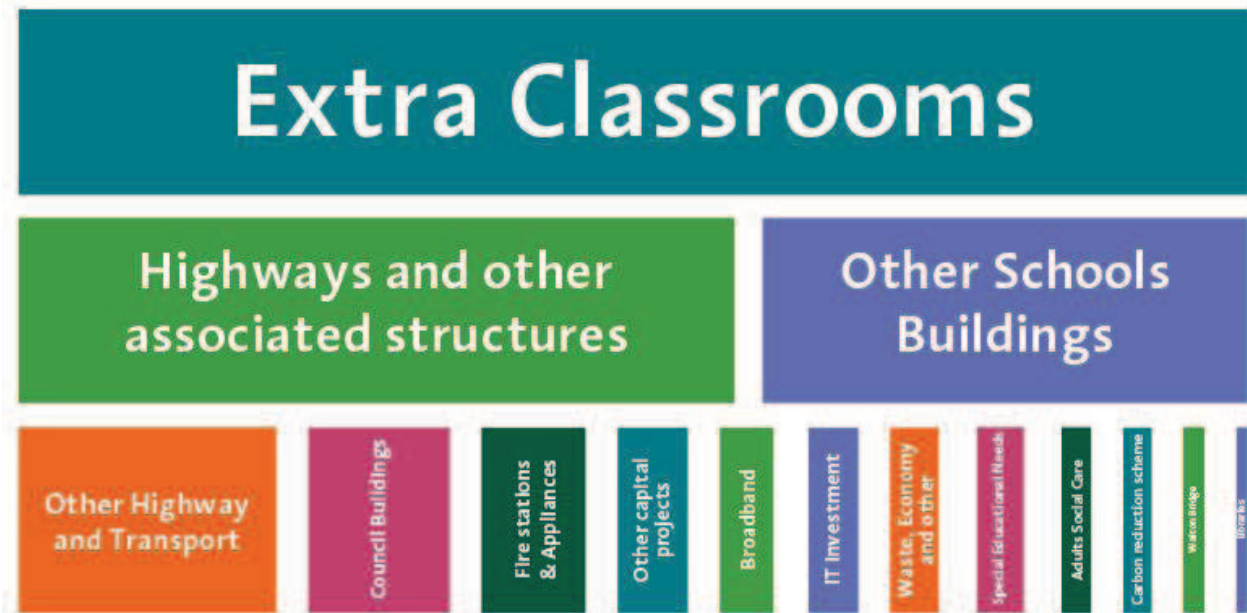
# One County One Team: Surrey County Council

## Spending

6

	2013/14	2014/15	2015/16	2016/17	2017/18	5 Year Total 2013 – 2018
Total Capital costs	£187.3m	£174.7m	£138.2m	£125.6m	£73.4m	£699.3m

### 2013/18 Spending programme



# One County One Team: Surrey County Council

## Our spending facts

### Adult Social Care

13,885 Social care volume estimates for March 2014

7,514 Older People; 1,922 Physical and Sensory Disabilities; 4,094 People with Learning Difficulties estimates for March 2014

16,648 older people open cases as at January 2013

### Children, Schools & Families

826 Looked after Children, 5,403 open social care cases as at January 2013

145,647 pupils educated in 360 Surrey schools and 29 Academies.

727 Special Educational Needs placements costs on average range from £60,017 to £5,276 depending on severity

34,288 (26,028 11/12) children registered in Surrey Children Centres (increase of 32% on 2011/12 figures)

### Customer & Communities

Over 10,000 Fire & Rescue attended incidents in 2012/13

53 public libraries, 10 of which are planned as Community Partnered libraries

203,000 active borrowers

19,000 annual enrolments to Adult and Community Learning Courses

23,000 births and deaths registered

7.7 million unique visitors to external website

550,000 calls to contact centre in 2012/13

### Environment & Infrastructure

518,700 tons of household waste disposed per year

319,400 tons of household waste recycled, reused or composted per year

£89.85 annual cost per household of waste disposal

£3,258.85 annual cost to maintain per km of highways

660 km of principal roads, 1,000 km of non-principal roads

29.2m bus journeys; 16.2m subsidised journeys; 7.6m concessionary fare journeys

£0.51 cost per subsidised journey; £1.00 cost per concessionary fare pass journey

51,100 safety camera offences processed, of which 17,600 speed awareness course completions

### Business Services

650 wide and diverse properties, with an estimated value of £700m

7,797 budgeted full time equivalents working for the County Council excluding Schools

### Chief Executives office

7,800 Twitter followers, 419 Facebook contacts

2,887 current open legal cases

60 Cabinet and Cabinet Member meetings supported in 2012

1,620 Freedom of Information requests received

50 internal audit report issued in 2012/13

# Operational Categories Strategies

# One County One Team: Surrey County Council

## Adult Social Care

### Lead Cabinet Member



Michael Gosling,  
Adult Social Care and Health

### Strategic Director



Sarah Mitchell  
Strategic Director

### Leadership Team



Anne Butler, Assistant Director for Commissioning; Dave Sargeant, Assistant Director Personal Care and Support; Debbie Medlock, Assistant Director for Service Delivery; John Woods, Assistant Director for Policy & Strategy; Melanie Bussicott, Assistant Director for District and Borough Partnerships, Simon Laker, Assistant Director for Health & Wellbeing - works jointly with Children's Services

### What is our vision for 2017?

*“Working with all our partners to make a difference to the lives of people, through trusted, personalised and universal social care support, so people have choice and control, and can maximise their wellbeing and independence in their local community”*

### What will we focus on?

To achieve our corporate vision there are six things we have to focus on and get right:

- Residents - individuals, families and communities will have more influence, control and responsibility
- Value – we will create public value by improving outcomes for residents
- Partnerships – we will work with our partners in the interests of Surrey
- Quality – we will ensure the highest quality and encourage innovation
- People – we will develop and equip our officers and Members to provide an excellent service
- Stewardship – we will look after the county's resources responsibly

### What difference will this make by 2017?

Adult Social Care will remain focused on ensuring that by 2017 people in Surrey:

- Live independently and safely.
- Have as much choice and control over their lives as possible.
- Live in their own home if they wish, or other accommodation of their choice.
- Find out about the services and support available and how to access them.
- Get the support they need in local and community settings.
- Remain safe from abuse.

# One County One Team: Surrey County Council

## What are our priorities for 2013/14?

There are some specific things we need to focus on in the next year to help us towards our goals for 2017. They reflect residents' priorities, current challenges, and areas where investment is needed now to realise future ambitions:

6

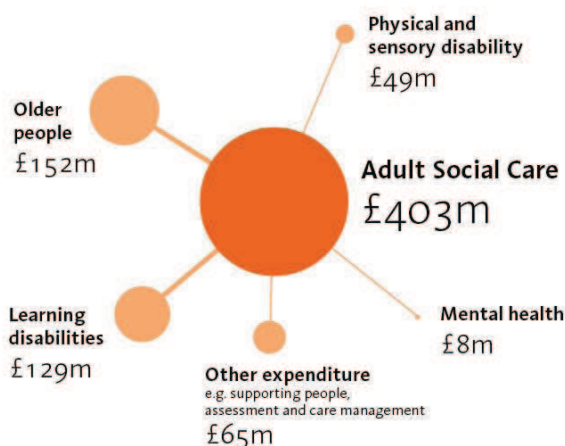
- Develop staff with the values, attitude, motivation, confidence, training, supervision and tools to facilitate the outcomes people who use services and carers want.
- Embed personalisation by working towards personal budgets for everyone eligible for ongoing social care, developing creative solutions and working with providers to ensure services are available
- Embrace a community-based approach, using the JSNA (Joint Strategic Needs Assessment), community budgets and joint working with partners to identify the needs of local communities, utilise available resources to best effect and deliver local, accessible and flexible services.
- Support all carers to balance their caring roles and maintain their independence and desired quality of life.
- Reduce hospital admissions, lengths of stay and support people to live in their homes by investing in a whole systems preventative approach with telecare, telehealth, reablement, virtual wards etc.
- Provide leadership in the health and social care system by ensuring a strong user voice and that people experience joined up services arranged around their needs.
- Operate integrated and effective health and social care pathways with our NHS community partners.
- Transform in-house services to deliver care and support which reflect local need, with robust pricing structures and governance arrangements, as part of a cost effective and sustainable service.
- Provide clear signposting for all Surrey residents, irrespective of their ability to pay, to social care and support services, so that they can lead more independent and fulfilled lives.
- Deliver efficiency savings identified in the Medium Term Financial Plan.

## What will we spend money on?

### Day to Day Spending (Revenue)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Income	(£59.1m)	(£65.8m)	(£63.5m)	(£63.3m)	(£63.2m)	(£63.2m)
Expenditure	£390.6m	£403.7m	£414.5m	£431.5m	£449.4m	£473.5m
% Year Change		3.3%	2.7%	4.1%	4.1%	5.4%

### Expenditure Budget 2013 / 14 by care groups



### Purchasing / Building Assets (Capital)

	2013/14	2014/15	2015/16	2016/17	2017/18	5 Year Total 2013 / 18
Total Capital costs	£1.3m	£1.3m	£1.3m	£1.3m	£1.0m	£6.2m



# One County One Team: Surrey County Council

## Children, Schools & Families

### Lead Cabinet Members



Mary Angell,  
Children and  
Families



Linda Kemeny  
Children and  
Learning



Kay Hammond  
Community  
Safety



Nick Wilson,  
Strategic Director

### Leadership Team



Caroline Budden, Assistant Director of Children's Services and Safeguarding; Garath Symonds, Assistant Director for Young People; Peter-John Wilkinson, Assistant Director of Schools and Learning; Mark Bisson, Directorate Head of Resources; Sean Rafferty, Directorate Head of Strategy and Commissioning, Emily Boynton, Human Resources Relationship Manager - CSF ,Paula Chowdhury, Strategic Finance Manager

### What is our vision for 2017?

*"Every child and young person will be safe, healthy, creative, and have the personal confidence, skills and opportunities to contribute and achieve more than thought possible"*

### What will we focus on?

To achieve our corporate vision there are six things we have to focus on and get right:

- Residents - individuals, families and communities will have more influence, control and responsibility
- Value – we will create public value by improving outcomes for residents
- Partnerships – we will work with our partners in the interests of Surrey
- Quality – we will ensure the highest quality and encourage innovation
- People – we will develop and equip our officers and Members to provide an excellent service
- Stewardship – we will look after the county's resources responsibly

### What difference will this make by 2017?

Children, Schools and Families will remain focused on ensuring that by 2017:

- Every Surrey child will be allocated a school place at a good school that supports them to reach their full potential.
- One county, one approach: services for children and families will become local and better co-ordinated.
- Children and families will be safer from harm and neglect.
- There is full participation of young people aged 16 to 19 in education, employment and training.
- Children in the care of the County Council have better life opportunities whilst they are being cared for and after they leave their care services.

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# One County One Team: Surrey County Council

## What are our priorities for 2013/14?

There are some specific things we need to focus on in the next year to help us towards our goals for 2017. They reflect residents' priorities, current challenges, and areas where investment is needed now to realise future ambitions:

6

### Prevention

- Reduce the number of young people who are involved in crime or are the victims of crime through the delivery of restorative youth justice practice.
- Organise our services to make them more local and joined up with partners to ensure support is offered at the earliest opportunity.
- Provide targeted support to families with low incomes to increase access to employment, training and support networks.

### Protection

- Work with partners to develop our safeguarding, targeted and early help services.
- Improve family support and education for children with disabilities by joining up the health, care and education services we provide to these children.

### Participation

- Deliver the plan to raise the participation age of Surrey's young people (from age 16 to 17) in education, training and employment from September 2013.

### Potential

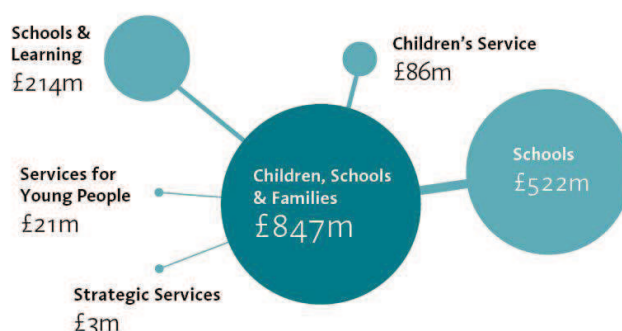
- Invest in our support to schools to further improve the attainment of pupils, especially those from vulnerable groups.
- Invest in school buildings and new schools places to meet the rising pupil population.
- Improve the effectiveness of services to those children and families most at risk of not achieving their potential.

## What will we spend money on?

### Day to Day Spending (Revenue)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Income	(£670.3m)	(£672.1m)	(£664.3m)	(£664.4m)	(£665.3m)	(£666.2m)
CSF expenditure	£325.5m	£324.7m	£333.8m	£339.0m	£337.0m	£346.7m
Schools expenditure	£518.9m	£521.9m	£516.0m	£516.0m	£516.0m	£516.0m
% Year Change		-15.8%	0.0%	0.0%	0.0%	0.0%

### CSF Expenditure budget 2013/14 by service



### Purchasing / Building Assets (Capital)

	2013/14	2014/15	2015/16	2016/17	2017/18	5 Year Total 2013 - 2018
Children Schools & Families	£104.6m	£107.9m	£78.1m	£71.0m	£17.0m	£378.7m
<b>Total Capital costs</b>	<b>£104.6m</b>	<b>£107.9m</b>	<b>£78.1m</b>	<b>£71.0m</b>	<b>£17.0m</b>	<b>£378.7m</b>

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# One County One Team: Surrey County Council

## Customer & Communities

### Lead Cabinet Members



Helyn Clack  
Community Services



Kay Hammond  
Community Safety



Peter Martin  
Deputy Leader



Yvonne Rees,  
Strategic Director

### Leadership Team



Peter Milton, Head of Cultural Services; Russell Pearson, Chief Fire Officer, Steve Ruddy, Community Protection Manager (Trading Standards); Jane Last, Lead Manager for Community Safety and Community Partnerships; Rhian Boast, Programme Manager for Legacy and Magna Carta; Mark Irons, Interim Head of Customer Services & Directorate Support Manager, Richard Travers, Surrey Coroner

### What is our vision for 2017?

*“To enhance quality of life through supporting healthier, safer and more vibrant communities”*

### What will we focus on?

To achieve our corporate vision there are six things we have to focus on and get right:

- Residents - individuals, families and communities will have more influence, control and responsibility
- Value – we will create public value by improving outcomes for residents
- Partnerships – we will work with our partners in the interests of Surrey
- Quality – we will ensure the highest quality and encourage innovation
- People – we will develop and equip our officers and Members to provide an excellent service
- Stewardship – we will look after the county's resources responsibly

### What difference will this make by 2017?

Customer and Communities will remain focused on ensuring that by 2017 residents in Surrey:

- Are able to benefit from positive economic growth and tourism, achieved in part through our role in maximising the benefits arising from the 2012 Olympics.
- Are involved in local decision-making, are able to put your views forward on local issues and help shape future services.
- Are safe and protected from crime, including crime related to unsafe and illegal trading practices.
- Are protected by a modern and effective fire and rescue service.
- Have opportunities and services that enrich your life, and help you to make a positive contribution to your community.

# One County One Team: Surrey County Council

- Use the council's online services as your first choice for information and guidance about council and other services in Surrey.
- Benefit from a rigorous focus on value for money, and innovative solutions that achieve more for less.

6

## What are our priorities for 2013/14?

There are some specific things that we need to focus on in the next year to help us towards our goals for 2017. They reflect residents' priorities, current challenges, and areas where investment is needed now to realise future ambitions.

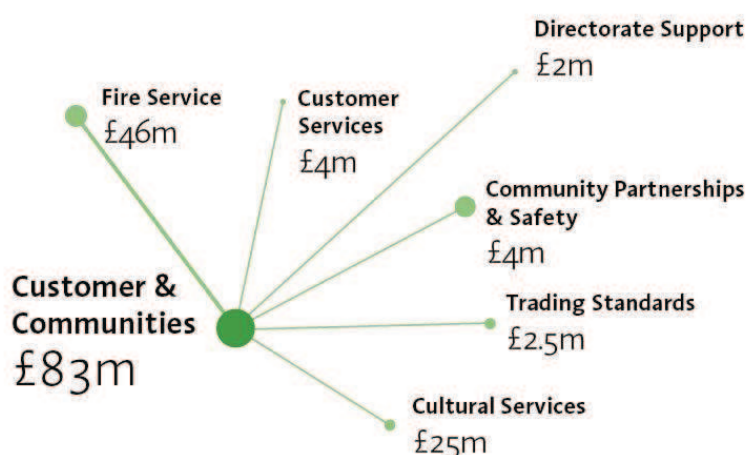
- Increase resident engagement, strengthen local democracy and place much greater emphasis on partnership working.
- Reduce instances of domestic abuse through strong leadership and partnership working.
- Improve fire prevention through increasing the number of Home Fire Safety Visits that are targeted on vulnerable households.
- Establish 10 community partnered libraries as part of an innovative library service.
- Become a truly 24/7 online Council.
- Complete the programme of Public Value Reviews for Customers and Communities and implement the agreed recommendations.
- Ensure an excellent customer experience through well-trained and motivated staff who exhibit Surrey values.

## What will we spend money on?

### Day to Day Spending (Revenue)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Income	(£24.1m)	(£23.5m)	(£25.3m)	(£28.3m)	(£27.1m)	(£28.7m)
Expenditure	£84.0m	£82.9m	£85.2m	£88.0m	£87.3m	£89.7m
% Year Change		-1.3%	2.8%	3.3%	-0.1%	2.7%

### Expenditure budget 2013/14 by service



### Purchasing / Building Assets (Capital)

	2013/14	2014/15	2015/16	2016/17	2017/18	5 Year Total 2013 - 2018
Fire Stations & Appliances	£6.3m	£7.5m	£4.9m	£1.4m	£2.0m	£22.2m
Libraries	£1.2m		£1.2m			£2.4m
Other	£0.6m	£0.4m	£0.4m	£0.4m	£0.4m	£2.2m
<b>Total Capital costs</b>	<b>£8.1m</b>	<b>£7.9m</b>	<b>£6.5m</b>	<b>£1.8m</b>	<b>£2.4m</b>	<b>£26.7m</b>

# One County One Team: Surrey County Council

## Environment & Infrastructure

### Lead Cabinet Members



John Furey,  
Transport and Environment



Peter Martin,  
Deputy Leader



Trevor Pugh,  
Strategic Director

### Cabinet Members:

Kay Hammond (Community Safety), Tony Samuels (Assets and Regeneration Programmes)

### Leadership Team



Ian Boast, Assistant Director Environment; Iain Reeve, Assistant Director Economy, Transport and Planning; Jason Russell, Assistant Director Highways

### What is our vision for 2017?

*“A leading and sustainable economy, a safe and attractive environment in our towns and countryside, and better roads, transport and communications networks”*

### What will we focus on?

To achieve our corporate vision there are six things we have to focus on and get right:

- Residents - individuals, families and communities will have more influence, control and responsibility
- Value – we will create public value by improving outcomes for residents
- Partnerships – we will work with our partners in the interests of Surrey
- Quality – we will ensure the highest quality and encourage innovation
- People – we will develop and equip our officers and Members to provide an excellent service
- Stewardship – we will look after the county's resources responsibly

### What difference will this make by 2017?

Environment and Infrastructure will remain focused on ensuring that by 2017:

- Surrey will benefit from 'smart' economic growth and full employment based on 'knowledge' industries.
- Places in Surrey are more attractive and benefit from strategic infrastructure investment.
- Surrey's natural environment will be more diverse, better protected, and managed sustainably.
- Residents will know that Surrey's roads are well maintained, with clear priorities for asset investment.
- Residents will benefit from a choice of sustainable travel options with predictable journey times.
- Little or no 'waste' will be produced – waste products will be recycled or re-processed for economic benefit.

