Notice of Meeting

Council Overview Board

Date & time	Place	Contact	Chief Executive
Thursday, 1 October 2015 at 10.00 am	Ashcombe Suite County Hall Penrhyn Road Kingston upon Thames KT1 2DN	Helen Rankin or Lucy Collier Room 122, County Hall Tel 020 8541 9126 or 020 8541 8051	David McNulty

helen.rankin@surreycc.gov.uk
or
lucy.collier@surreycc.gov.uk

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@SCCdemocracy

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This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Helen Rankin or Lucy Collier on 020 8541 9126 or 020 8541 8051.

Members
Mr David Munro (Chairman), Mr Eber Kington (Vice-Chairman), Mr Mark Brett-Warburton, Mr Bill Chapman, Mr Stephen Cooksey, Mr Bob Gardner, Dr Zully Grant-Duff, Mr David Harmer, Mr David Ivison, Mrs Denise Saliagopoulos, Mr Nick Harrison, Mr Michael Gosling, Mrs Hazel Watson, Mr Colin Kemp and Mr Keith Witham

Ex Officio Members:
Mrs Sally Ann B Marks (Chairman of the County Council) and Mr Nick Skellett CBE (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

1 **APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

2 **MINUTES OF THE PREVIOUS MEETING: 10 SEPTEMBER**

Due to the short time frame from the previous Board, the minutes of the previous meeting will be considered at the next Council Overview Board on 5 November 2015.

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 (24 September 2015).
2. The deadline for public questions is seven days before the meeting (23 September).
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**

There are no responses to report.

6 **CHAIRMAN'S UPDATE**

7 **RECOMMENDATIONS TRACKER AND FORWARD WORK PROGRAMME**

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

Programme.

8   **CABINET MEMBER PRIORITIES**

Verbal update in relation to the Cabinet Member Priorities.

9   **ANNUAL REPORT OF THE SHAREHOLDER BOARD**

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

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

10   **ORBIS BUSINESS PLAN**

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

To provide Members with details of a 3 year business plan for Orbis.

11   **THE PROPERTY STRATEGY**

Purpose of the report: Scrutiny of the Property Strategy

To provide the Council Overview Board with the opportunity to understand the scale and scope of Property Services and its alignment to the Corporate Strategy

12   **CARBON AND ENERGY POLICY: YR 1 PROGRESS REPORT**

Purpose of the report: Performance Management

The Carbon and Energy Policy 2015-19 sets out the council's strategy to manage its long term energy costs and reduce carbon emissions. The policy was approved by Cabinet in March 2015. This report provides an update on the activities and outcomes since the policy's baseline year of 2013/14.

Members are asked to consider the report and provide comments in order to steer the future strategy for implementation of the policy.

13   **BUDGET MONITORING: AUGUST 2015**

Purpose of the report:

This report provides the budget monitoring of the council's capital and revenue budgets for the 2015/16 financial year to 31 August 2015. There are two annexes attached: the first being the council's budget monitoring report that was presented to the cabinet on 22 September; and the second being a supplementary detailed budget monitoring information for Business Services, Chief Executive's Office and Central Income and Expenditure.

14   **CALL IN OF CABINET DECISION**

Details to follow. 242)

Confidential: Not for publication under Paragraph 3
Information relating to the financial or business affairs of any particular
person (including the authority holding that information)

15   **DATE OF NEXT MEETING**

The next meeting of the Committee will be held at 10.00am on 5
November 2015.

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David McNulty
Chief Executive
Published: Date Not Specified

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MINUTES of the meeting of the **COUNCIL OVERVIEW BOARD** held at 10.00 am on 10 September 2015 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

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

Elected Members:

       Mr David Munro (Chairman)
       Mr Eber A Kington (Vice-Chairman)
       Mr Mark Brett-Warburton
       Mr Bill Chapman
       Mr Stephen Cooksey
       Mr Bob Gardner
       Mr Michael Gosling
       Dr Zully Grant-Duff
       Mr David Harmer
       Mr Nick Harrison
       Mr David Ivison
       Mr Colin Kemp
       Mrs Denise Saliagopoulos
       Mrs Hazel Watson
       Mr Keith Witham
*   Mrs Margaret Hicks, Substituted by
*   Mr Chris Norman
*   Mr Michael Sydney

Ex officio Members:

       Mrs Sally Ann B Marks, Chairman of the County Council
       Mr Nick Skellett CBE, Vice-Chairman of the County Council

Co-opted Members:

Substitute Members:

In attendance

22/15 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

- Apologies were received from Bill Chapman, Colin Kemp and Denise Saliagopoulos. Margaret Hicks and Michael Sydney attended as substitutes.
- Apologies were also noted from the Cabinet Member for Business Services, Denise Le Gal.
- It was also noted that Victoria Young, Natalie Bramhall and Peter Hickman had given their apologies as Members of the Economic Prosperity, Environment & Highways Board.