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# One County One Team: Surrey County Council

6

## What are our priorities for 2013/14?

There are some specific things we need to focus on in the next year to help us towards our goals for 2017. They reflect residents' priorities, current challenges, and areas where investment is needed now to realise future ambitions:

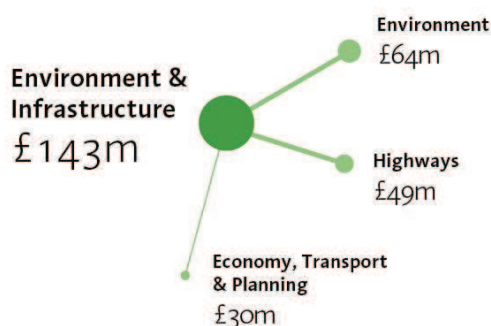
- Support economic growth.
- Secure external investment and funding to improve infrastructure and services including the Basingstoke Canal
- Invest in schemes to reduce costs and carbon impact for the Council and Surrey residents and businesses.
- Repair road defects and deliver existing schemes within specified timescales and to budget.
- Deliver the Highways Improvement Plan.
- Have more people cycling, more safely, more often
- Improve recycling performance so that it is consistent with the SE7 Value Improvement Plan
- Construct the Eco Park by 2015
- Improve the way that the countryside is managed through more effective partnership working and ensuring that it is financially sustainable

## What will we spend money on?

### Day to Day Spending (Revenue)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Income	(£11.0m)	(£17.4m)	(£15.5m)	(£13.2m)	(£13.4m)	(£13.7m)
Expenditure	£135.5m	£142.8m	£145.6m	£142.7m	£146.2m	£150.8m
% Year Change		5.3%	2.0%	-2.0%	2.5%	2.7%

### Expenditure budget 2013/14 by service



### Purchasing / Building Assets (Capital)

	2013/14	2014/15	2015/16	2016/17	2017/18	5 Year Total 2013/18
Highways and other associated structures	£32.3m	£31.1m	£29.6m	£29.6m	£29.5m	£152.1m
Other Highway and Transport Improvements	£10.4m	£10.5m	£10.3m	£11.7m	£11.8m	£54.7m
Walton Bridge	£4.0m	£0.4m	£0.0m	£0.0m	£0.0m	£4.4m
Waste, Economy and Other	£3.9m	£1.7m	£1.7m	£1.7m	£1.2m	£10.2m
<b>Total Capital costs</b>	<b>£50.6m</b>	<b>£43.9m</b>	<b>£41.6m</b>	<b>£43.0m</b>	<b>£42.5m</b>	<b>£221.4m</b>

# One County One Team: Surrey County Council

## Public Health

### Lead Cabinet Members



Michael Gosling,  
Adult Social Care  
and Health



Mary Angell,  
Children and  
Families



Linda Kemeny,  
Children and  
Learning

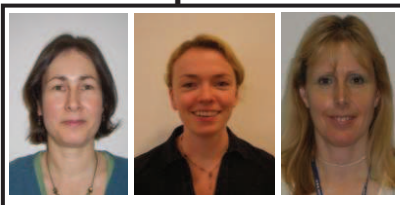


Helyn Clack,  
Community Services



Dr Akeem Ali,  
Director of Public Health

### Leadership Team



Helen Atkinson, Public Health Consultant; Ruth Hutchinson, Public Health Consultant; Dr Liz Saunders, Public Health Consultant; 2 x Vacant Public Health Consultant; 1 x Vacant Public Health Commissioning Lead

### What is our vision for 2017?

*“To have in place in every organisation in Surrey at all levels evidence-led actions to effectively prevent ill-health and disability at source at all times”*

### What will we focus on?

To achieve our corporate vision there are six things we have to focus on and get right:

- Residents - individuals, families and communities will have more influence, control and responsibility
- Value – we will create public value by improving outcomes for residents
- Partnerships – we will work with our partners in the interests of Surrey
- Quality – we will ensure the highest quality and encourage innovation
- People – we will develop and equip our officers and Members to provide an excellent service
- Stewardship – we will look after the county's resources responsibly

### What difference will this make by 2017?

Public Health will remain focused on ensuring that the Council's new responsibilities lead to improved health outcomes as outlined in the Public Health Outcome Framework including:

- Reduced differences in healthy life expectancy between communities, leading to a reduced mortality gap between areas of highest and lowest mortality.
- Fewer drug and alcohol-related hospital admissions and deaths.
- More people successfully exit treatment for substance misuse and fewer re-enter treatment services.
- Improved uptake of childhood and adult immunisations leading to less preventable infectious disease.
- Continued implementation of smoking cessation and tobacco control measures leading to fewer smoking related deaths.

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# One County One Team: Surrey County Council

- Less childhood obesity as measured by the National Child Measurement Programme.
- Effective partnerships with Boroughs and Districts leading to home improvements and fewer excess winter deaths.
- Fewer unwanted pregnancies and sexually transmitted infections.
- Improved mental and emotional health for children and young people

## What are our priorities for 2013/14?

There are some specific things we need to focus on in the next year to help us towards our goals for 2017. They reflect residents' priorities, current challenges, and areas where investment is needed now to realise future ambitions:

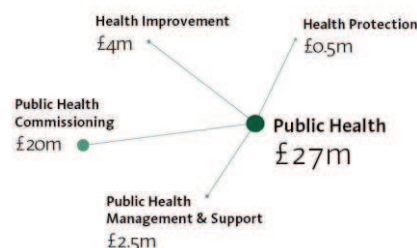
- Lead, manage and complete the transition of the public health function from the NHS to the Local Authority and become embedded in Surrey County Council.
- Provide system leadership and technical expertise in understanding community needs, community assets and actionable insights required by all strategic commissioners to make investment decisions.
- Lead multi-professional and community partnership efforts to prevent ill-health and complications of diseases at source by focusing on evidence-led preventative actions.
- Lead the drive for building a consistent and scaled up approach to commissioning for improved service quality across Surrey organisations and health and wellbeing outcomes for residents.
- Lead the integration of public health services and functions with local authorities at District/Borough and County level and aligning with CCG (Clinical Commissioning Groups) and NHS Commissioning Board arrangements.
- Lead on and ensure the continued robust delivery of the three components of public health 'getting the basics right':
  - **Social – helping people improve their health (Health Improvement).** For example, helping people to avoid alcohol and tobacco harm, eat more healthily, become more active, housed adequately and in gainful employment.
  - **Environmental (Health Protection).** For example, preventing outbreaks from infections and ensure protection from chemical and other hazards, avoid preventable injuries, prepare for civil emergencies threatening wellbeing.
  - **Medical - improving health and other integrated health services (Health Care Quality and Evaluation)** For example, screen early for long term ill-health in order to prevent disability and complications, working with health and social care commissioners to ensure that services are effective and of high quality to meet identified needs.

## What will we spend money on?

### Day to Day Spending (Revenue)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Income		(£27.0m)	(£29.6m)	(£32.6m)	(£35.8m)	(£39.3m)
Expenditure		£27.0m	£29.6m	£32.6m	£35.8m	£39.3m
% Year Change			9.6%	10.1%	9.8%	9.7%

### Expenditure budget 2013/14 by service



# One County One Team: Surrey County Council

## Business Services

### Lead Cabinet Members



Denise Le Gal,  
Change and  
Efficiency



Tony Samuels,  
Assets and Regeneration  
Programmes

### Strategic Director



Julie Fisher,  
Strategic Director

### Leadership Team



Carmel Millar, HR and Organisational Development; Paul Brocklehurst, Information Management and Technology; Sheila Little, Finance; John Stebbings, Property; Simon Pollock; Acting Head of Shared Services; Al Braithwaite, Transformational Change; Laura Langstaff, Acting Head of Procurement and Commissioning

### What is our vision for 2017?

*“To be the leading public service provider of innovative business solutions and transformational change by 2017.”*

### What will we focus on?

To achieve our corporate vision there are six things we have to focus on and get right:

- Residents - individuals, families and communities will have more influence, control and responsibility
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- Stewardship – we will look after the county's resources responsibly

### What difference will this make by 2017?

Business Services will remain focused on ensuring that by 2017:

- There is less reliance on government grants and council tax by developing more diversified sources of funding that increases our resilience.
- We have a high performing asset portfolio that facilitates integration with partners to drive effective service delivery.
- There are efficient and professional transformational change and business solutions for the public sector.
- We have a strong, resilient, innovative and agile workforce.
- Staff supported to work effectively in a modern, agile and safe manner by having the right tools and environment to do their jobs.
- There is increased productivity through the use of technology and social media.

# One County One Team: Surrey County Council

## What are our priorities for 2013/14?

There are some specific things we need to focus on in the next year to help us towards our goals for 2017. They reflect residents' priorities, current challenges and areas where investment is needed now to realise future ambitions:

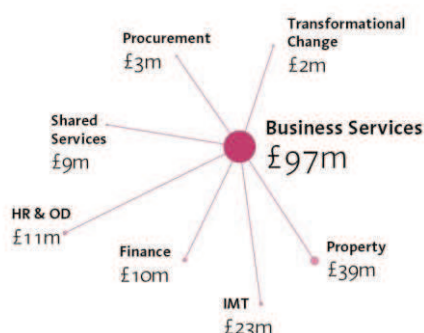
- Deliver the recommendations from the Business Services Efficiency Public Value Reviews, helping the Council to save £100m over five years.
- Ensure Surrey County Council's workforce is representative of the communities it serves.
- Support our local economy by driving 60% of our spend through Surrey suppliers.
- Deliver £25m of savings through better management of our suppliers and joining up our procurement spend with partners across the South East region.
- Reduce CO<sub>2</sub> emissions and energy usage from Council buildings by 21% from the 2009/10 baseline of 35,417,941 kWh.
- Realise savings to support the Council's five-year financial plan through an asset regeneration and economic growth agenda in partnership with external organisations for the benefit of Surrey residents.
- Complete the co-location programme with our 11 District and Borough colleagues.
- Delivery of the Surrey Primary Data Centre and a single IT Network (UNICORN) project that will unify Surrey public services and deliver Superfast Broadband.
- STARS – Continue to develop our staff and Members through coaching and training that is tailored to service needs.
- Support staff to work in a smarter way – 50% of our office-based staff will work in a more flexible way through the use of new technology.
- Reduce reliance on government grant and council tax for future funding.
- Continue to develop and deliver income and efficiencies through partnership working and our business solutions offer.
- Increase the number of internship and apprenticeship opportunities within Surrey.

## What will we spend money on?

### Day to Day Spending (Revenue)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Income	(£12.0m)	(£15.1m)	(£15.7m)	(£16.1m)	(£16.4m)	(£16.6m)
Expenditure	£96.7m	£97.2m	£98.5m	£99.1m	£102.1m	£105.3m
% Year Change		0.5%	1.3%	0.6%	3.0%	3.1%

### Expenditure budget 2013-14 by service



### Purchasing / Building

#### Assets (Capital)

	2013/14	2014/15	2015/16	2016/17	2017/18	5 Year Total 2013 - 2018
Council Building (not Schools)	£6.6m	£6.3m	£5.6m	£5.7m	£5.8m	£30.0m
Carbon Reductions Scheme	£1.2m	£1.2m	£1.2m	£1.2m	£1.3m	£6.1m
Other	£2.9m	£2.9m	£0.8m	£0.6m	£0.6m	£7.8m
IT Investment	£0.5m	£3.3m	£3.0m	£1.0m	£2.7m	£10.5m
<b>Total Capital costs</b>	<b>£11.2m</b>	<b>£13.7m</b>	<b>£10.6m</b>	<b>£8.5m</b>	<b>£10.4m</b>	<b>£54.4m</b>

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# One County One Team: Surrey County Council

## Chief Executive Office

### Lead Cabinet Members



David Hodge,  
Leader



Peter Martin,  
Deputy Leader



Susie Kemp,  
Assistant Chief Executive

### Cabinet Members

Helyn Clack (Community Services and the 2012 Games), Kay Hammond (Community Safety),  
Denise Le Gal (Change and Efficiency)

### Leadership Team



Ann Charlton, Head of Legal and Democratic Services; Louise Footner, Head of Communications;  
Liz Lawrence. Head of Policy and Performance

### What is our vision for 2017?

“To have enabled and assisted Surrey to deliver the most effective and efficient services to residents”

### What will we focus on?

To achieve our corporate vision there are six things we have to focus on and get right:

- Residents - individuals, families and communities will have more influence, control and responsibility
- Value – we will create public value by improving outcomes for residents
- Partnerships – we will work with our partners in the interests of Surrey
- Quality – we will ensure the highest quality and encourage innovation
- People – we will develop and equip our officers and Members to provide an excellent service
- Stewardship – we will look after the county's resources responsibly

### What difference our directorate will this make by 2017?

The Chief Executive's Office will remain focused on ensuring that by 2017:

- The Council and its partners are enabled to deliver good quality public services for the residents of Surrey.
- Individuals, families and communities are increasingly actively involved and engaged in local democracy, decision-making and policy development.
- People recognise their personal responsibility for safeguarding the Council's resources and ensuring the county is safe and resilient.
- Evidence and insight underpin policy and decision-making.
- Innovative ways of working and strong partnerships enable Surrey's communities to grow and thrive.

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# One County One Team: Surrey County Council

## What are our priorities for 2013/14?

There are some specific things we need to focus on in the next year to help us towards our goals for 2017. They reflect residents' priorities, current challenges, and areas where investment is needed now to realise future ambitions:

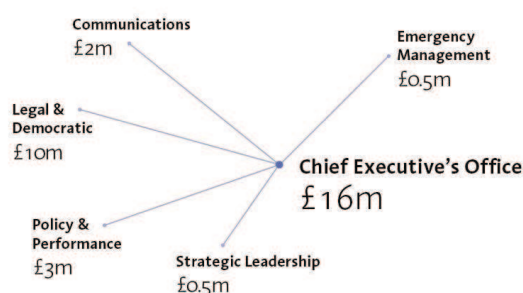
- Increase our understanding of the needs and aspirations of Surrey's residents and their differing experiences of Council services, including establishing a research programme and increasing the use of Surrey-i.
- Prepare for the next Council, beyond the 2013 elections, and achieving the SE Charter Plus for Elected Member Development.
- Work with Directorates and partners to complete the three-year Public Value Review programme.
- Ensure rural communities have access to services through new technologies by driving delivery of Superfast Broadband in the least accessible parts of Surrey.
- Work with the Voluntary, Community and Faith Sector to design new ways to deliver shared outcomes for individuals, families and communities, including increasing volunteering rates across all of Surrey's communities.
- Work with Directorates and partners to find ways of using social media to improve service delivery and public involvement.
- Support the development of new ways of delivering services to our residents through effective professional and technical input to projects (e.g. from Legal, Communications, Internal Audit).
- Introduce new technology in Legal and Democratic Services to speed up processes and reduce costs.
- Ensure the interests of Surrey and its residents are represented at regional and national level.
- Develop and empower the people in the Chief Executive's Office by delivering our 'Staff Matters' action plan.

## What will we spend money on?

### Day to Day Spending (Revenue)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Income	(£0.6m)	(£0.6m)	(£0.6m)	(£0.6m)	(£0.6m)	(£0.6m)
Expenditure	£14.3m	£16.1m	£14.9m	£14.3m	£14.7m	£16.4m
% Year Change		12%	-7.5%	4.0%	2.8%	2.0%

### Expenditure Budget 2013/14 by service



### Purchasing / Building Assets (Capital)

	2013/14	2014/15	2015/16	2016/17	2017/18	5 Year Total 2013 - 2018
Broadband	£11.3m	£0.0m	£0.0m	£0.0m	£0.0m	£11.3m
Other	£0.2m	£0.2m	£0.2m	£0.1m	£0.1m	£0.8m
<b>Total Capital costs</b>	<b>£11.5m</b>	<b>£0.2m</b>	<b>£0.2m</b>	<b>£0.1m</b>	<b>£0.1m</b>	<b>£12.1m</b>

# One County One Team: Surrey County Council

## Contacts Numbers & Further Information

There are two further sections of the Medium Term Financial Plan.

Section 2: Detailed Budgets – this section contains all the Directorate Day to day spending budgets and long term spending on purchasing or building assets for the next five years (2013 – 2018)

Section 3: Relevant strategies and Committee papers. This section details the current strategies and outlines the process. There is also a useful glossary of terms and abbreviations

Both these sections are available on [www.surreycc.gov.uk](http://www.surreycc.gov.uk).

The Medium Term Financial Plan is also available on the web as an electronic “drill-down” information tool.

### **Printing copies**

If you require further copies of the this section and others, please complete a printed copy request form which is available on the web, or phone the contact centre who will complete the form on your behalf. Any requested copies will be sent to you free of charge.

It has been noticed that some districts and boroughs could charge (£8 - Waverley) for requesting copies of their detailed budget. The MTFP has been costed and would cost approx £7.50 to print out a single copy.

If you have any further queries please telephone 03456 009 009. This number will also assist anyone requesting copies of this document in other formats.

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Council Overview and Scrutiny Committee  
12 September 2013

## The impacts of welfare reform in Surrey

### **Purpose of the report:** Scrutiny of Policy Development and Review

This report provides an overview of the main changes to the welfare benefits system, assessing their potential implications for residents through the use of three case studies. It identifies the issues for Surrey; the related consequences for Surrey County Council and its partners; and includes a summary of the strategic approach that Surrey partners are taking to support residents who are affected and to minimise additional pressure on services.

### **Changes to the welfare benefits system:**

1. The Coalition Government's ongoing welfare reforms are widely acknowledged as the most fundamental change to the welfare benefits system since the Second World War. The Government's aims are to incentivise work, simplify the current system of benefits and tax credits and promote personal responsibility among claimants. The reforms are also intended to deliver substantial savings to the public purse - £18 billion within the current spending review period to 2014/15 and a further £10 billion in projected savings by 2016/17.
2. The changes have been introduced in Surrey from April 2013, however some will come into effect up to 2017 (or later depending on the implementation timetable still to be published). The main reforms are outlined in **Annex A** (Welfare Reform Overview and Timetable) and **Annex B** (Guide to Welfare Reforms for Elected Members in Surrey).

### **Implications for Surrey residents:**

3. As the changes to welfare benefits are being introduced in stages, the effects on residents will be felt over time. Some households will be affected by multiple changes, for instance changes to the level of council tax and rent they are required to pay. Evidence shows that three groups in Surrey are most likely to be affected: working families on low incomes; large families and out of work; disabled people. The case studies in **Annex C** illustrate the sequence of impacts and the financial consequences for these residents. **Annex D** provides a data overview of the numbers of Surrey residents who have or will be affected by the ongoing reforms.

### **Implications for Surrey County Council and partners:**

4. The related service pressures as a consequence of these impacts on residents are likely to fall across Surrey County Council services and those of its partners. Key Surrey issues that impact on services in the first instance fall into four broad categories:

<p><b>Housing and homelessness</b></p> <p>-----</p> <p><b>Key Surrey issues:</b></p> <ul style="list-style-type: none"> <li>• Increased demand on limited affordable housing (social and private)</li> <li>• Rising rent arrears</li> <li>• Rising homelessness and temporary accommodation</li> <li>• Churn in social/community networks/schools</li> </ul>	<p><b>Employment and training support</b></p> <p>-----</p> <p><b>Key Surrey issues:</b></p> <ul style="list-style-type: none"> <li>• Availability of suitable jobs</li> <li>• Rising demand for employment support</li> <li>• Associated barriers, eg transport and childcare</li> </ul>
<p><b>Financial inclusion</b></p> <p>-----</p> <p><b>Key Surrey issues:</b></p> <ul style="list-style-type: none"> <li>• Inevitability of declining income on benefits</li> <li>• Availability and awareness of debt advice</li> <li>• Access to bank accounts and affordable credit</li> </ul>	<p><b>Advice, information and support</b></p> <p>-----</p> <p><b>Key Surrey issues:</b></p> <ul style="list-style-type: none"> <li>• Pressure on advice services</li> <li>• Need for co-ordinated emergency assistance</li> <li>• Need for digital support for residents</li> </ul>

- Surrey County Council services that are most likely to be directly affected in the first instance are Children's Services (see [Children and Families Select Committee paper](#)<sup>1</sup> on 20 March 2013 for a full analysis), Schools, Adult Social Care (including the Benefits and Employability Services) and Libraries (for digital access). Social housing providers – both District and Borough Councils and Registered Social Landlords – and advice providers, such as Surrey's Citizens Advice Bureau (CAB), are also in the front line in responding to the impacts of welfare changes. Longer term, there may be wider consequences for police, public health, drug and alcohol services, domestic abuse providers, etc if the reforms have a significantly negative impact on wider social health and well-being.
- Financial profiling of the impacts is difficult as welfare changes are being introduced over time and the effects on individuals and families are likely to be felt cumulatively. The work underway across partners to monitor the impacts is crucial to anticipate pressures on services and respond effectively, minimising the financial consequences.
- During financial year 2012/13, County, District and Borough Council officers and members worked towards a common approach to the introduction of localised council tax support schemes (the Surrey Framework Scheme). The County Council offered financial support to Districts and Boroughs that implemented the Surrey Framework, in order to neutralise their residual funding gap. This funding also incorporated contributions towards local hardship funds, designed to mitigate the harshest financial impacts in individual cases on a 'one off' basis (total £0.5m for 2013/14).
- The County Council's 2013/14 budget assumes a reduction in council tax income of £7m, offset by additional council tax income of £5m as a result of implementing locally determined changes to council tax exemptions and discounts. Key related risks to the County Council are limiting the reduction in council funding and potential service pressures arising from adverse impacts on affected people (not quantified). Future risks relate to uncertain future levels of central government grant funding and potential pressures on local support schemes through council tax rises and/or increases the numbers of claimants. Officers are working closely to monitor any financial impacts arising.

<sup>1</sup> <http://mycouncil.surreycc.gov.uk/documents/s4833/Preparing%20for%20Welfare%20Reforms.pdf>

## Working in partnership to support residents:

9. Surrey County Council is working closely with District and Borough Councils and with the voluntary, community and faith sector to ensure that residents get the advice, information and support they need to prepare for the benefit changes. In July 2012, the County Council convened a cross-Surrey Welfare Reform Co-ordination Group composed of District and Borough housing and benefit leads, Department for Work and Pensions officials, CAB, and County Council adults, children's, public health, policy and finance leads. A recent South East Strategic Leaders (SESL) analysis of work across the SE recognised that Surrey was well ahead in terms of monitoring impacts and responding in a co-ordinated way.
10. Over the summer, a new guide was distributed to all elected members in Surrey (Annex B) to explain the welfare changes and enable effective signposting to the full range of support services available. Beyond the support outlined in the guide, additional work is being led by the County Council with partners to develop an integrated network of advice and support services, ensuring that existing providers work effectively together. A new pan-Surrey impact monitoring dashboard will be reported to Surrey Chief Executives in the Autumn.

## Conclusion:

11. Surrey County Council, working with its partners, is taking a strategic approach to understanding how the welfare changes will affect residents and to delivering an effective response. This report provides a summary of the work so far to understand the impacts and to prepare a co-ordinated response, so that support is targeted and reduces duplication and unnecessary pressures on services.

## Recommendations

That the Council Overview and Scrutiny Committee:

- Notes the impacts of welfare reform in Surrey for residents, Surrey County Council and partners and work underway to prepare for and respond to the changes;
- Notes the Council's existing plans to mitigate the impacts of welfare reform for Surrey residents and services, including financial planning.
- Agrees whether it wishes to conduct further work on this issue.

## Next steps

If the Committee wishes, Members to undertake further work via a task group and report back to the full Committee in November 2012.

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**Report contact:** Mary Burguieres, Lead Manager Policy and Strategic Partnerships

**Contact details:** 020 8541 9613, [mary.burguieres@surreycc.gov.uk](mailto:mary.burguieres@surreycc.gov.uk)

## Sources/background papers:

ESRO research report 'Preparing for the impacts of welfare reform' (March 2013)  
Children and Families Select Committee report 'Preparing for Welfare Reforms' (20 March 2013)

**Annexes:**

Annex A: Welfare Reform Overview and Timeline

Annex B: Guide to Welfare Reforms for Elected Members in Surrey

Annex C: Three case studies

Annex D: Surrey data overview



<u>Reform</u>	<u>When?</u>	<u>What are the changes?</u>	<u>Who does this impact? Who is exempt?</u>	<u>How will this happen?</u>	<u>Legislation</u>
<b>Incapacity Benefit, Severe Disablement Allowance, Income Support</b>	October 2010	Assessment for Employment and Support Allowance.	Residents of working age who are claiming sickness benefits.	<p>Between now and March 2014 the Department for Work and Pensions (DWP) will invite affected residents for a Work Capability Assessment.</p> <p>After this assessment the DWP will decide if they are to be paid Employment and Support Allowance, or Job Seekers Allowance.</p>	<a href="#">Welfare Reform Act 2012</a>
<b>Tax Credits</b>	April 2011 - April 2012	The whole tax credit system is being reformed with a number of elements being abolished.	All tax credit recipients including families, low income workers including disabled workers and older people.	Various changes including changing income thresholds and removing a number of elements e.g. 50+ element	<a href="#">Welfare Reform Act 2012</a>
<b>Housing Benefit (1) Local Housing Allowance</b>	April 2011	Local Housing Allowance: The introduction of a cap regulating the maximum amount of housing benefit available for private housing tenants depending on how many bedrooms the tenants qualify for.	<p>Tenants of private landlords.</p> <p><b>Exemptions</b> - Where the landlord is a not for profit company/voluntary organisation/a Registered Social Landlord/Local Council that provides care support or supervision, They will be exempt from the Local Housing Allowance cap..</p>	<p>The maximum amount of housing benefit is capped depending on how many bedrooms the tenants qualify for:</p> <ul style="list-style-type: none"> <li>• £250 a week for a 1 bedroom property</li> <li>• £290 a week for a 2 bedroom property</li> <li>• £340 a week for a 3 bedroom property</li> <li>• £400 a week for 4 or more bedroom property</li> </ul>	<a href="#">The Housing Benefit (Amendment) Regulations 2010</a>

<b>Housing Benefit (2)</b>  <b>Single Room Rate</b>	January 2012	Single room rate: For tenants who live alone in a one bedroom flat the age for when they are expected to live in shared accommodation has risen from 25 to 35.	For tenants of private landlords who are under 35 and live alone.  <b>Exemptions</b> - Care leavers aged up to 22  People receiving the severe disability premium  Former residents of homeless hostels will not be affected by this change.	The government is capping housing benefit to the shared accommodation rate.	<a href="#">Welfare Reform Act 2012</a>
<b>Income Support</b>	May 2012	Lone parents required to be available and looking for work when their youngest child reaches age 5 rather than age 7.	Lone parents whose youngest child is aged five.  <b>Exemptions</b> - Lone parents on Income Support who have a child for whom the middle or highest rate care component of DLA/PIP is payable will continue to be eligible to claim Income Support when their youngest child reaches five.	Lone parents will be transferred to Job Seekers Allowance and expected to look for and be available to work.	<a href="#">Welfare Reform Act 2012</a>
<b>Child Benefit</b>	Jan 2013	A reduction in CB for families where at least one person earns over £50,000.	For families where one parent earns more than £50,000 the benefit will be reduced. For families where a parent earns over £60,000, the benefit will be cut entirely.	People earning between £50,000 and £60,000 will have to pay the benefits back – on a sliding scale – by filling out self-assessment tax return forms. The Government is writing to all those high earners that it thinks are affected.	<a href="#">Finance Bill 2012</a>
<b>Out of work benefits</b>  <b>Total Benefit Cap</b>	From April 2013 (pilot areas)  From Summer 2013 (other areas)	Household Benefit Cap.  Cap total benefits to £350 a week for single people living alone and £500 a week for couples or families.	People of working age on out of work benefits.  The cap will not apply if they qualify for working tax credit, or receive any of the following: <ul style="list-style-type: none"> <li>• Disability living allowance</li> <li>• Attendance allowance</li> </ul>	The cap includes housing benefit, and remains the same regardless of how many children they have.  If a household's total benefits do come to more than £350 or £500 a week, then any benefits received over the cap will be taken out of their housing benefit.	<a href="#">Welfare Reform Act 2012</a>

			<ul style="list-style-type: none"> <li>• The support component of ESA</li> <li>• Industrial injuries benefit</li> <li>• War widows and war widowers pension</li> </ul> <p><b>Exemptions</b> - The cap will not include one-off payments; non-cash benefits e.g. free school meals; nor will it include Council Tax Reduction Schemes; and those clients living in supported accommodation.</p>		
<b>Housing Benefit (3)</b>  <b>Social Sector Size Criteria</b>  <b>'Bedroom Tax'</b>	April 2013	A reduction in Housing Benefit for social housing tenants who are deemed to be under-occupying in their property e.g. spare bedrooms.	<p>Social housing tenants of working-age with one or more 'spare' rooms.</p> <p><b>Exemptions</b> - Foster carers if they have fostered a child or been approved to do so in the last 12 months; residents of state pension age; parents whose children are away with armed forces; clients living in supported accommodation; and parents with severely disabled children.</p>	If they have one spare bedroom the reduction will be equal to 14% of the 'eligible rent' for their property. If they have two spare bedrooms or more, the reduction will be equal to 25% of the 'eligible rent' for the property.	<a href="#">Welfare Reform Act 2012</a>
<b>Social Fund</b>	April 2013	Crisis Loans and Community Care Grants currently being administered by JCP and DWP, will now become the responsibility of local authorities (counties in two tier areas)	Anyone who has previously contacted DWP or Job Centre Plus to receive a Crisis Loan or Community Care Grant.	<p>Parts of the Social Fund are being abolished; and the funding for Crisis Loans and Community Care Grants is being devolved to local authorities; where they can design and develop their own schemes. The funding is not ringfenced.</p> <p>Surrey County Council has developed the Local Assistance Scheme</p>	<a href="#">Welfare Reform Act 2012</a>
<b>Council Tax Benefit</b>	April 2013	It is being abolished and being replaced with localised	All working age council tax benefit claimants.	District and Boroughs have designed and developed their own individual Council Tax Support Schemes.	<a href="#">Local Government Finance Act 2012</a>

		Council Tax Support schemes	<b>Exemptions</b> – Pensioners will not be affected by changes to council tax benefit.	Surrey County Council has offered support funding for local council tax support schemes and hardship funds.	
<b>Benefit Uprating</b>	April 2013 – April 2016	The imposition of a cap for working-age benefit claimants which limits annual rises to 1%	<p>Existing and new claimants of:</p> <ul style="list-style-type: none"> <li>• Jobseeker’s allowance</li> <li>• Employment and Support Allowance</li> <li>• Income Support</li> <li>• Elements of Housing Benefit</li> <li>• Maternity Allowance</li> <li>• Sick Pay, Maternity Pay, Paternity pay, Adoption Pay</li> <li>• Couple and lone parent elements of working tax credits</li> <li>• The child element of the child tax credit</li> </ul> <p><b>Exemptions</b> – Pensioners will not be affected and will see their basic state pension rise by 2.5% to £110.15 in April 2013.</p> <p>Additionally, clients in receipt of Disability Living Allowance also are exempt from the cap and will see their benefits rise in line with (CPI) inflation.</p>	<p>Most working-age benefits and tax credits would be up-rated by just 1% - which is a below inflation cap for three years from 2013-14.</p> <p>Benefits have historically risen in line with inflation, and in April 2013 would have risen by 2.2% without the cap.</p>	<a href="#">The Welfare Benefits Up-rating Act 2013</a>
<b>Disability Living Allowance</b>	July/ October	DLA is slowly being phased out and will be replaced by the	DLA claimants aged 16 to 64 <b>Exemptions</b> – Those under 16 can	Claimants will be required to claim the new Personal Independence Payment (PIP) through a reassessment process.	<a href="#">Welfare Reform Act 2012</a>

	2013	Personal Independence Payment.	continue to claim DLA until their sixteenth birthday. Those already getting Attendance Allowance will not be affected by PIP. Other disability benefits will not be affected by PIP.	The details for PIP are still to be finalised. Implemented in July 2013 for new DLA claimants. From October 2013-2016 existing DLA claimants will be assessed for PIP.	
<b>Universal Credit</b>	October 2013 - 2017	<p>A number of benefits for working-age claimants will be replaced with a single streamlined benefit called Universal Credit (UC) and will aim to be digital by default.</p> <p>UC is payable on a monthly basis, in arrears, directly to people both in and out of work.</p> <p>It will be paid to just one person in a household with HB now being paid directly to the recipients.</p>	<p>Existing and new claimants of:</p> <ul style="list-style-type: none"> <li>• Income Support</li> <li>• Income Related Jobseeker's Allowance</li> <li>• Income Related Employment Support Allowance</li> <li>• Housing Benefit</li> <li>• Working Tax Credit</li> <li>• Child Tax Credit</li> </ul> <p><b>Exemptions</b> – Pension credit will remain for those over the qualifying age, and those claimants will not transfer to Universal Credit.</p> <p>Universal Credit will not include Disability Living Allowance (DLA), Council Tax Reduction, Personal Independence Payment (PIP) or Carers Allowance</p>	<p>All of these benefits will form the new Universal credit. This benefit will be paid directly to claimants monthly in arrears.</p> <p>Oct 2013- April 2014, all new claims will be for Universal Credit.</p> <p>April 2014 – 2017 Existing claimants will move onto Universal Credit in a phased approach.</p>	<a href="#">Welfare Reform Act 2012</a>

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## WORKING TOGETHER TO HELP RESIDENTS

Local authorities in Surrey are working closely with the voluntary, community and faith sector to ensure that residents get the advice, information and support they need to prepare for the benefit changes.

- Get WISE is a new advice and information service for Surrey residents affected by the welfare benefits changes funded by Surrey County Council ([www.getwisesurrey.org.uk](http://www.getwisesurrey.org.uk)).
- Surrey's 14 Citizens Advice Bureaux respond to over 100,000 requests for advice every year, including welfare benefits, debt, housing and employment support ([www.citizensadvicesurrey.org.uk](http://www.citizensadvicesurrey.org.uk)).
- Volunteer-run Hubs in Epsom, Redhill and Woking provide information and advice to disabled residents, including welfare benefit information. Five more Hubs are due to open in Surrey this year ([www.sdpp.org.uk](http://www.sdpp.org.uk)).
- Housing teams in District and Borough Councils are supporting residents to find appropriate and affordable housing, including help with mutual exchanges or finding lodgers.
- Emergency support is available to residents through the Surrey Local Assistance Scheme ([www.surreycc.gov.uk](http://www.surreycc.gov.uk)), through District and Borough council tax hardship schemes and discretionary housing payments, and food banks ([www.russelltrust.org](http://www.russelltrust.org)) throughout Surrey.
- SurreySave Credit Union provides access to affordable credit for financially squeezed families ([www.surreysave.co.uk](http://www.surreysave.co.uk)).
- Job Clubs operate in most parts of Surrey, helping residents to access job opportunities ([www.gbjobclubs.org](http://www.gbjobclubs.org)).



## HELP FOR RESIDENTS IN NEED OF SUPPORT

Residents can get free welfare benefits advice from:

- The Department for Work and Pensions, [www.gov.uk](http://www.gov.uk)
- Get Wise, [www.getwisesurrey.org.uk](http://www.getwisesurrey.org.uk), Tel. 0300 030 9432, Text 07561 392 818
- their local Citizens Advice Bureau, [www.citizensadvicesurrey.org.uk](http://www.citizensadvicesurrey.org.uk)
- their local District or Borough Council
- Surrey County Council, [www.surreycc.gov.uk](http://www.surreycc.gov.uk) search for 'financial advice and benefits'.

To find out more about the changes to welfare benefits

- Department for Work and Pensions, visit [www.dwp.gov.uk](http://www.dwp.gov.uk) search for 'reform toolkit'.

This guide was published on behalf of the Leaders of Surrey's 12 councils, made up of the County Council and 11 District and Borough Councils.

**SURREY**  
LEADERS' GROUP



# GUIDE TO WELFARE REFORMS FOR ELECTED MEMBERS IN SURREY



THE GOVERNMENT IS INTRODUCING THE BIGGEST CHANGES TO THE WELFARE BENEFITS SYSTEM FOR OVER 60 YEARS. THIS GUIDE EXPLAINS THE MAIN REFORMS AND HOW THEY MAY AFFECT RESIDENTS IN SURREY.

Created by the Communications Design Team 06.13 AD/CS/BJB



The welfare benefit changes are intended to simplify benefits and tax credits and increase the financial incentives to work. Changes are being introduced in Surrey from April 2013, however some residents will not be affected until 2017. Some households will be affected by multiple changes, for instance changes to the level of council tax and rent they are required to pay.

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## THE MAIN CHANGES TO WELFARE BENEFITS

### LOCALISED COUNCIL TAX SUPPORT

The Government has ended the national council tax benefit scheme and now requires local councils to implement their own schemes. Funding has been reduced by 10%, with restrictions placed on how councils can allocate the funding. As a result, some residents may experience a reduction in their support that is greater than 10%. Since April 2013, each District and Borough Council in Surrey has agreed a local support scheme after consultation with residents. Further details of the local scheme in your area can be found on your District or Borough Council website.

### UNDER OCCUPANCY

Council and Housing Association tenants who live in a property that is considered to have one or more spare bedrooms have had their housing benefit reduced from April 2013. This applies only to working age tenants, not pensioners. The reduction for one spare bedroom is 14% of eligible rent; for two or more spare bedrooms, it is 25%. There are some exemptions, for instance, for foster carers and families with a disabled child. In Surrey, we estimate 3500 families have been affected by under occupancy.

### LOCAL ASSISTANCE SCHEME

From April 2013, most of the funding for Crisis Loans and Community Care Grants has been devolved to unitary and county tier local authorities. Surrey County Council, working with Citizens Advice Bureau and Surrey Reuse Network, has set up a new Local Assistance Scheme for Surrey residents with nowhere else to turn in an emergency. The scheme provides support for essential needs such as food and household white goods. We estimate 7,000 residents will use the scheme this year.

### PERSONAL INDEPENDENCE PAYMENT (PIP)

Disability Living Allowance is gradually being replaced in Surrey from June 2013 by Personal Independence Payments for disabled people aged 16-64. PIP provides help towards the daily living and mobility costs of disabled people and is not means tested. People receiving DLA now will have to apply for PIP and be assessed for eligibility before 2017. Over 32,000 Surrey residents claim DLA, and estimates are 7,500 could lose entitlement to PIP following assessment.



### BENEFIT CAP

From 15 July 2013, the Benefit Cap will be introduced in Surrey. There will be a limit on the amount of benefits a non-working household can receive. If the claimant is a single person their benefits (including payment for rent) will be limited to a maximum of £350 per week. A family will be limited to a maximum of £500 per week. Households with someone in work and entitled to working tax credits, or in receipt of certain disability benefits, are exempt. In Surrey, we estimate around 550 households, mainly families, will be affected by the Benefit Cap.