23/15 MINUTES OF THE PREVIOUS MEETING: 1 JULY 2015 [Item 2]

It was noted that there was an incomplete sentence on page 3, bullet point 5. This would be corrected before the Chairman signed the minutes.

With the above amendment, the minutes were agreed as an accurate record of the meeting.

24/15 DECLARATIONS OF INTEREST [Item 3]

Mike Bennison noted to the Board that he had worked in the aviation industry for 25 years, with 20 working out of Heathrow. It was noted that this was not a pecuniary interest.

25/15 QUESTIONS AND PETITIONS [Item 4]

There were no questions or petitions.

26/15 RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SCRUTINY BOARD [Item 5]

Responses from Cabinet regarding Welfare Reform and the Chief Executive's Annual Report are attached as annexes 1 and 2.

Two responses had been received from Cabinet and were included at Item It was agreed that the Welfare Reform Task Group report would be circulated to all Surrey MPs.

27/15 CHAIRMAN'S INTRODUCTION [Item 6]

1. The Chairman welcomed Members of the Board and representatives from Heathrow and Gatwick Airport. He informed the Board that he recently visited East Sussex County Council to meet with scrutiny Members and Democratic Services as part of the Orbis joint Committee. He noted that as the partnership work between Surrey & East Sussex continues, it was timely to consider the joint scrutiny arrangements between the two authorities. The proposal for joint scrutiny was covered as part of Item 8.

2. The Scrutiny Board were informed that the meeting would focus on the review of the Surrey County Council Airport Policy. Following publication of the Davies report, it was timely for scrutiny to hear from Heathrow & Gatwick, who were both represented at the Board.

3. Members were reminded that as a scrutiny function, the Council Overview Board could not make a decision. Members were reminded that the purpose of the meeting was to hear evidence from the relevant parties with a view to potentially forming recommendations to the Cabinet on the future of the County's airport policy.

4. The Chairman assured all of the witnesses that they would receive a respectful, fair and unbiased hearing.

28/15 RECOMMENDATIONS TRACKER AND FORWARD WORK PROGRAMME [Item 7]

Key points raised during the discussion:

The Board noted the Recommendations Tracker and Forward Work Programme.

- Members were reminded that they may wish to suggest items for scrutiny The Board were informed that the Agency Staff contract item would be considered at the November Council Overview Board.

29/15 ARRANGEMENTS FOR JOINT SCRUTINY OF ORBIS [Item 8]

Witnesses:
None.

Key points raised during the discussion:

1. The Board noted the report and agreed the approach to joint scrutiny of Orbis

Recommendation:

- The Board agreed the approach to joint scrutiny, as set out in the report.

- The report is noted and the approach to joint scrutiny of Orbis be agreed.

Committee Next Steps:

- The next meeting of the Transformation Sub Group was scheduled for the 11 September 2015.

30/15 SURREY COUNTY COUNCIL AIRPORTS POLICY [Item 9]

The Board received a presentation from Heathrow, which is attached as Annex A to these minutes. Following the presentation, Members were given the opportunity to ask questions to the witnesses.

Witnesses:
Nigel Milton, Director of External Affairs
Chris Joyce, Surface Assets Strategy Manager

Key points raised during the discussion:

1.   The Board queried the impact that noise would have if Heathrow were to expand. It was noted that noise levels had reduced to the quietest they had been since the 1970's and that a blueprint for noise reduction had recently been published by Heathrow. It was added that the Davies Airport Commission report had recommended that Heathrow could expand alongside a reduction in the number of people affected by noise. Officers confirmed that Heathrow had accepted that steps needed to be taken to reduce noise further.

2.   There was a discussion around access needs, it was noted that for an additional runway to be feasible, wider issues such as local roads needed to be considered to help minimise destruction. There was also a strategy to improve connectivity by rail. It was planned that by 2030 there would be 36 more trains and 13,000 more seats per hour improving access to the airport.