### UNIVERSAL CREDIT

Universal Credit is a single, monthly payment that will replace a wide range of existing benefits and credits, such as jobseekers allowance, housing benefit, income support, child tax credits and working tax credits. It will normally be paid monthly directly to one person in the household. Following pilots elsewhere in the country, Universal Credit will be introduced gradually in Surrey from as early as October 2013.

### BENEFIT RISES CAPPED AT 1%

Most rises in working age benefits (excluding pensions, disability and carer's benefits) will be capped at 1% until April 2016. With inflation rising by around 2.5% per year, this will mean a real term drop in income for anyone claiming benefits.





# Appendix C

## Three case studies

# Case Study 1: low income working family

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## Income before April 2013

**Gareth and Penny, 36 & 35,** live in a rented three bedroom housing trust home in Runnymede with their son (9) and daughter (7). Gareth works full-time on minimum wage. Penny does not work.

### Monthly income

Wage	£1,009
Tax credits	£691
Child benefit	£146
Housing benefit	£415
Council Tax Support	£36
<b>Total income</b>	<b>£2,297</b>

### Main monthly outgoings

Rent	£925
Council Tax	£96
Gas/ Electricity	£243
Food	£385
Loan repayments	£182
Travel	£110
TV/Phone/Internet	£76
<b>Total outgoings</b>	<b>£2,017</b>

## April 2013

### Under Occupancy

Because the children are under the age of 10, they are now expected to share a bedroom. Therefore Gareth and Penny will lose 14% of their eligible rent for having a spare bedroom.

**Monthly loss of £130**

### Benefit rises capped at 1%

Elements of their tax credits and housing benefit were capped at a 1% rise rather than rising in line with inflation (~2.2%).

**Reduction in real income of ~£10**

## From October 2013

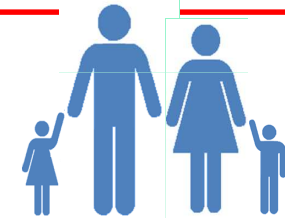
### Universal Credit (UC)

Their tax credits and housing benefit will be merged into a single monthly payment. The money will rise slightly, but they will have to self-manage their claims and face significant sanctions if they fail to do so correctly.

**Estimated monthly increase of ~£16**

## Cumulative financial impact

Under Occupancy	- £130
1% rise	- £10
Universal Credit	+ £16
<b>Monthly total</b>	<b>- £124</b>
<b>Annual total</b>	<b>- £1,488</b>



**5% LOSS IN INCOME**

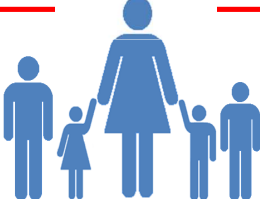
## What are Gareth's and Penny's options?

**1. Penny looking for work**  
If Penny were to find work for 16 hours a week, the family would not only increase their income, but also become eligible for childcare credits.  
**Support: JobCentre Plus, local Job Clubs**

**2. Consider taking in a lodger**  
Renting out the spare bedroom may exempt Gareth and Penny from the under occupancy charge, as well as bringing in a small amount of extra income.  
**Support: Housing Options teams**

**3. Applying for a Discretionary Housing Payment (DHP)**  
The couple could apply to Runnymede Council for a DHP as a short term emergency solution to cover housing costs.


# Case Study 2: large family and out of work

Income before April 2013	April 2013	From July 2013	Cumulative financial impact																										
<p><b>Sarah</b>, 38, is a single parent living in a privately rented, four bedroom Band E house in Surrey Heath, with her three sons (6, 10 &amp; 15) and daughter (7). She is currently not in work and is entirely dependent on benefits.</p> <p><b>Monthly income</b></p> <table border="0"> <tr><td>Child Tax Credits</td><td>£942</td></tr> <tr><td>Housing Benefit</td><td>£807</td></tr> <tr><td>Income Support</td><td>£308</td></tr> <tr><td>Child Benefit</td><td>£262</td></tr> <tr><td>Council Tax Support</td><td>£160</td></tr> <tr><td>Free School Meals</td><td>£130</td></tr> <tr><td><b>Total income</b></td><td><b>£2,609</b></td></tr> </table>	Child Tax Credits	£942	Housing Benefit	£807	Income Support	£308	Child Benefit	£262	Council Tax Support	£160	Free School Meals	£130	<b>Total income</b>	<b>£2,609</b>	<p><b>Council Tax Support(CTS)</b> Under the new localised Council Tax Support schemes, Sarah will lose out as support is capped to Band D properties and every household will have to pay at least 30% of their Council Tax bill. <b>New monthly Council Tax bill of £68</b></p> <p><b>Benefit rises capped at 1%</b> <b>Reduction in real income of ~£25</b></p> <p><b>Change from Income Support (IS) to Job Seekers Allowance (JSA)</b> As her youngest son is over 5 years old, Sarah now has to move from IS onto JSA. Her income will remain the same, but she will be required to show she is actively seeking and available for work.</p>	<p><b>Benefit Cap</b> Sarah's total annual benefits will be capped to £26,000. <b>Monthly loss of £395</b></p> <p><b>From October 2013</b></p> <p><b>Universal Credit (UC)</b> The financial impact of UC is likely to be neutral for Sarah. However, the switch to monthly payments, and her housing benefit paid directly to her rather than her landlord, will place a greater financial burden on Sarah.</p>	<p><b>Cumulative financial impact</b></p> <table border="0"> <tr><td>CTS</td><td>- £68</td></tr> <tr><td>Benefit cap</td><td>- £395</td></tr> <tr><td>(inc.1% rise)</td><td></td></tr> <tr><td>Universal Credit</td><td>~£0</td></tr> <tr><td><b>Monthly total</b></td><td><b>- £463</b></td></tr> <tr><td><b>Annual total</b></td><td><b>- £5,556</b></td></tr> </table> <p> <b>18 % LOSS IN INCOME</b></p>	CTS	- £68	Benefit cap	- £395	(inc.1% rise)		Universal Credit	~£0	<b>Monthly total</b>	<b>- £463</b>	<b>Annual total</b>	<b>- £5,556</b>
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## What are Sarah's options ?

- 1. Looking for a job**  
Working at least 16 hours a week will exempt Sarah from the Benefit Cap. However, the high cost of childcare locally and Sarah's lack of work experience will make finding a job difficult. **Support: JobCentre Plus, local Job Clubs**
- 2. Finding cheaper housing**  
Sarah is already in relatively affordable accommodation, but moving to a Band D house would lower her Council Tax bill by £349 p/a. **Support: District and Borough Housing Options teams**
- 3. Switching to more affordable credit**  
Sarah currently pays over £300 per month in interest and loan repayments on credit cards and door-step loans. Consolidating her debts into one SurreySave Credit Union personal loan could save her money. **Support: SurreySave, 'Get Wise', CAB**
- 4. Apply for DHP**  
Sarah could apply to Surrey Heath Council for a DHP as a short term emergency solution to cover housing costs.

# Case Study 3: disabled adult

Before April 2013	April 2013	From Autumn 2013	Cumulative financial impact																				
<p><b>Daniel</b>, 28, lives alone in a socially rented 1-bed flat in Waverley. He has had epilepsy since birth and also suffers from periodic depression. Daniel is currently not in work and is entirely dependent on benefits.</p> <p><b>Summary of monthly income</b></p> <table> <tr> <td>Disability (care component)</td> <td>£223</td> </tr> <tr> <td>Disability(mobility component)</td> <td>£89</td> </tr> <tr> <td>Incapacity Benefit</td> <td>£480</td> </tr> <tr> <td>Council Tax Benefit</td> <td>£104</td> </tr> <tr> <td>Housing Benefit</td> <td>£560</td> </tr> <tr> <td><b>Total income</b></td> <td><b>£1,456</b></td> </tr> </table>	Disability (care component)	£223	Disability(mobility component)	£89	Incapacity Benefit	£480	Council Tax Benefit	£104	Housing Benefit	£560	<b>Total income</b>	<b>£1,456</b>	<p><b>Incapacity Benefit (IB)</b></p> <p>Daniel was reassessed as potentially work ready last year. His payments stayed roughly the same, but are limited to 12 months and he faces losing all of them later this year. Daniel is currently not claiming his full entitlement as he should be receiving Income Support which would have protected him from this loss.</p> <p><b>Monthly loss of £45</b></p>	<p><b>Disability Living Allowance (DLA) to Personal Independence Payments (PIP)</b></p> <p>The change to PIP is a major shake-up of the system spread over the next few years, with many people moving on and off benefits. We have anticipated that Daniel's 'low level mobility' component is removed, but he could also face losing the new Daily Living Component of PIP, which would potentially also lead to further loss of associated benefits such as Council Tax Support. <b>Estimated monthly loss of £89</b></p>	<table> <tr> <td>Incapacity Ben.</td> <td>- £45</td> </tr> <tr> <td>DLA/PIP</td> <td>- £89</td> </tr> <tr> <td><b>Monthly total</b></td> <td><b>- £134</b></td> </tr> <tr> <td><b>Annual total</b></td> <td><b>- £1,608</b></td> </tr> </table>	Incapacity Ben.	- £45	DLA/PIP	- £89	<b>Monthly total</b>	<b>- £134</b>	<b>Annual total</b>	<b>- £1,608</b>
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	<p><b>Council Tax Support</b></p> <p>Daniel will continue to receive full Council Tax Support as long as his continues to be entitled to Disability Living Allowance.</p> <p><b>No change to income</b></p>	<p><b>Universal Credit (UC)</b></p> <p>Daniel's Housing Benefit will paid monthly directly to him rather than his landlord and his claim will have to be managed online. Daniel may struggle to cope with this extra responsibility.</p>	 <p><b>9% LOSS IN INCOME</b></p>																				

## What are Daniel's options?

### 1. Seek advice

Daniel should immediately seek advice about how to receive income support to prevent the loss of £45 a month. He will also need help when completing online UC application forms and self-managing his claims.

**Support: Get WiSE, Citizens Advice Bureau**

### 2. Finding work

Daniel's reassessment found that he is not yet ready for work, but with support he can prepare for a job in the future. The County Council **Employability service** will be able to provide one-to-one support, and some additional support following the introduction of Universal Credit.

# Appendix D

## Surrey Data Overview

# Benefit Cap

The cap on total household benefits imposes an upper limit of £500 per week for couples and £350 per week for single people living alone and was introduced in Surrey from 15 July 2013. The groups that are excluded are disabled people and those working at least 16 hours a week.

- Current data analysed by local District and Borough Councils anticipate 556 households will be affected.
- A conservative estimate predicts the average loss across all households will be £3,300 per year.
- The 157 worst affected households will lose over £5,200 per year.
- DWP impact assessments estimate that 85% of affected households will be families with children, which equates to 473 in Surrey. The same analysis finds 47% will be lone parents, equating to 261 households.

Local Authority	# losing £1-30 p/w	# losing £30 - £100 p/w	# losing >£100 p/w	# of households affected
Elmbridge	11	24	15	50
Epsom & Ewell	24	26	11	61
Guildford	29	20	31	80
Mole Valley	5	11	6	22
Reigate & Bans.	8	25	12	45
Runnymede	7	12	8	27
Spelthorne	24	46	36	106
Surrey Heath	11	12	5	28
Tandridge	15	10	7	32
Waverley	7	22	6	35
Woking	20	30	20	70
<b>Surrey total</b>	<b>161</b>	<b>238</b>	<b>157</b>	<b>556</b>

Source: Surrey Benefit Managers Group

# Social Sector Size Criteria ['bedroom tax']

The Social Sector Size Criteria is a reduction in Housing Benefit (HB) for social housing tenants who are deemed to be under-occupying their property. One spare bedroom will result in a 14% reduction in HB; two spare bedrooms will lead to a 25% reduction. There are a number of exemptions, including approved foster carers, disabled residents needing space for specialist equipment and two children over the age of 10 of different genders are not expected to share.

## Case Study – Elmbridge Borough Council

Elmbridge BC analysis has found that households with one extra bedroom will lose an average of £17.49 p/w (£909 p/a). Households with two extra bedrooms are expected to lose £33.07 p/w (£1,719 p/a).

Elmbridge BC also interviewed residents who will be affected by the SSSC to understand how they would cope with the drop in income:

- 18% of households affected said that they would look to downsize to avoid the charge.
- 82% of households would stay in their homes and would have to cover the loss from other income.

Local Authority	Households with +1 beds	Households with +2 beds	Total # of households
Elmbridge	379	109	488
Epsom & Ewell	108	24	132
Guildford	388	98	486
Mole Valley	134	29	163
Reigate & Bans.	349	105	454
Runnymede	172	47	219
Spelthorne	312	71	383
Surrey Heath	186	48	234
Tandridge	<i>tbc</i>	<i>tbc</i>	200
Waverley	330	75	405
Woking	259	134	393
<b>Surrey total</b>			<b>3557</b>

Source: Surrey Chief Housing Officers Group

# Disabled adults

Between October 2013 and 2016, Disability Living Allowance is being phased out and will be replaced by the new Personal Independence Payment. People claiming sickness benefits are also currently being reassessed for Employment Support Allowance (ESA) to see if they are work ready.

## Disability Living Allowance (DLA)

There are 32,310 DLA claimants in Surrey. The Government projects a national 23% reduction in caseload as people transfer from DLA to Personal Independence Payments. In Surrey this would mean 7,500 DLA claimants lose their entitlement over the next few years. There are currently 2000 claimants in receipt of the lower care component of DLA and are very likely to lose their £21 p/w benefit.

## Employment Support Allowance

Surrey County Council estimates up to 2,392 Employment and Support Allowance claimants could lose all their current entitlement (£94.25p/w); 553 disabled young people could lose an average of £25p/w and nearly 80 would lose all their benefit (£94.25pw). (DWP Impact Assessment 2011)

## Carers

There are an estimated 31,000 carers in Surrey providing care for over 35 per week. Only 5,160 of these receive Carers' Allowance. Carers' Allowances are largely protected from the reforms, but no detailed national impact assessment has yet been conducted on them. Based on Carers UK estimates, over 100 carers in Surrey are likely to be at risk of losing their benefits.

Local Authority	DLA claimants
Elmbridge	2,980
Epsom & Ewell	2,140
Guildford	3,680
Mole Valley	2,450
Reigate & Banstead	4,480
Runnymede	2,380
Spelthorne	3,120
Surrey Heath	2,160
Tandridge	2,670
Waverley	3,300
Woking	2,940
<b>Surrey total</b>	<b>32,310</b>

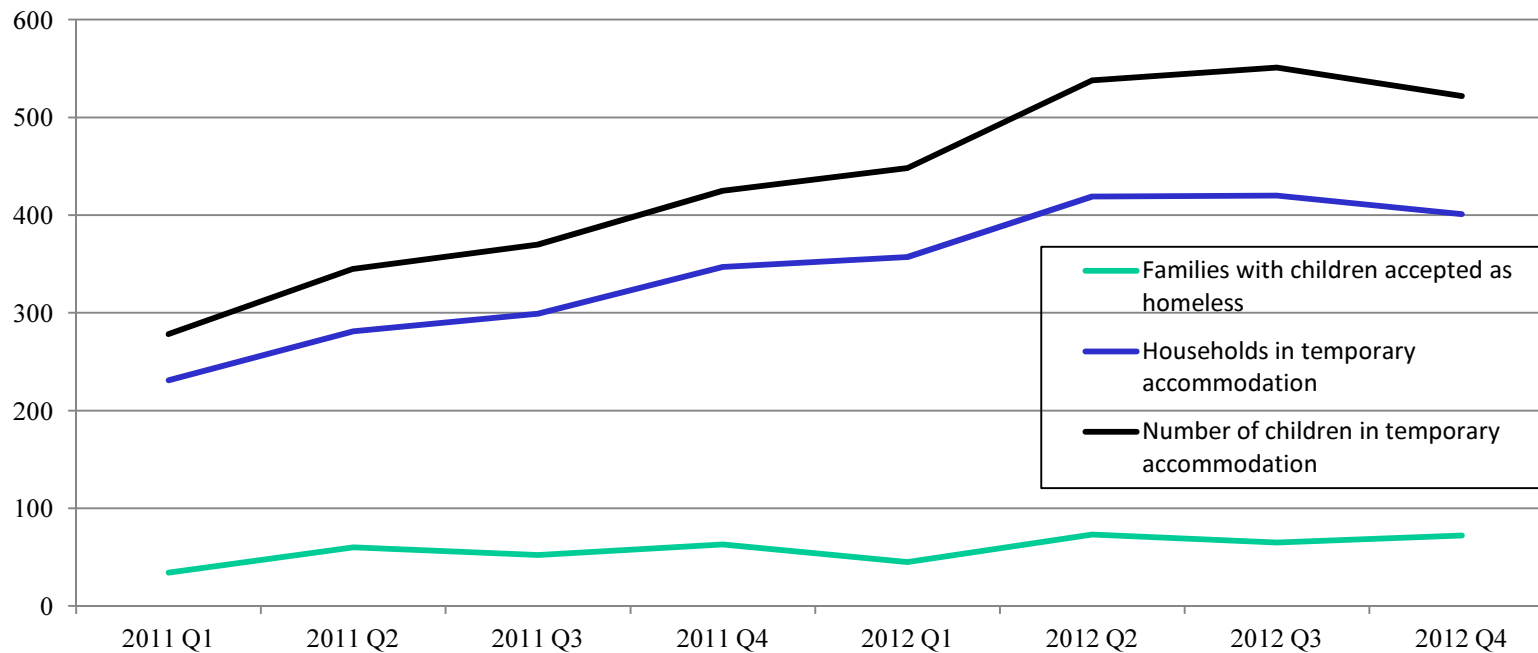
Source: NOMIS



# Homelessness

The graph below outlines the trends in homelessness in Surrey over the past two years.

- The number of households in temporary accommodation (TA), and the number of dependent children housed in TA, has almost doubled since 2011 to 522, though the latest figures from Q4 2012 have shown a small decrease .
- The number of families that have been accepted as homeless has risen steadily from 34 households in 2011, to 72 by the end of 2012.



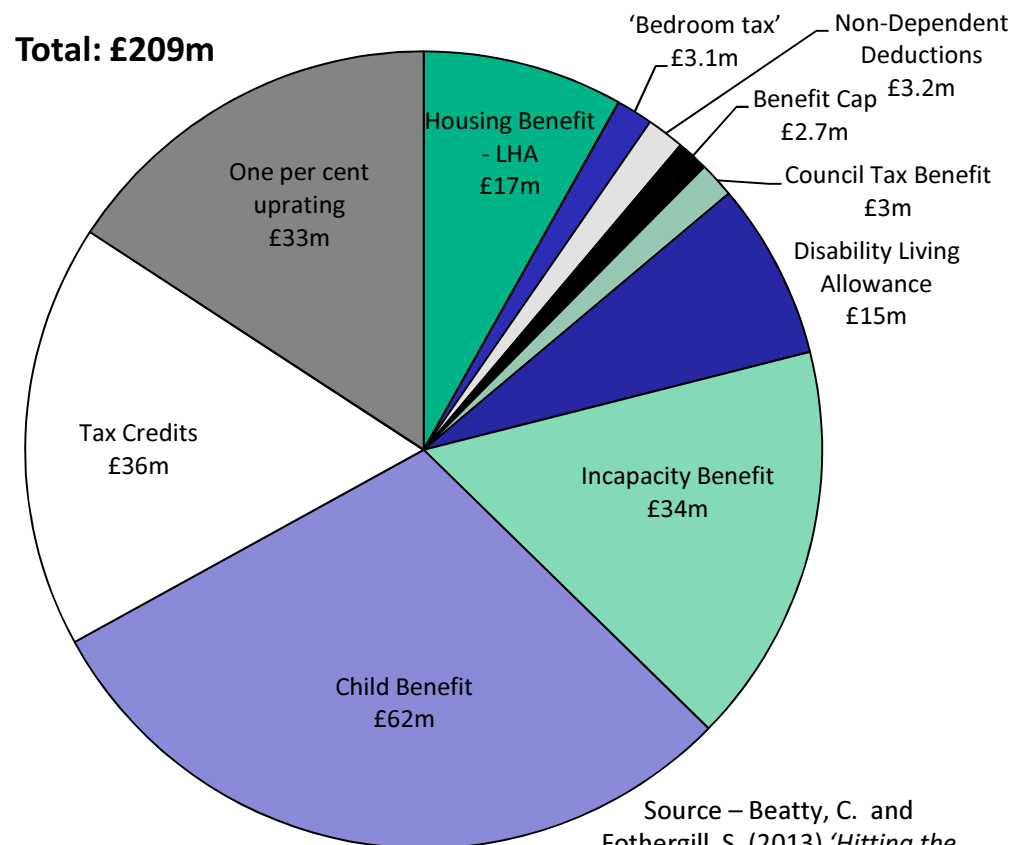
Source: Shelter

# Financial impact on Surrey

This chart shows the estimated loss per year to Surrey's economy as a whole from the various welfare reform changes.

- Though often not widely discussed because they affect a larger number of people less severely, changes to Tax Credits, Child Benefit and the 1% uprating of benefits together total £131m (63%) of the overall loss of £209m.
- Though Child Benefit changes are likely to impact on higher income households, this change alone will reduce spending power in Surrey by £62m per year.
- The reforms that are predicted to lead to the greatest losses to individual households, including the Benefit Cap, Social Sector Size Criteria and changes to Disability Living Allowance, will have a relatively low aggregated impact.

## Projected Impact on Surrey's Economy (£millions)



Source – Beatty, C. and Fothergill, S. (2013) *'Hitting the poorest places hardest: The Local and regional impact of welfare reform*

# Qualitative research into impacts

In Autumn 2012, Surrey County Council commissioned qualitative research on the likely impacts of welfare changes on residents' day-to-day lives. The research focused on low income families and people with disabilities. Through in depth interviews, the work provided a richer picture of how families cope now on benefits and how they are likely to respond to future changes. Surrey County Council is commissioning follow up work with these families to track impacts over time.

**All of the respondents expressed an interest in finding work**, including those with significant disabilities. The main barriers to employment were fitting it around family life (school hours and near to home) and they often had little idea how to find work.

Nearly all families **had loans with Provident**, a door step money lender with typical rates of 400% APR. These lenders were preferred as the families often did not have access to conventional banking, and they offered a convenient, personal service.

Benefit dependent families were **spending at least half their income on housing costs**, particularly those in private rental accommodation. The cumulative impact of the welfare reforms were projected to lead to **a loss of 15% of income**.

Families expected to do **'more of the same'** when **facing reduced income**, including borrowing more, seeking cheaper housing and cutting back further on spending, particularly on fresh food.

The full research report can be accessed at:

[https://www.surreycc.gov.uk/\\_\\_data/assets/pdf\\_file/0008/556253/SCC-Preparing-for-the-impacts-of-welfare-reform-March2013-FINAL.pdf](https://www.surreycc.gov.uk/__data/assets/pdf_file/0008/556253/SCC-Preparing-for-the-impacts-of-welfare-reform-March2013-FINAL.pdf)

# Surrey snapshot

## Employment

- **Total unemployment has risen** from 24,300 in 2011 to 27,900 in 2012 - a rise from 4.1% to 4.6%.
- However, in 2012 the number of people claiming Job Seekers Allowance fell from 13,025 to 11,508, a reduction of 12%.
- There are 2480 young people who are currently classed as unemployed in Surrey

In 2012, the main operator of food banks in Surrey, The Trussell Trust, **provided emergency food for 1196 adults and 816 children.**

**Private rents are becomingly increasingly unaffordable** for low-income households. For example, Elmbridge and Surrey Heath saw rents rise 14.1% from 2011 to 2012, the highest rise of any local authority in England, including London. (Shelter - Jan 2013)

The 14 Citizens Advice Bureaux in Surrey dealt with 109,738 requests for advice in 2012/13. Demand for benefits advice rose 15% over the course of the year to a total of 49,819 cases. CABs also fielded 28,585 debt, 15,011 employment and 16,323 housing enquiries.



Council Overview and Scrutiny Committee  
12 September 2013

**Budget monitoring period 4 2013/14 (July 2013)**

**Purpose of the report:** Scrutiny of the Council's overall 2013/14 budget monitoring position as at the end of July 2013.

### Background

- The Council set its five year Medium Term Financial Plan (MTFP) for 2013-18 and 2013/14 revenue budget in the context of the Government's continuing austerity programme, reducing public spending and rising demand for services.
- As reported in the Local Government Peer Review of March 2013, the Council takes a longer term view and multi-year approach to its financial management. The balanced 2013/14 budget includes £68m of efficiencies and service reductions and uses £11m of earmarked reserves and £12m general balances.
- The Council holds a contingency budget against the risk of not making savings and reductions in full. The 2013/14 risk contingency budget is £13m, reflecting the ever increasing need for savings and greater uncertainty around funding.
- Between 2009 and 2012, the Council achieved £225m efficiencies. The Council's MTFP 2013-18 includes plans for £167m efficiencies and service reductions.
- After the first quarter of 2013/14, Cabinet reviewed MTFP 2013-18 and agreed additional savings from 2014/15 onwards. The review identified realistically deliverable savings of £19.5m in 2014/15 and £56.0m for the four years 2014-18.
- In setting the MTFP 2013-18, the Council agreed a five year capital programme to invest £699m. Cabinet approved re-profiling of carry forwards and virements means the revised 2013/14 capital budget is £188.0m.

### Revenue budget monitoring summary

- At the end of July 2013, services forecast a total overspend of +£2.0m. This excludes use of the 2013/14 budget's £13m risk contingency and the -£0.8m net income on the Revolving Infrastructure and Investment Fund, which the Council will re-invest in the fund. Applying the risk contingency brings the forecast year end position to -£11.0m underspend.
- The services' forecast overspend is largely due to: Children's Services' delays in achieving efficiencies (+£1.5m) and net additional pressures (+£1.3m); plus support for local bus routes (+£0.6m); offset by underspends within Business Services, Customer & Communities and Central Income & Expenditure.
- One third of Adult Social Care's (ASC) demanding (£46m) savings requirement relies on the success of its new policy to maximise use of social capital. Given the scale of this challenge and that this is the first year of these ambitious plans, some slippage may occur. If that happens, ASC will seek to draw down available

funding to offset it on a one-off basis. £7.5m Whole Systems funding carried forward from previous years has been identified as such a contingency.

- Tables 1 and 2 summarise the budget monitoring position as at 31 July 2013.

**Table 1: 2013/14 Revenue Budget - Forecast position as at end of July 2013**

	Year to date			Full year budget £m	Aug – Mar forecast £m	Full year projection £m	Full year variance £m
	Budget £m	Actual £m	Variance £m				
Income	<b>-531.8</b>	<b>-535.0</b>	<b>-3.2</b>	<b>-1,665.5</b>	<b>-1,133.0</b>	<b>-1,668.0</b>	<b>-2.5</b>
<u>Expenditure</u>							
Staffing	104.1	96.7	-7.4	312.5	213.6	310.3	-2.2
Non staffing	247.6	251.1	3.5	843.2	585.8	836.9	-6.3
Schools	174.3	175.2	0.9	521.6	346.4	521.6	0.0
Expenditure	<b>526.0</b>	<b>523.0</b>	<b>-3.0</b>	<b>1,677.3</b>	<b>1,145.8</b>	<b>1,668.8</b>	<b>-8.5</b>
<u>Funded by:</u>							
General balances	<b>-5.8</b>	<b>-12.0</b>	<b>-6.2</b>	<b>11.8</b>	<b>12.8</b>	<b>0.8</b>	<b>-11.0</b>

**Table 2: 2013/14 Revenue budget – Forecast net positions by directorate**

Directorate	Year to date			Full year budget £m	Aug – Mar forecast £m	Full year projection £m	Full year variance £m
	Budget £m	Actual £m	Variance £m				
Adult Social Care	112.7	118.6	5.9	338.0	219.4	338.0	0.0
Children, Schools & Families	59.0	54.5	-4.5	179.0	126.7	181.2	2.2
Schools (gross exp £521.8m)	0.1	0.9	0.8	0.1	-0.8	0.1	0.0
Customer & Communities	20.2	19.7	-0.5	59.9	40.0	59.7	-0.2
Environment & Infrastructure	39.4	37.4	-2.0	126.9	90.4	127.8	0.9
Business Services	25.7	24.0	-1.7	83.1	58.7	82.7	-0.4
Chief Executive's Office	6.4	5.6	-0.8	15.9	10.2	15.8	-0.1
Central Income & Expenditure	-91.6	-94.4	-2.8	-209.8	-115.8	-210.2	-0.4
<b>Service position</b>	<b>171.9</b>	<b>166.3</b>	<b>-5.6</b>	<b>593.1</b>	<b>428.8</b>	<b>595.1</b>	<b>2.0</b>
Local taxation	-177.8	-177.8	0.0	-594.3	-416.5	-594.3	0.0
Risk contingency	0.0	0.0	0.0	13.0	0.0	0.0	-13.0
<b>Overall position</b>	<b>-5.9</b>	<b>-12.0</b>	<b>-6.1</b>	<b>11.8</b>	<b>12.8</b>	<b>0.8</b>	<b>-11.0</b>

### Revenue efficiencies monitoring summary

- The MTFP 2013-18 is based on achieving planned efficiencies and reductions in ongoing spending totalling £68.3m in 2013/14 (£167m for 2013-18).
- At the end of July 2013, services forecast to under achieve this target by -£2.1m by year end. The underachievement is due the aforementioned delays within Children Services and bus issues. This position also includes £10.4m ASC savings re-categorised as one-off measures.

### Capital programme monitoring summary

- At 31 July 2013, services' forecast capital spending for 2013/14 is -£0.7m underspend. This is mainly due to obtaining planning permission for travellers' sites and telephony upgrades (UNICORN).

### Recommendations

- Council Overview and Scrutiny Committee (COSC) to consider the Council's overall financial position forecast for 2013/14 and the implications for services.
  - COSC's Finance sub-group to continue to monitor the Council's performance against budget and MTFP 2013-18.
- 

**Report contact:** Nick Carroll, Finance Manager, Funding and Planning

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**Sources/background papers:**

Medium Term Financial Plan 2013-18

Medium Term Financial Plan 2013-18, Quarter One 2013/14 Review  
report to Cabinet, 23 July 2013

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Council Overview and Scrutiny Committee  
12 September 2013

**2013/14 Quarter 1 Performance Report**

**Purpose of the report:** Scrutiny of Services – Performance Monitoring.

1. The Surrey Residents Survey is a quarterly telephone tracker survey. Each year approximately 6600 residents are interviewed and the results can be generalised to the Surrey population with a high degree of confidence.

The headline Surrey Residents Survey results are:

- 63% of residents are satisfied with the way the Council runs things
  - 43% of residents think the Council provides good value for money
  - 92% of residents are satisfied with their neighbourhood as a place to live
  - 54% of residents feel that the Council keeps people informed
  - 37% of residents feel they can influence decisions
2. Customer satisfaction with the contact centre remains high, with a year-to-date figure of 94% satisfied. This is above the target of 85%
  3. At the end of the first quarter 91% of complaints to the Council were dealt with inside of the target timescale. The Audit and Governance Committee discussed a report on the Council's complaint policy, procedures and performance at its meeting on 2 September 2013<sup>1</sup>.
  4. The year-to-date performance for responding to FOI requests within timescale was 91% at the end of May (latest available data), exceeding the target of 85%.
  5. At the end of June, there was a -£1.7m under-spend in the total staffing budget and it is forecast that at the end of the year there will be a £2.1m under-spend against the establishment budget.

**Directorate Priorities**

6. Each directorate reports on progress against their priorities. The following table is an 'exceptions report' that highlights those priorities currently rated as red or amber. Further detail on each priority is available on the Council's website: <http://www.surreycc.gov.uk/your-council/how-the-council-works/our-performance/our-key-strategies-bookcase/our-business-reports>

<sup>1</sup>

[http://mycouncil.surreycc.gov.uk/documents/s7823/Complaints%20performance%20report%202012\\_13.pdf](http://mycouncil.surreycc.gov.uk/documents/s7823/Complaints%20performance%20report%202012_13.pdf)

Priority	Current RAG Rating	End of Year Prediction
<b>Adult Social Care</b>		
Grow preventative services in partnership with District and Borough Councils	Red	Green
Help people regain skills at home, whilst recovering from a setback	Amber	Green
Invest in joined up health and social care services which are local, universal and preventative	Red	Green
Maximise social capital in localities with effective care packages	Red	Red
Help people who fund their own care	Amber	Green
Empower people and their carers to live independently	Amber	Green
Manage the Surrey County Council in-house residential homes efficiently	Red	Green
Co-ordinate the Surrey care market to deliver value for money	Amber	Green
Deliver the Public Value Review of Learning Disabilities services	Amber	Green
Develop a competent and courageous workforce	Amber	Green
Maximise productivity by simplified processes which enable front line staff to spend more time with residents	Amber	Green
<b>Environment and Infrastructure</b>		
Repair road defects and deliver maintenance schemes, including the five year programme to renew 500km of worst roads in the county, within target timescales and budget	Red	Green
Reduce road congestion through delivery of new schemes and initiatives	Amber	Green
Deliver schemes in partnership to reduce energy costs and carbon impact benefitting Surrey residents, businesses and the Council	Red	Green
<b>Chief Executive's Office</b>		
Improve the health and wellbeing of Surrey residents through delivery of –Surreys Joint Health and Wellbeing Strategy; and – the new County Council public health responsibilities effectively, as measured through the Public Health Outcomes Framework.	Amber	Green

7. More detailed performance information is available on the Council's website

<http://www.surreycc.gov.uk/your-council/how-the-council-works/our-performance/our-key-strategies-bookcase/our-business-reports>

The quarter one performance score card is attached as **Appendix A**.

### Recommendations

The Committee is asked to scrutinise the performance monitoring report and make recommendations as appropriate.

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**Report contact:** Ben Unsworth

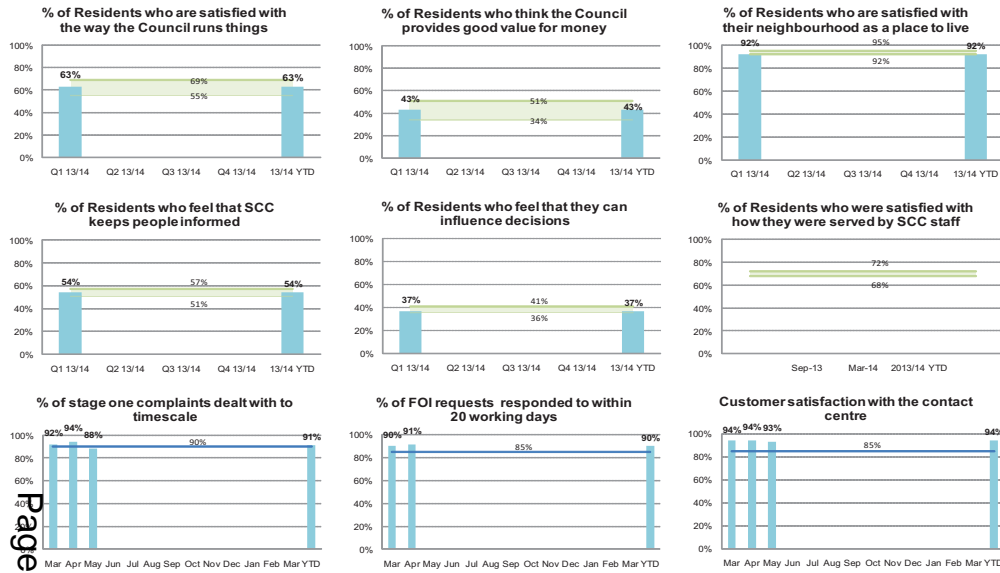
**Contact details:** 020 8541 7257/ben.unsworth@surreycc.gov.uk

**Sources/background papers:** None

# ONE COUNTY, ONE TEAM - QUARTER ONE BUSINESS REPORT 2013/14

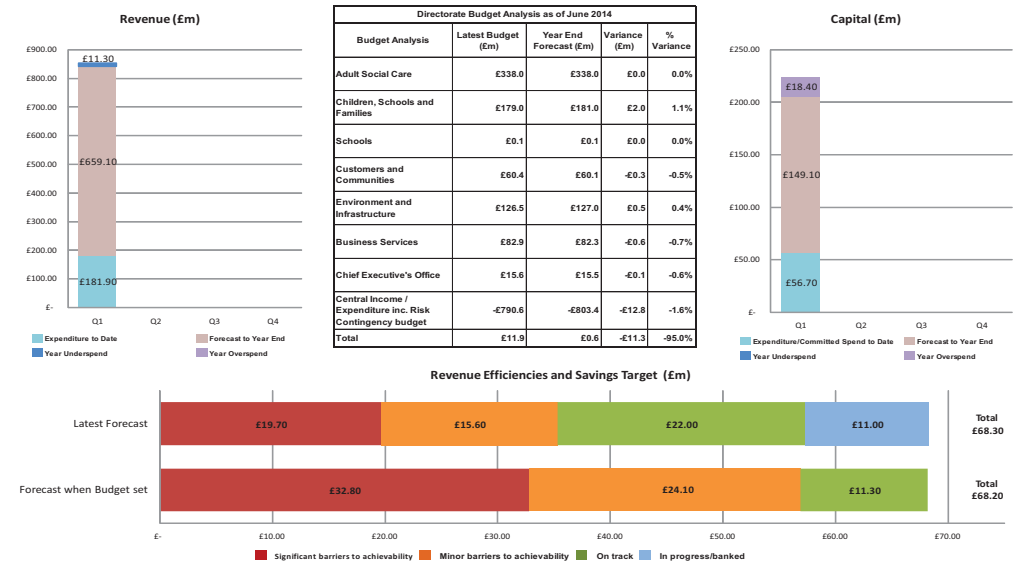
■ = Results range of previous Council Administration (2009-13) ■ = Target