3.   It was explained that there were currently thirty bus routes to the airport which were funded through a public transport levy. In addition, because of travel discounts for staff, 25% now took the bus to work. In terms of local traffic, it was noted that a third of traffic to and from the airport was taxi movements. Despite growth at Heathrow, it was noted that there had not been a corresponding increase in traffic. The Airports Commission had recognised challenges on the road and acknowledged that infrastructure would continue to require improvements if airport capacity at Heathrow was to increase. It was noted that the Airport Commission had recognised that Heathrow expansion could take place within current air quality limits.

4.   The Director of External Affairs, stated that there were many benefits associated with expanding Heathrow, such as the increased connectivity and range of destinations leading to increased trade opportunities throughout the county. Heathrow was working with a

number of councils to ensure that plans were in line with local priorities and met resident need. It was noted that the airport was working with Surrey County Council (SCC) to reach a memorandum of understanding. There was an understanding from Heathrow that a number of issues such as transport, noise, air quality and public transport needed to be agreed with SCC to take into consideration any future impact.

5. Members discussed the importance of traffic flow surrounding Heathrow and parking facilities, the Board was advised that the expansion strategy included changing and optimising parking instead of expanding it. There would be an opportunity to look at park and ride locations outside of the Heathrow site as any plans for expansion developed. It was noted that the catalytic effect on parking and traffic had been looked at in depth and showed reductions in the number of staff driving to work by 50% since 1991.

6. The Board was informed that sustainable travel would continue to be invested in at Heathrow including a cycling scheme to improve access to the airport. Members raised concern of Heavy Goods Vehicle's (HGV's) using local roads to approach the airport. Members confirmed that this was a critical issue and queried whether parts of the proposals were to look at expansion of freight capacity.

7. Officers from Heathrow highlighted the importance of working closely with local authorities to develop plans. The Chairman commented on this, suggesting that Heathrow should take a lead on issues such as traffic reduction. It was confirmed that Heathrow would take the lead on promoting the strategy and would provide funding and expertise where necessary and possible.

8. It was agreed that improvements to public transport access to Heathrow would continue with the potential introduction of 24 hour Transport for London services. It was noted that the Department for Transport were currently engaging with Heathrow to consider congestion charging for routes leading directly to Heathrow. It was clarified that those passing through the area would not be affected by any potential congestion charge.

9. In terms of economic prosperity, Members heard that 40,000 additional jobs would be created at the airport, 30,000 in the surrounding District and Borough areas and 110,000 nationally, were expansion at Heathrow to go ahead.

10. Members queried what would happen with any archaeological artefacts found on site during the development. It was confirmed that they would be displayed at the airport as previous artefacts were currently. A Member suggested planting trees in a UK forest, to offset any destruction to the countryside. It was also noted that local homes within an affected radius of airport and flight path noise would be compensated with double glazing.

A presentation received from Gatwick, is attached as Annex B to these minutes. Following the presentation, Members were given the opportunity to ask questions to the witnesses.

Witnesses:
Alastair McDermid, Airports Commission Director

Key points raised during the discussion:

1.   The Airports Commission Director introduced the report and informed the Board that the noise impact at both Heathrow and Gatwick would be reduced if either of their proposals for expansion was accepted.

2.   The Airports Commission Director outlined the Gatwick rail strategy, which would give direct access from 170 stations across the Country to Gatwick airport. To manage traffic in the vicinity, Gatwick proposed to divert A23 traffic around the airport and provide further funding to improve local roads.   During the question and answers section of the debate, Members queried how train regularity would be improved for residents living in more rural locations. The Airports Commission Director explained that there were plans to potentially increase trains from Surrey and Kent to two to three trains per hour, and electrisation of rail was being investigated to increase the speed of journeys from rural areas to the major airports.

3   It was noted that Gatwick was known as the busiest single runway airport in the world and it was confirmed that expansion would ensure London would have two 'world class' airports. On the potential Gatwick expansion, the Airports Commission Director argued that transport links would be improved to reduce disruption for Surrey residents. The strategy to achieve this would involve more choice for transport and lower fares for residents and businesses.

4.   Attention was drawn to the fact that it would take 5 years to get through the planning process and London airspace was set to be re-designed in the next 10-15 years. In response to concerns about noise, it was reported that this redesign would result in changes to noise implications.