## RESIDENTS / VALUE

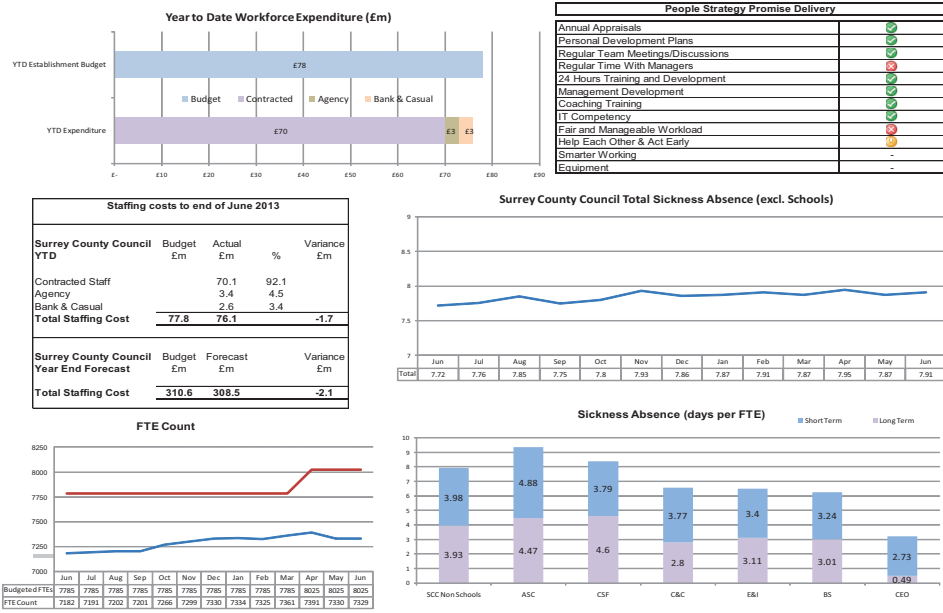


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## FINANCIAL STEWARDSHIP



## PEOPLE



## QUALITY / PARTNERSHIPS

Area	Objective	Status	
Adult Social Care	Grow preventative services in partnership with boroughs and districts	⚠	
	Help people regain skills at home, whilst recovering from a setback	⚠	
	Invest in joined up health and social care services which are local, universal and preventative	⚠	
	Maximise social capital in localities with effective care packages	⚠	
	Help people who fund their own care	⚠	
	Empower people and their carers to live independently	⚠	
	Manage the SCC in-house residential homes efficiently	⚠	
	Co-ordinate the Surrey care market to deliver value for money	⚠	
	Deliver the Services for People with Learning Disabilities PVR	⚠	
	Develop a competent and courageous workforce	✓	
Children Schools and Families	Operate efficient and effective partnership arrangements	✓	
	Maximise productivity through simplified processes	⚠	
	Every child to reach their full potential	✓	
	Prevention - including Family Support Programme	✓	
	Participation in education, training or employment	✓	
	Protecting vulnerable children	✓	
	Customers and Communities	Develop a Cultural Services Strategy	✓
		Keep libraries at the heart of the community	✓
		Channel Shift and Customer Service Excellence	✓
		Community Partnership - Local Engagement and Member support	✓
Protect people and communities by ensuring timely Fire attendance at incidents		✓	
Community Safety - Domestic Abuse and Anti-Social Behaviour		✓	
Enhance the health and well being of residents and communities through the work of trading standards		✓	
Member development programme delivered		✓	
Providing professional expertise for Services and partners		✓	
Legal support for child protection cases		✓	
Environment and Infrastructure	Repair road defects, deliver maintenance schemes and renew roads	⚠	
	Deliver the Highways Improvement Plan	✓	
	Support economic growth by working proactively with Surrey Partners	✓	
	Secure external investment through Surrey Future	✓	
	Reduce road congestion by delivery of new schemes and initiatives	⚠	
	Reduce energy costs and carbon impact	⚠	
	Have more Surrey residents cycling more safely	✓	
	Improve recycling and landfill diversion	✓	
	Construct the eco-park by 2015	✓	
	Conserve and enhance Surrey's countryside together	✓	
Business Services	Strengthen the organisation through investment in our staff	✓	
	Support economic growth	✓	
	Driving efficiencies and process improvement	✓	
	Putting the customer at the heart of what we do	✓	
	Generate new sources of income through investment and trading	✓	
	Realising benefits of strategic communications for residents	✓	
	Improve residents' health and wellbeing	⚠	
	Maximising benefits of 2012 Games legacy	✓	
	Delivery of VCFS outcomes-based commissioning framework	✓	
	Deploy fibre-based broadband	✓	

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**Council Overview and Scrutiny Committee  
12 September 2013**

**Investment & Trading**

**Purpose of the report:** Scrutiny of Services and Budgets

The Committee has requested an overview of trading and investment strategies across the Council.

**Summary of issue**

1. Following the Medium Term Financial Plan (MTFP) (2013-18) budget report in February 2013, Surrey County Council agreed the need;
  - to take steps to ensure that the Council maintains its financial resilience and protects its long term financial position
  - to explore and develop alternative sources of funding that reduce its reliance on Government grants and Council tax increases in the future
  - for provision in the MTFP (2013-18) to meet the costs of initiatives that will deliver savings and enhance income in the longer term.
2. This strategy is the Council's response to that challenge, and builds on the Cabinet decision of 26<sup>th</sup> March 2013 to support innovative models of service delivery, including trading ('Strengthening the Council's Approach to Innovation: Models of Delivery'). The strategy is in its infancy - less than three months into implementation - so this report sets out the direction of travel and objectives for the next two years.

**Strategy overview**

3. The primary objective of this strategy is to deliver public value for Surrey residents and businesses; any profits generated for the Council through trading will be available to support the delivery of the Council's medium term financial plan, for example; to support service delivery within the authority, invest in new commercial ventures via the trading company and to help keep Council Tax increases as low as possible in the future.
4. The Council has a range of legal powers which enable it to pursue a strategy of commercial trading. There are some restrictions on these powers, for example the Council could not charge someone for services that it has a duty to provide to them without charge and it can only trade outside the public sector through a separate legal entity, usually a Local Authority Trading Company (LATC), The Council could set up one or numerous LATCs. Each

one will be a new legal entity, but with the ability to trade commercially in the market, limited by shares and wholly owned by Surrey County Council.

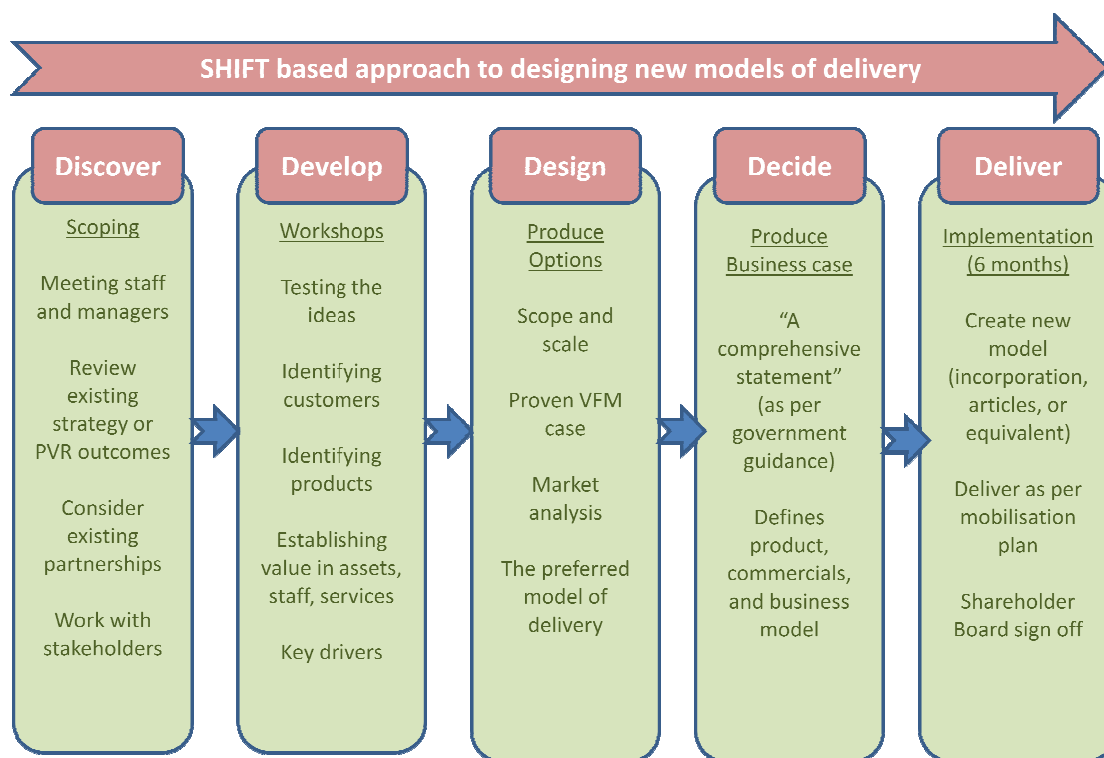
5. Over the next two years the Council's trading strategy will:

**1. Follow the SHIFT approach to innovation to generate ideas and identify opportunities that:**

- Are customer focused
- Could trade our services/products
- Extract value from our assets

6. The approach below has been developed following Surrey's SHIFT approach to innovation; it sets out a pathway and supports services considering opportunities to identify new models of delivery, potentially to trade. The approach is designed to challenge services and drive creativity but also to introduce formal gateways for decision-making, within Directorates and services to prioritise ideas and resources, and to Cabinet to approve business cases.

SHIFT approach (see Appendix 1) to new models of delivery, including trading:



This process is underway across Council services in Environment & Infrastructure, Adults Social Care, the Chief Executive's Office and Children, Schools & Families.

**2. Ensure there is a consistent approach to evaluating commercial ideas, establishing appropriate models of delivery, and creating trading companies**

7. The SHIFT process above will introduce consistency to the appraisal of commercial opportunities and ensure a strategic oversight across the Council.

10

Both the Options Appraisal and Business Cases mark formal decision gateways at Cabinet. Any potential trading proposals must demonstrate:

- Value for money for the Council and Surrey public;
  - Enhance and/or maintain quality services to customers;
  - Additional income for the Council that can be used to provide financial support for the delivery of functions and services;
  - The most appropriate model for delivery;
  - An equality impact assessment has been conducted; and
  - Relevant consultation and/or engagement is planned or has been undertaken.
8. In addition, the Business Case for the creation of any trading company will be supported by a Business Plan which will be developed to include the following aspects:
- The objectives of the business
  - The investment and other resources required to achieve those objectives
  - Any risks the business might face including how to mitigate against those risks
  - The expected financial results of the business, together with any relevant outcomes the business is expected to achieve.

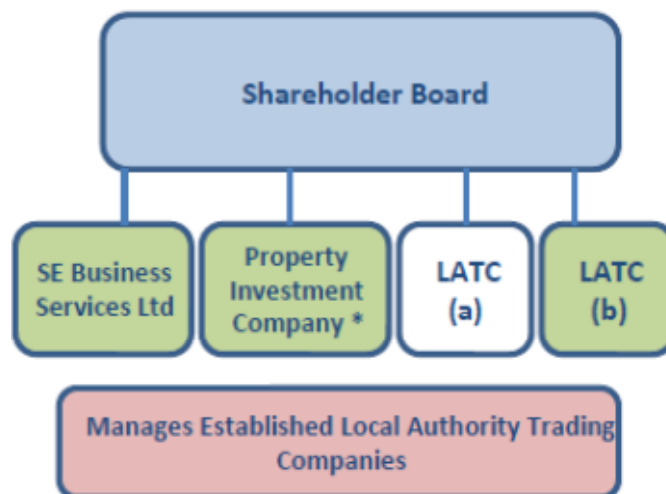
Some examples of trading activities undertaken by other Local Authorities and the routes to developing them are illustrated in Appendix 2.

### **3. Put in place effective governance arrangements for all trading activities**

9. The Council will [initially] retain 100% shareholding in its LATCs. The Council will exercise its shareholding powers through a Shareholder Board, which will report to full Council annually on its trading activity.
10. The Leader of the Council will Chair the Shareholder Board. Other members will include up to 3 appointed Cabinet Members, and the Chief Executive of the Council. The Section 151 Officer and Monitoring Officer will be advisers to the Board and membership will be reviewed annually.
11. The Shareholder Board will:
- Appoint and remove LATC Directors
  - Approve annual Business Plans, including dividend payments
  - Monitor and evaluate financial performance
  - Approve any allotment of further shares in the LATC ( to third party shareholders)
  - Agree and monitor levels of material expenditure or financial debt
  - Endorse any amendments to LATC Business Plans
  - Report to full Council and produce an annual report on all trading activity
  - Be subject to the Corporate Overview and Scrutiny Committee process regarding its trading activity
  - Review risks associated with trading activity
12. All decisions regarding the day to day operation of each LATC, its business developments and commercial opportunities and the development and implementation of its internal procedures, would rest with the Directors of each LATC. Where Council services are commissioned from an LATC,

Select Committees would be able to scrutinise overall value for money and LATC performance of the contract.

Shareholder Board structure:



13. The “Property Investment Company” is highlighted by an \*asterisk on the diagram above as it is “subject to Cabinet approval (see Appendix 3).
14. The Shareholder Board meets for the first time in September 2013 and will be considering wider Member involvement and ongoing engagement with the scrutiny process.

#### **4. Develop skills and competencies among staff internally, focusing in particular on business development**

15. A key component of exploring new models of delivery with the Council’s services is establishing whether the necessary skills and competencies exist in teams and if not how to develop or acquire those skills as part of developing options appraisals and business plans. This combines elements of organisational development such as business plans, culture and leadership, and specific business and commercial competencies not familiar in non-trading environments, such as sales and marketing.
16. Services across the Council from finance, procurement, legal, and business improvement, combining a variety of experience from the public and private sectors, are working together to support services and teams to undertake this skills and competencies assessment.

#### **5. Deliver portfolio of Council trading activities by 2017**

17. This strategy will deliver a sustainable and profitable portfolio of LATCs by 2017. The creation of each LATC will be agreed by Cabinet and monitored by the Shareholder Board to ensure that the portfolio adds value to the Council brand and promotes and supports the Council’s values as a core part of any trading offer. Surrey’s ambition for its commercial activities is to become a systems leader, with a specific focus on new models of delivery that ensure public value and organisational endurance through unprecedented local government funding reductions.
18. The Cabinet report “Strengthening the Council’s Approach to Innovation: Models of Delivery” (26<sup>th</sup> March 2013) delegated authority to the Strategic Director for Change and Efficiency (now Business Services), in consultation with the Leader of the Council and Cabinet Member for Change and



Efficiency (now Business Services), to set up a trading company to capitalise on opportunities available for the delivery of 'business services' to private sector organisations. This Council's first LATC, SE Business Services, has now been formally established and has reached preferred bidder status to provide IT services, including data hosting, helpdesk and application support to a private sector client.

## Recommendations

This strategy provides a framework for trading and investment in innovative solutions and opportunities that enable the council to maintain its financial resilience and increase income whilst providing effective services. Decisions made to implement the strategy will be in accordance with the governance arrangements described.

It is recommended that the Committee supports the strategy and receives further updates in 2014 summarising progress and outlining potential trading models and investment opportunities emerging from discussions with services.

## Next steps

Each Directorate and Service will be supported to explore new models of delivery and, consistent with the Council's governance arrangements, viable trading companies will become operational during 2014.

---

**Report contact:** Simon Laker

**Contact details:** 01483 519153

**Sources/background papers:**

Appendix 1: SHIFT approach to new models of delivery, including trading:

Appendix 2: LGA Enterprising Councils report 2012

Appendix 3: Investment Strategy

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## APPENDIX 1: THE COUNCIL'S APPROACH TO INNOVATION – SHIFT

*Note - this is a summary of a more detailed report which was presented to the Cabinet on 23 July 2013.*

### Background

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

One aspect of this was the introduction of an “innovation hub” approach - called “Shift” - designed to accelerate and systematise innovation capacity and capability within the Council.

### Shift – an innovation hub for Surrey

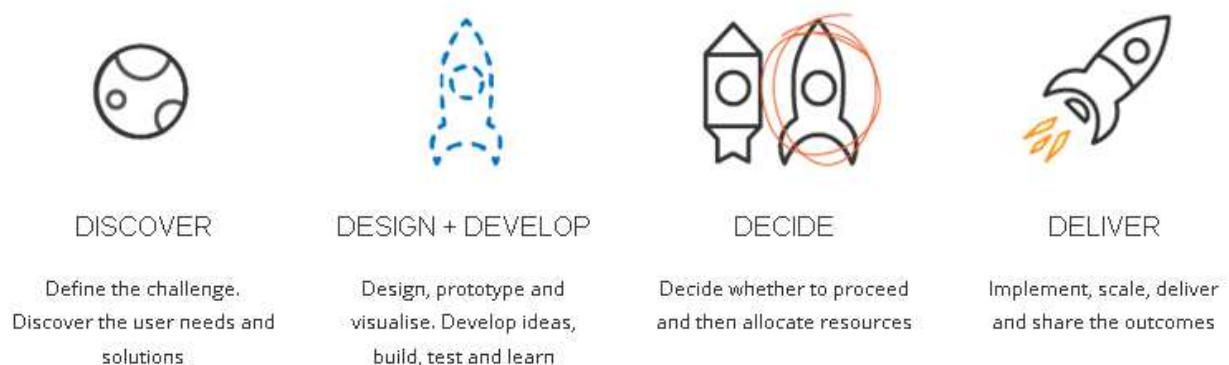
The most innovative organisations design specific structures and processes to support and manage different types of innovation. A common feature is the use of **innovation and design hubs** – small units with flexible resources and multi-disciplinary skills embedded within the organisation to support colleagues who are testing, developing and implementing new ideas.

In March 2013 the Council started to develop its own innovation hub called “Shift”. A dedicated space in County Hall was set up to support innovation projects and collaborative workshops and a small flexible core team was established, bringing together skills in service design, research, digital technology and change management.

The core team has connected with wider groups of colleagues across the Council, such as the LEAN team, in order to bring together the people and skills needed to address key problems. Over 70 workshops have been held in the Shift space, involving people from all Directorates, partner organisations, central government and service users. There have been over 850 visits to the space and the website ([www.shiftsurrey.org](http://www.shiftsurrey.org)) has received more than 1,000 visits.

### The Shift method and tools

The process of innovation is complex and varied but the “Shift **5Ds**” model (discover, design + develop, decide, deliver) for structured innovation has been developed to help ensure a common understanding of the Council’s approach:



Crucially, the process begins with a clear definition of the challenge and understanding of user needs and perspectives. Tools and techniques that can be applied at each of the different stages have been developed online so they can be easily accessed and used.

The method has been applied to a number of different projects so far (see Cabinet report 25 July for details) and has been applied to the work looking at different models of delivery.

### **Next**

On 23 July 2013 the Cabinet reviewed the initial six month test of the “Shift” approach and considered its impact so far, feedback received, and the key lessons.

The Cabinet agreed that the Strategic Director for Business Services - in consultation with the Leader and Cabinet Member for Business Services – will continue developing and implementing the “Shift” approach to innovation over the medium term planning period. It will act as a catalyst and accelerator for the innovations required to successfully deliver the goals in the Council’s Corporate Strategy 2013-18, including the significant savings that need to be realised

In order to achieve its aims “Shift” itself will need to adapt and evolve over time. To ensure this “Shift” will continue to operate through six monthly planning and review cycles. A key focus for the next six months will be applying the Shift methodology and techniques to the important work on Public Service Transformation with partners.

### **Further information**

Online:

- [www.shiftsurrey.org](http://www.shiftsurrey.org)
- @shiftsurrey

The space:

- Visit the Shift space at County Hall (formally room 206)

Reports:

- The Council’s Approach to Innovation: update report, report to Cabinet 23 July 2013
- Strengthening the Council’s Approach to Innovation: Our Innovation Journey, report to Cabinet 26 March, 2013
- One County One Team: Strengthening the Council’s Approach to Innovation, report to Cabinet 27 November 2012

# Enterprising councils

Getting the most from trading and charging  
2012 edition





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How this guide can help	6
Preparing to trade or charge	7
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Checklist for councils and contacts	25
Further reading	26



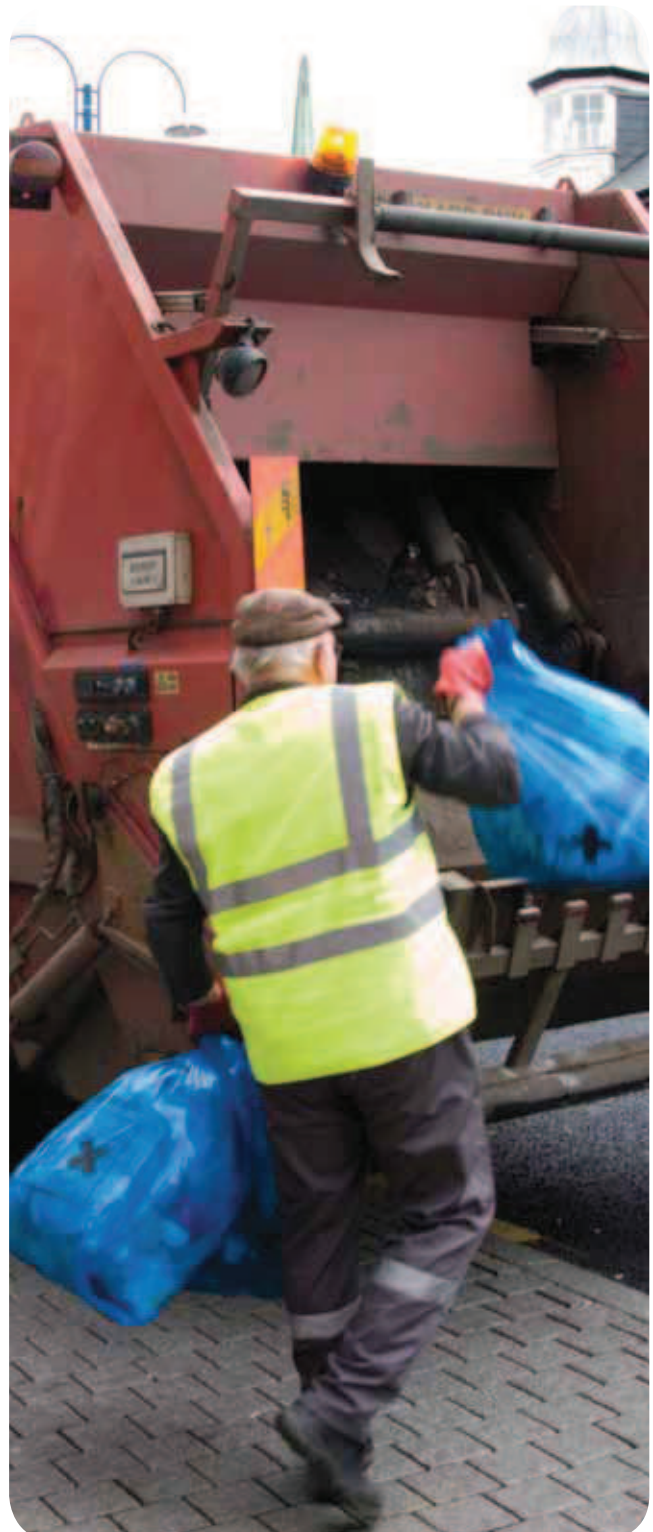
# What is an enterprising council?

Every council is an enterprising council in one way or another. Councils have led the way in the public sector, demonstrating initiative and resourcefulness to rise to the social, economic and environmental challenges that our communities are facing.

10 It is this willingness to not just think about doing things differently but to actually take action that has made local government the most efficient part of the public sector.

The Localism Act 2011 introduces a new General Power of Competence (GPC), which explicitly gives councils the power to do anything that an individual can do which is not expressly prohibited by other legislation. This activity can include charging or it can be undertaken for a commercial purpose, and could be aimed at benefiting the authority, the area or its local communities.

By giving councils the flexibility to act in their own financial interests, the GPC will allow councils to do more than was previously sanctioned under wellbeing powers. This guide will focus on how councils, on their own or working with other public bodies, can be enterprising by increasingly trading and charging.





# Why does this matter to councillors and senior officers?

We all know that in the decade ahead public services will need to adjust to significantly lower levels of central funding than in the past. The Chancellor of the Exchequer confirmed in Budget 2012 that significant cuts to departmental spending can be expected at least through to 2016/17. As it is, local authorities are absorbing a 28 per cent cut to their core funding while facing mounting pressures across service areas like adult social care, safeguarding children and waste management. Cuts to Government grant have been further exacerbated by a loss of revenue from existing fees and charges.

At the same time, councils are facing tough decisions about their council tax rates. Given that all services are effectively paid for by the taxpayer, the service user or both, it makes sense to consider whether it would provide more fairness to the taxpayer to ask those who benefit from a service to cover part or even all of its costs.

Across councils, officers and members are becoming more and more commercial in their acumen, outlook and skills to meet future funding challenges. **Trading (ie to generate efficiencies, surpluses and profits) and charging (ie to recover the costs of providing a discretionary service)** are important options on the menu of innovative ways of working to meet local needs through delivering value for money, sustaining communities and providing choice.

Councillors are playing a critical role, providing leadership to their councils and local partners during these much tougher times. In this context, there are no easy choices. But where choices have to be made they are best made locally by elected representatives who are in daily contact with the people they serve.

# How can this guide help?

This guide is designed to help councillors and senior officers work together to navigate their way through difficult choices to be made about engagement in trading activities and charging for services.

In this updated version we will look at:

- The legal options councils currently have for trading and charging including the most recent rule changes introduced by the GPC under the Localism Act 2011.
- Examples of good practice from councils across the country to help your authority prepare to introduce new trading or charging arrangements.

We need to point out that this short guide is not intended to be a definitive statement of the law and, as ever, councils need **to take their own legal and financial advice.**

The contents of this guide apply only to **England**; different arrangements are in force in Wales, Scotland and Northern Ireland.



# Preparing to trade or charge

Whether your council is thinking about generating income through trading or charging, you will need to consider:

## What are you trying to achieve?

### **Delivering value for money**

Keeping pace with local citizens' expectations is an uphill struggle when central funding is reducing. Exploring new and more efficient ways of working through collaboration between public bodies may be one approach. Generating additional income is another choice available to councils and other public sector partners. That is why it is important to consider all the options for trading and charging.

Profits and surpluses generated through trading activities can be used to help hold down council tax and/or can be directed into frontline services. Income generated from charging for the costs of supplying discretionary services can also help the council's financial position.

### **Sustaining communities**

In some parts of the country communities struggle to thrive because the market does not supply the services local people need at a price they can afford to pay. The recent recession showed this in sharp relief. Market failure of this kind needs to be addressed if communities are to be kept viable.

In many areas, enterprising councils have stepped in to correct market failure of this kind by providing services themselves. For example, Essex Cares Limited, a trading company owned by Essex County Council, provides support for over 100,000 Essex citizens every year. The business, formed in July 2009, provides services supporting people to live active lives and remain independent at home.

By entering the market the council may be seeking to moderate prices for essential services. This may be necessary where the absence of competition means that price rises are not being kept in check. The Localism Act 2011 now supplements and strengthens the statutory powers of councils to offer alternative solutions.

The delivery of discretionary services, charged for on a cost-recovery basis, is an option for councils faced with a challenge of this kind. Charges may be subsidised where this is merited. Establishing a local authority commercial trading company primarily to make profits is another option although the commercial purpose of this type of trading entity means that it would not suit every situation.

### **Providing choice**

Individual citizens and local communities vary widely in their needs and aspirations. Councils seek to be responsive by tailoring services and offering choice where appropriate.

For example, a council might decide to provide a new discretionary service, that is an addition to or enhancement of a statutory service, and then charge for it. The additional service could be requested by an individual or collectively by a neighbourhood. Using powers in this way, it is possible to make a discretionary service pay for itself through usage and demand. This approach will not be suitable for all services. Statutory duties arising from pre-existing legislation govern the provision of services and how their costs should be met. If such duties exist, they must continue to be observed.

Some councils are looking at establishing a trading enterprise to exploit existing skills and expertise to a wider market. Through a commercial trading company these councils hope to extend and improve the range of services offered and introduce new players into the market - for example other councils and businesses not necessarily based in the authority's area. Often the council will be exploring trading in a market or sector it already operates in (eg trading standards or social care). Sometimes it will seek to fill a gap in the market where it believes there is untapped demand for a particular service e.g. translation services offered to other public bodies or offering library transcription services for the blind and extending such service offers to banks, utility companies and other agencies so they can send out bills and statements in tape (or other suitable) format.

## How will you involve relevant service users, communities and staff?

This is particularly important when charging for a service, where the costs previously have been met by council tax or other income. Charging for a discretionary service could be controversial and unpopular. Similarly increasing charges for existing services must be handled with care to prevent perceptions and accusations of taxation by stealth and potential legal challenge from interest groups and affected individuals.

Taking the time to adequately consult with the market and users of the service who are most likely to be affected by charging can help to mitigate some of these problems and avoid damage to relations with local communities. In some cases, there may also be a statutory requirement to consult if the activity is covered by a separate statutory code.

The following measures will help to meet concerns and opposition to charging and income generating initiatives:

- providing proper transparency and accountability of the charging regime
- explaining the context of the charges, how they have been assessed and the basis upon which charges have been calculated
- setting out the context within which the new (or additional) charges are being considered and what the income will be used for (eg to enhance a particular service such as libraries, leisure and recreational facilities or other discretionary services)

- demonstrate you have considered the impact of charges on different sections of the community
- undertaking thorough market research on what other councils are doing, what they are charging and what other private and voluntary bodies are doing in the same or similar markets
- being able to demonstrate that the end user is getting value for money despite the introduction of charges.

In 2007 Ipsos MORI completed research for the Audit Commission to explore residents' views towards service-specific charges: <http://tinyurl.com/dyhxhxa>

Meanwhile if you are looking to move staff from the council to form part of a local authority trading vehicle make sure you:

- consult early with staff, sell them the vision, listen to their suggestions and adapt proposals accordingly
- develop trust and commitment to the new organisation and take employees with you on the journey
- research and explain all issues relating to terms and conditions of employment, specifically pensions and other areas covered by the Transfer of Undertakings (Protection of Employment) Regulations (TUPE)
- ensure that staff who transfer to the new enterprise want to be there and are committed to its objectives.

From a workforce perspective the key to success when any organisation spins out of local government is effective employee engagement.

## How does the law help you to achieve your objective?

Trading and charging for services has been a feature of local government for a considerable time. For example:

- **Specific powers** to charge for services are contained in a variety of local government statutes.
- Under the **Local Authorities (Goods and Services) Act 1970** councils were given powers to enter into agreements with each other and with a long list of other designated public bodies.
- The **Local Government Act 2003** added further possibilities. It enables councils to trade in activities related to their functions on a commercial basis with a view to profit through a company. In addition, the 2003 Act empowers councils to charge for any discretionary services on a cost recovery basis. Originally, trading through a company was confined to certain categories of councils but a Trading Order, in force since October 2009, removed such restrictions.
- The new **General Power of Competence (GPC) contained in the Localism Act 2011** now sits alongside local government's existing powers to trade and charge. Under the Localism Act 2011 commercial trading through a special purpose trading company is now an option open to many more public bodies including eligible parish councils, fire and rescue authorities, integrated transport authorities, passenger transport executives and economic prosperity boards in England. New powers contained in the Localism Act also provide the ability to charge for discretionary services on a cost recovery basis.



## What is the General Power of Competence?

The Localism Act 2011 will repeal and replace wellbeing powers **in England but not in Wales**. The wellbeing powers, introduced in 2000, provided councils with powers to do anything they considered likely to promote or improve the economic, social or environmental wellbeing of the area. Whilst these powers were very widely drafted, litigation as to the proper scope of wellbeing caused some uncertainty.

**The General Power of Competence (GPC) within the Localism Act 2011 removes these uncertainties.** It simply states that: “A local authority has power to do anything that individuals generally may do”. It is worth noting that while the definition of a ‘local authority’ in the Act doesn’t explicitly reference unitary authorities and metropolitan borough councils these are captured by this definition by the references to district and county councils.

Through the GPC Parliament has expressly granted local authorities all the powers to do anything that an individual of full capacity generally may do (unless expressly prohibited by another statutory provision). Parliament has recognised the important indirect benefits to communities of giving councils the freedom and flexibility to act in innovative and resourceful ways. Consequently, the GPC effectively removes many of the unhelpful boundaries that have constrained their activities in the past (eg preventing a group of councils creating a

mutual insurance company) to enable local authorities to do things:

- anywhere in the UK or elsewhere
- for a commercial purpose or otherwise, or for a charge or without charge
- for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area.

There are provisos to these new freedoms. For example, the GPC will not:

- provide local authorities with any new power to raise tax or precepts, or to borrow
- enable councils to set charges for mandatory services, impose fines or create offences or byelaws affecting the rights of others, over and above existing powers to do so.

Councils will need to determine whether any overlapping powers exist in other legislation. Overlapping powers enacted before the GPC may place ‘pre-commencement limitations’ on the GPC, but powers enacted after commencement will only apply to the general power if expressed to do so.

Despite these limitations, GPC is clearly designed to allow councils to get on with the job of working innovatively with others to drive down costs and meet local people’s needs. The Secretary of State retains a power within the Localism Act to make orders amending, repealing, revoking or dis-applying any statutory provision that prevents the GPC being used in this way. It is essential that local authorities are pro-active in helping Government identify any remaining unhelpful restrictions.

The remainder of this guide explores opportunities for trading and charging in

more detail to help you identify the best powers to achieve your objective.

# Charging

There are **specific powers** to charge for services scattered throughout local government legislation. For example:

- section 19 of the Local Government (Miscellaneous Provisions) Act 1976 permits charging for the use of leisure and recreational facilities
- section 38 of the 1976 Act permits entering into agreements with other persons to make full use of local authority computers and equipment
- the Civic Restaurants Act 1947 permits district councils and London boroughs to run restaurants and otherwise provide for the supply to the public of meals and refreshments and use best endeavours to ensure its income is sufficient to cover its expenditure.

The **Local Government Act 2003** introduced a general power to charge for the provision of any discretionary service. The charging power is available to all 'best value authorities'. This includes all counties, unitary authorities, London boroughs, metropolitan boroughs, and districts councils alongside a number of other local authorities.

The charging powers do not apply to services which an authority is mandated or has a duty to provide. However, councils can charge for discretionary services (that is, services they have power to provide but are not obliged or have a duty to provide by law).

The recipient of the discretionary service must have agreed to pay for the provision of such services.

The 2003 Act power cannot be used where charging is prohibited or where another specific charging regime applies. Charging is limited to cost recovery and statutory guidance published in 2003 outlines how costs and charges should be established and that guidance remains in force (see Further Reading).

The charging provisions contained in the **Localism Act 2011** follow, very closely, the requirements of the 2003 Act to allow local authorities to charge up to full cost recovery for discretionary services. These provisions will continue side-by-side rather than replace the Local Government Act 2003 powers. The general power to charge is subject to a duty to secure that, taking one financial year with another, the income from charges does not exceed the costs of provision.

As with the 2003 Act powers, charging for things done in exercise of the GPC is not a power to make a profit from those activities. So authorities wishing to engage in commercial trading for profit will need to rely on other powers to trade, which are explored in the next section of this guide.

## Rushcliffe Borough Council, Nottinghamshire

Rushcliffe, in common with many other councils, is faced with making significant cost savings. Charging for green waste was one of the many income generation projects that they hope will help with these challenging targets. The council had provided green bin collections as a free discretionary service to residents for many years but noticed they were also collecting a lot of nearly empty bins which was very inefficient. They decided to explore introducing a cost recovery charging scheme for customers who use the service frequently and who opt to pay for it.

They recognised that it was a challenge to introduce a charge for a previously free service. After researching the legal powers to charge for this service (in this case the Environmental Protection Act 1990 and the Controlled Waste Regulations 1992 Schedule 2) and examples of what some other Councils were doing in this area,

the council conducted Rushcliffe's largest ever customer contact exercise. The call centre was 'hot', proactive and non-stop. It received 17,500 calls in just four months – a 50 per cent increase over normal volumes. Rushcliffe received significant take up of the scheme with over 40 per cent of residents who agreed to the service opting to pay online, which is secure, efficient and fast.

The outcome: To date, performance has far exceeded Rushcliffe's expectations. The original target was set to get 15,000 homes signed up to the services based on experience from other councils however currently:

- 26,000 households have joined (over two-thirds of homes)
- many customers opted to buy extra bins as they are such good value for money
- expected target income has doubled to £670,000.

As the Rushcliffe example shows, one important consideration when introducing new charges is to find the most cost effective way to recover those charges – for example charging at the point of use and using online systems – to avoid additional administrative costs associated with recovering debts.



# Trading

The legislation relevant to local authority trading uses the term ‘commercial purpose’ to describe trading activities. Government guidance suggests ‘commercial purpose’ means having a primary objective to make a profit from the trading activities in question.

In this guide, the term ‘trading’ is used much more broadly to cover a range of arrangements that councils might wish to enter into to make efficiencies through reducing costs; improving services for the benefit of users and, potentially, to generate profits. These may involve establishing new business relationships with other councils and public bodies or with the private sector, voluntary and community sector and individuals.

For councils considering a new trading venture it will be essential to first determine whether it is acting pursuant to a ‘commercial purpose’. If so, the law requires councils to pursue that commercial purpose via a company. If not, alternative arrangements to establishing a company are also explored below.

## Trading within the public sector

The term ‘shared services’ in this guide means the provision of services from one public body to one or more others. The very important distinguishing feature of shared service arrangements is that such an enterprise will usually be exclusively comprised of public bodies who will not be seeking to sell services or goods to the general public or to any other party such as a private sector entity. In this way the market is contained, easily identified and limited in range and potential risk. The partners to such an arrangement will all be likely to be sharing the risk and rewards of the venture.

Shared service arrangements can be achieved either:

1. directly through a lead authority and joint committee arrangement, and/or
2. by agreement or contract, or
3. via a delivery vehicle such as a company.

**1. The Local Government Act 1972, Section 101 permits local authorities to arrange for the discharge of their functions by a committee, sub-committee, an officer or by another local authority.**

Many shared service arrangements are set up under these public administrative arrangements, usually with one of the authorities involved taking the lead.

## The South West Audit Partnership

The South West Audit Partnership or 'SWAP' was formed in 2005 as a Joint Committee under the provisions of Section 101 of the Local Government Act 1972. The Partnership started with only two councils, although it was planned from the start for two more local authorities to join later in its first year of operation. The model chosen for the joint service delivery was originally intended for a relatively small partnership, for which the Joint Committee model is particularly well suited.

By working in partnership, SWAP aims to:

- provide a cost effective, high quality internal audit service to its partners
- strive to reduce costs without any negative impact on service delivery
- continually improve the quality of internal audit services to the partners
- share best practice ideas observed during the internal audit process
- ensure continuity of internal audit services to the partners in an equitable manner
- continually seek to improve the standard of corporate governance, risk management and internal control systems for all partners
- reduce net costs year-on-year.
- complete 95 per cent of planned audits on time and on budget
- attract new partners where it is beneficial both to the partnership and the prospective partner

- obtain non-partner contracted internal audit work that represents 10 per cent to 20 per cent of the total partnership budget.

### Changing environment

The world in which SWAP operates is changing rapidly and will continue to do so. The 2010 Comprehensive Spending Review cuts across government departments required savings averaging 20 per cent over four years. SWAP has expanded significantly over its six year existence and has 12 partner authorities spanning four county council areas. SWAP Management Board members are considering the appropriateness of the current governance model and the options for incorporating the undertaking by way of a 'Teckal exempt' in-house trading vehicle owned by the participating members of the partnership.

### Local Partnerships' options appraisal

Local Partnerships was commissioned by SWAP to assist with exploring the key options and issues, particularly in the light of the new powers and opportunities offered by the Localism Act 2011, to enable SWAP stakeholders and member local authorities to identify an option which most appropriately fits SWAP's requirements. In the light of the full options appraisal carried out, SWAP are conducting a member review to determine whether the partnership should continue its business through the current joint committee structure or alternatively, whether it should establish a Teckal compliant, wholly owned corporate vehicle to conduct future business by and between its public sector clients.

**2. The Local Authorities (Goods and Services) Act 1970** remains the bedrock for establishing shared service or joint arrangements between two or more public bodies through an agreement or contract. It permits councils to enter into ‘agreements’ with other local authorities or other designated public bodies, for the provision of goods, materials and administrative, professional and technical services, for the use of vehicles, plant and apparatus and associated staff, and for the carrying out of maintenance. These powers remain particularly useful where authorities are seeking to provide goods or services of a relatively modest value to each other, and the costs and time associated with setting up a commercial trading company would be disproportionate.

The 1970 Act leaves it to the public bodies concerned to use an ‘agreement’ to set out payment terms or otherwise that the parties consider appropriate. This offers flexibility and does not limit arrangements to simply cost recovery. Some councils have established shared services enterprises through a combination of public administrative arrangement such as a joint committee under section 101 of the Local Government Act 1972 and an agreement using 1970 Act powers.

Local authorities (and indeed other public bodies) can use these powers to ‘test the waters’ and explore whether collaborative arrangements can be established which make for more effective and efficient working.

Tax and fiscal considerations will also be paramount here, as setting up a company creates a new statutory body which may (depending on the type of company established and the trading activities it carries out) be subject to the corporation tax regime and will be treated separately for VAT, National Non-Domestic Rates (NNDR) and stamp duty land tax purposes.

Using an agreement or joint committee structure where the arrangements are established for the better performance of public administration may also provide a better fit with the limited exceptions from EU procurement rules, known as the Teckal exemption, which is briefly outlined below.

Overall this approach provides time for joint enterprises in the public sector to evolve through a joint committee arrangement and/or by agreement whilst retaining the option to establish a company structure at some later date, if desired.

**What is a Teckal exemption?** In simple terms the Teckal exemption means where an authority or authorities set up arrangements, including wholly owned companies to supply services back to those authorities, in the same manner as an in-house arrangement. In these cases the EU procurement rules do not apply to those arrangements.

**3. Setting up a company is another route by which public bodies can establish shared services arrangements.** Public bodies could, for example, establish a company to perform a trading function of a specific and limited nature to provide services to its member/owners. 'Teckal' compliance features would need to be built into the constitution of the company to ensure its operations and management remain in the control of the owner/members and that the company supplies the significant proportion of its business to those owner/members.

This type of 'Teckal' company would not be expected (or permitted) to trade commercially with the public at large. Local authorities creating a Teckal company need to very clearly articulate what sort of enterprise they are intending to establish and what sort of custom or 'trade' that company would undertake to distinguish it from a more market orientated commercial trading undertaking.

Commercial trading companies, unlike companies set up for trading by and between local authority members would be outward facing and would seek to attract business from any source.

The GPC powers might be used to establish a company which is set up for non-commercial public administrative functions and which is to be wholly under the control of its member local authorities/ public bodies. The members should be able to engage with the company without going through a procurement exercise provided these arrangements are akin to 'in-house' arrangements to comply with the 'Teckal' exemption.





## How do European Union procurement, state aid and competition laws impact on trading activities between public bodies?

### EU Procurement issues

In brief, the EU procurement rules, (as implemented in the UK by the Public Contracts Regulations 2006) require a procurement process to be followed for the award of certain public works, supplies and services contracts. There is no exception from the rules simply because public bodies wish to supply services to one another.

The EU case of Teckal (C-107/98) does however, provide an exemption from the application of the procurement rules for so called 'in house' arrangements, where:

- the contracting authority exercises a control over the goods, services or works provider which is similar to that which it exercises over its own departments (the '**control test**') and
- at the same time, the provider carries out the essential part of its activities with the controlling contracting authority or authorities (the '**function test**').

In *Brent London Borough Council v Risk Management Partners Limited* [2011] ('Brent') the Supreme Court held that insurance contracts could be placed with a shared services company jointly owned and controlled by a group of local authorities and that, following the Teckal case, those contracts did not need to be tendered via the Official Journal of the European Union (OJEU).

The Teckal exemption is likely to be very relevant to arrangements involving two or more public bodies which are set up to promote more effective or efficient public administration. However, the Teckal exemption is not likely to be applicable where a local authority establishes a commercial trading company (under the Localism Act or under the Local Government Act 2003 Section 95) to trade with the wider market. This is because the entity's market orientation will cause it to not meet the function test referred to above. Such an entity will need to be operated at 'arms length' of the authority, with support costs or other assistance being recovered from the trading entity by the authority concerned.

### State aid

If a local authority establishes a separate entity, namely a company, it may wish to consider providing financial assistance to that entity. In doing so, the local authority must have regard to state aid rules. This is a specialist area, where external advice is likely to be necessary. In outline, the State Aid rules are intended to ensure that market forces may operate freely across Europe with no unwarranted interference through the State (national government) or an 'organ of the State' such as a local authority. The following criteria must be met in order for State Aid issues to arise:

- the aid must have the potential of affecting competition and trade between Member States
- the measure granting aid must be capable of or have the effect of distorting competition by conferring an advantage or benefit on a selective basis

- the aid must be paid through (directly or indirectly) state resources, and this can take a variety of forms such as grants, interest and tax reliefs, guarantees, government holdings of all or part of a company, or the provision of goods and services on preferential terms, and
- the aid favours certain undertakings, or the production of certain goods.

To avoid conferring a benefit, the authority must ensure that it does not indirectly subsidise the undertaking, and treats it at arm's length in the same way as any other third party contractor. If a State Aid issue arises, the assistance proposed must be approved in advance by the European Commission through:

- the Commission approving a formal notification
- the assistance being compatible with an existing approved notified scheme, or
- the assistance being compatible with one of the State Aid block exemptions issued by the Commission.

The consequences of unlawful State Aid are potentially serious, including damages payable by the authority to any third parties who can show they have suffered a loss as a result of the aid, and recovery of the aid (plus interest) from the recipient.

### **Competition law**

The requirement to use companies for trading under section 95 of the LGA 2003 and the Localism Act Section 4, places local authorities in the same position as any other commercial undertaking as to the need to meet costs and make a profit.

If a local authority trading operation were to prove successful, there could be some impact on local markets especially small businesses. The successful development of larger trading operations by local authorities however, could reasonably be expected to lead to new economic opportunities as well as possible disadvantages for small businesses, as suppliers or in specialist markets.

Authorities should consider any proposed charging and trading activities very carefully against the requirements of competition law, consulting their own lawyers as necessary. Trading by local authorities may be subject to the provisions in the Competition Act 1998 and/or Articles 101 and 102 of the Treaty on the Functioning of the EU (formerly Articles 81 and 82 of the EC Treaty). These articles set out rules on anti competitive practices and the abuse of a dominant position.

## New partners in the public sector

It is worth noting that the Localism Act has an impact not only on councils but also provides new powers for:

- **Parish and town councils:** 'Eligible' parish and town councils will also be able to use the General Power of Competence, which means these neighbourhood councils will have access to wider trading and charging powers.
  - **Fire and Rescue Authorities (FRAs):** Principal local authorities, including county councils will have access to the GPC. This includes the 15 county councils who are also fire and rescue authorities, as they are the principal local authority for the county and exercise significantly wider functions than stand-alone fire and rescue authorities. The Act also introduces a general power for single-purpose fire and rescue authorities (FRAs) and simplifies the existing charging regime for FRAs. This will allow them the freedom to do whatever they consider appropriate, where the outcome is intended to be beneficial to the delivery of their functions, integrate functions with other emergency services, and charge for non-core discretionary services. They can also exercise these new powers for a commercial purpose
- but if so doing, they must pursue such commercial purpose through a company or an industrial and provident society (as per principal authorities) (Sections 9 and 10 Localism Act 2011). Section 19 of the Fire and Rescue Service Act 2004 enables FRAs to charge and the Localism Act introduces some revisions to these provisions.
- **Integrated Transport Authorities (ITAs) and Passenger Transport Executives (PTAs):** general purpose powers have been made available to these authorities under the Localism Act which include powers to trade through companies etc (Part 1 Chapter 3, Section 12 Localism Act 2011).
  - **Economic Prosperity Boards and combined authorities:** again new general purpose powers and powers to trade through companies etc (Part 1 Chapter 3, Section 13 Localism Act 2011).

The General Power of Competence and new general powers for other types of authorities offer opportunities for innovative arrangements to develop between public sector agencies or with private sector providers or not-for-profit organisations to deliver more integrated, economical services leading to better outcomes for citizens.

## Trading beyond the public sector

After many years of experience trading between public bodies, the Local Government Act 2003 added new possibilities for councils to extend their trading activities to provide services to other users beyond the 'defined public bodies' listed in the 1970 Act. This includes the wider market, private individuals and other bodies or organisations. In 2009 the Government permitted all best value authorities<sup>1</sup> in England "to do for a commercial purpose" anything which they are authorised to do for the purpose of carrying on their ordinary functions.

The Localism Act 2011 has extended opportunities to trade for a commercial purpose much further. For example the General Power of Competence (GPC) does not require councils to identify a statutory function upon which to 'hang' their trading activity. In other words, local authorities are allowed to expand their trading activities into areas not related to their existing functions. It also effectively removes geographical boundaries to local authority activity so that they can set up trading company that can trade anywhere in the UK or elsewhere. But the law continues to prevent councils trading with individuals where they have a statutory duty to provide that service to them already.

GPC also extend trading powers to 'eligible parish councils'. These are defined by the Secretary of State in secondary legislation as parish councils who have:

- two-thirds or more of members of the council who have been elected at ordinary elections or at a by-election, as opposed to being co-opted or appointed
- a clerk to the parish council who holds one of the listed qualifications and has completed relevant training in the exercise of the GPC, provided in accordance with the National Association of Local Council's national training strategy, and
- passed a resolution that it meets the other conditions of eligibility.

**Under both the Local Government Act 2003 and Localism Act 2011, the power to trade must be exercised through a company.** There are different definitions of 'company' in the relevant legislation but there appears to be no substantive difference between the types of entity permitted as trading companies, namely companies limited by shares, companies limited by guarantee or industrial and provident societies:

- Local Government Act 2003: refers to Part V of Local Government and Housing Act 1989
- Localism Act 2011: refers to the Companies Act 2006 s 1(1) or society registered or deemed registered under Co-operative and Community Benefit Societies and Credit Unions Act 1965.

<sup>1</sup> Which did not include parish councils.



With trading companies wholly owned by a council, any profits generated may go back to the council through dividends or service charges. These can then be used to hold down council tax and/or can be invested into frontline services.

Local authorities may also consider participating in someone else's trading venture through a company, such as a social enterprise, as long as that entity is a company within the relevant definitions. A limited partnership or limited liability partnerships do not fall within the permitted categories for local authority commercial trading.

## Commercial trading and risk

All commercial activity involves risk and potential losses as well as the potential to make profits. These risks and opportunities must be fully understood and scoped before embarking upon such enterprises, with the potential to mitigate and manage these risks explored. A key part of this is the development of a business case. The 2009 Trading Order requires that a business case ('a comprehensive statement') be prepared and approved before exercising the trading powers. This covers objectives and associated investment and other resources required, business risks with an indication of their significance, and the expected financial results and any other relevant outcomes expected. It also places an obligation on the authority concerned to recover the costs of any accommodation, goods, services, staff or any other thing that it supplies to a company in pursuance of any agreement or arrangement to facilitate the exercise of the trading power. No similar requirement is currently contained in the Localism Act. In any event the rules on State Aid would need to be considered in this respect.

Other important **legal, commercial and financial considerations** for councils setting up a trading company include company law issues, the cost of bidding for contracts, tax liability (corporation tax and VAT), EU procurement law and state aid rules and employment law (TUPE and pensions). There also needs to be a business plan for the operation of the company.

**The Norse Group is a holding company owned by Norfolk County Council** and has a combined turnover in excess of £250 million. The Group brings together three local authority trading companies providing services to councils, the NHS, the emergency services, housing associations, and numerous private sector organisations. Its three operating companies are:

- Norse Commercial Services Ltd providing facilities management
- NPS Group Ltd providing property design and management consultancy, and
- Norse Care Ltd.

Norse Care, the newest of the companies, provides 26 residential care homes and 13 'housing with care' schemes across Norfolk and employs 2000 staff. Over the next 15 years, it will invest in and undertake a programme of re-provision of the Council's current care accommodation, as part of the County's pledge to meet the changing needs of its older population and the increasing demands on social care services.

The Norse Group, in partnership with Norfolk County Council, opted to form Norse Care Ltd to achieve a number of key outcomes including:

- **Revenue generation:** to find a more locally responsive and efficient way of delivering care to the elderly to meet their needs, whilst also generating income.
- **Employment flexibility:** recruiting and employing staff via the company provides the opportunity to introduce different terms and conditions that better meet modern business and employee needs.
- **Market moderation:** the trading vehicle provides an alternative to either in-house

delivery of care services or outsourcing to a single large private sector provider.

- **Correct market failure:** creating the opportunity for occupational therapy, for which there were no local providers, to be delivered as part of social care services.

The arrangements have allowed the council to concentrate on its strategic commissioning role to assess local needs, design and procure appropriate services and monitor outcomes, whilst Norse Care concentrates on the delivery of a high quality public service.

The Norse Group expects the pay back to Norfolk County Council to grow to £5-£6 million over the next five years in the form of a profit share, and is a major employer in the region with over 10,000 staff.

The Norse Group and Norfolk County Council's experience of starting to trade in this way has highlighted a number of key lessons including the need for:

- full political backing to provide both strategic and financial support to the venture
- sufficient cash flow to keep operating and the Council putting real money into the initial venture, and
- awareness that pension liabilities can potentially create a significant deficit on the opening balance sheet, which may make bidding for further work tricky.

These aren't, however, insurmountable issues and the fact that the Norse Group is now made up of three companies illustrates this point, as well as highlighting opportunities for existing business infrastructure to make it easier to start local authority trading companies in the future.

### Other examples include:

**Essex Cares** was the first local authority trading company to offer social care services in the county. The company specialises in delivering support to adults across Essex providing:

1. community support: such as helping someone with a learning disability to improve their job prospects and independence
2. home support: such as installing grab rails to help them get in and out of the house.

In 2009 some 850 county staff were transferred to this business. During 2010/11 Essex Cares made a profit of £3.5million and within the same period over 115,000 people across Essex had contact and support from the company to enable them to maintain and improve their independence with services designed to meet their needs and choices. Key impacts included using individual outcome-focused support programmes to help 80 per cent of those referred to their Crisis Response service avoid being admitted to hospital.

**Solutions SK** is wholly-owned by Stockport Council. It provides a wide range of services ranging from facilities management, including catering, to highways and waste management. It was formed in 2006 from the council's direct services department when some 1,000 staff transferred. Today, turnover is around £40 million.

**Swindon Commercial Services** has followed a similar path and provides a parallel range of services, including most recently the survey, design, installation and maintenance of domestic solar panels. It was established as a trading company early in 2010 and now employs over 850 dedicated and skilled employees with a turnover in excess of £65 million p.a. It provides services to a wide range of clients including local government, housing associations and private businesses in Wiltshire and beyond.

**Kent County Council (KCC) has a significant track record of undertaking trading activities including:**

**KCC Commercial Services:** Commercial Services is the trading arm of Kent County Council, which sells and brokers in excess of £780 million per annum, supplying a range of goods and services to a wide customer base comprising local authorities and other publicly funded bodies. Commercial Services is a non-budget funded organisation providing a significant and growing financial return to Kent County Council. It provides a wide range of services including Kent County Supplies, Kent Fleet, Passenger Services, County Print and Design and LASER (energy buying group). Operating independently of Commercial Services, KCC supplies private and public sector customers with a range of services via Kent Top Travel and Kent Top Temps. Commercial Services is also exploring potential opportunities through the General Power of Competence.

**KCC Legal:** The 'Kent Model' of legal services delivery is nationally recognised as the leading exemplar and most successful trading operation of its kind anywhere in the country, with a significant revenue of more than £1million per year. It already supplies legal services direct (without a company structure) to any organisation to which KCC is statutorily empowered to provide services. That currently effectively means the whole of the public sector except central government.

**KCC Schools Personnel Service:** The Schools Personnel Service provides specialist advice and support on a range of personnel issues relating to both teaching and support staff, specifically tailored for the education sector. The service was established as a trading arm three years ago, providing personnel services to over 570 schools in Kent, charging a competitive market rate. It has since produced a surplus every year.

Moreover, it has created a model to expand for other schools support services; **EduKent** is a trading company that now provides a 'one stop shop' for schools and academies to buy all of the support services they need to run a school effectively. It has been developed in response to the rapidly changing educational environment, to meet the needs of schools and academies for high quality, competitively priced services delivered by experienced staff, to assist them in improving outcomes for their pupils.

# Checklist for councils

Has your council:

- Carried out a **fundamental review** of its activities – in conjunction with local partners – and as part of that looked at use of trading and charging powers?
- Adopted a **policy** on trading and charging that is aligned to council strategy and a delivery plan?
- Considered how a move to greater commercialism will impact on the current and future workforce of the council and what **training and development** may be needed?

If you are considering introducing a new charging scheme or trading in a new way, have you:

- Carried out **option appraisals** (including early legal, financial, tax, HR advice and market research)?
- **Consulted** with service users and the wider community where the council proposes to introduce new charges (particularly for services that have previously been provided for free)?
- **Effectively engaged employees** where new trading activities are likely to involve transferring existing council employees to a company?
- Approved a **business case** for selected options (especially where this is a statutory requirement) and an operational **business plan**?

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# Further reading

'General Power for Best Value Authorities to Charge for Discretionary Services', ODPM, 2003

'General Power for Local Authorities to Trade in Function Related Activities Through a Company', ODPM, 2004

And the Addendum to that Guidance issued in April 2007, [NB. To be read in light of 2009 Trading Order]

'Using the New Powers to Trade and Charge: Local Authority Case Studies', LGA, 2005

'Local Authority Trading: Research Report', CLG (INLOGOV), 2007

'Positively Charged: Maximising the Benefits of Local Public Service Charges', Audit Commission, 2008

'SI 2009/2393, The Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009' [2009 Trading Order]

'Joint Ventures: A Guidance Note for Public Sector Bodies Forming Joint Ventures with the Private Sector', HM Treasury, 2010

Capital investment, regeneration and joint ventures – Local Partnerships Guidance for Local Authorities 2011

[www.localpartnerships.org.uk](http://www.localpartnerships.org.uk)







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Council Overview & Scrutiny Committee  
12 September 2013

**FORWARD WORK PROGRAMME**

- 1 The Committee is asked to review its Forward Work Programme which is 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.

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**Sources/background papers:** None.

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# Council Overview & Scrutiny Committee – Forward Work Programme 2013/14

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

To be linked to consideration of Surrey's present Medium Term Financial Plan (MTFP)

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It is proposed that this work will continue throughout autumn 2013

The Committee will be looking at how the various strands of Digital by Default join up across the Directorates.

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

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

It is intended that the work on welfare reform will help inform the Committee's scrutiny of the 2014/15 budget proposals (due to be finalised in February 2014)

## Items to be scheduled in 2014

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

The Cabinet agreed a Communications and Engagement Strategy at its meeting on 25 June 2013. The Committee will review its progress following a period of 6 months.

Adult Social Care Committee will be looking at this topic in autumn 2013. Following this, Council Overview & Scrutiny Committee will consider what wider opportunities there could be for the council.

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

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

The Cabinet is making a decision regarding its first trading company at its meeting on 25 June 2013. The Committee will review its progress following a period of 6 months.

The Committee's Vice-Chairman is currently considering how best the Committee scrutinise this topic. Proposals on a format and approach will follow.

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

## Other items coming to Committee

### **Fairness and Respect Strategy 2013-18 –**

This will be circulated to the Committee for comment prior to it going to Cabinet on 22 October 2013

**LASER** – The LASER Management Team are coming to the September 2013 Performance & Finance Sub-Group to discuss the current LASER contract arrangements with Surrey

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