5.   Members questioned whether Heathrow gaining permission would restrict Gatwick from developing a further runway in the future. The Board was advised that the Airports Commission report had advised there was no scope for two new runways in London. Members also queried what local consultation had taken place and Gatwick officers explained that 6 months ago a programme of engagement had started, engaging local communities such as Parish Councils, which would continue as plans developed.

6.   There was a discussion around supporting tourists to travel to Gatwick and it was noted that the Oyster card would soon be valid at the airport rail station.   Members felt that irrespective of the second runway debate, links needed to be improved towards and between Heathrow and Gatwick.

7.   Members questioned the impact on the surrounding Green Belt land, if the Gatwick expansion were to go ahead. It was clarified that the Gatwick plans would take away some of the Green Belt, however, the majority would be used for green purposes.

8.   There were questions regarding popular preference for Gatwick, and the Airports Commission Director explained that while the majority of businesses had come out in support of Heathrow, Gatwick did have the backing of the Federation of Small Businesses. The debate developed, with Members questioning whether Gatwick would still be a viable business if it did not win the case for the second runway. It was confirmed that with one runway, Gatwick would still remain a viable business.

9.   Concern was expressed on the impact of the flooding risk from development and noise.   It was noted that the area that would be most impacted by noise would be the North Side of Crawley.

The Scrutiny Board adjourned for lunch at 13.20.

Members reconvened at 13.50

Afternoon session:

Witnesses:

Peter Martin, Deputy Leader of the Council

Mike Goodman, Cabinet Member for Environment and Planning

John Furey, Cabinet Member for Highways, Transport and Flooding

Sue Janota, Spatial Planning &Policy Manager

The Deputy Leader introduced the County Council's policy position on airports.

Key points he covered, included:

1. The importance of economic impact from both airports to the Council.
2. There were around 250 very large company headquarters in Surrey, and there remained questions about how many of those would remain in Surrey if the airports did not expand.
3. The Council's current policy position was stated in the agenda papers and it was reiterated that either Heathrow or Gatwick expansion had been formally endorsed by the Cabinet.
4. The Deputy Leader explained his view that rail links were vital, including direct links from Surrey to Heathrow Airport.
5. There were concerns about infrastructure that needed to be dealt with, such as ensuring the strategic road and rail network was developed, as well as air travel.

6. The Deputy Leader referred to the Council's response to the Airport Commission's report that was in the agenda papers, and confirmed that this position remained.

Following the Deputy Leader's introduction, Members were given the opportunity to ask questions to the witnesses.
Key Points Raised During the Discussion:

1. Members were given confirmation that the position stated by the Council was not expected to change, however, the Deputy Leader explained that this did not mean it would never be reconsidered.

2. Members emphasised the importance of consultation with local councillors. It was felt that a comprehensive list of essential needs for Surrey would be helpful for residents.

3. The Deputy Leader confirmed that his personal view was that it would be beneficial to increase airport capacity in the south east of England

4. Members queried traffic congestion and freight movements, which had not been covered in detail in either airport's presentation. The Deputy Leader explained that freight traffic was much greater to and from Heathrow.

5. One of the concerns raised by Members was the risk to the County Council, if government did not put as much money into airport expansion and surrounding infrastructure as anticipated. The Deputy Leader and Cabinet Members confirmed that this would be an area of focus once the government's final decision had been made. Members also queried the cost effectiveness of airport expansion, including any additional costs as a result of paying for carbon emissions.

6. There was a discussion regarding the impact of devolution on plans for airport expansion. The Deputy Leader reported that devolution could potentially be very positive in this regard, as the more influence that Surrey would have the better outcomes it could secure.

7. It was clarified that the memorandum of understanding referenced during the presentations was a non-binding agreement setting out areas that needed to be addressed such as infrastructure and access.

8. The Deputy Leader confirmed that when a decision is made by government, the Council would work with whichever airport was successful to secure the best possible deal for Surrey.

Before opening the debate, the Chairman invited Local County Councillor for Ashford, Carol Coleman, to read a statement, which is at Annex C to these minutes.

A summary of the key points raised during the debate is below:

1. The Board expressed the Importance of economic impact from both airports to the Council. The Council's current policy position was stated in the agenda papers and it was reiterated that neither Heathrow nor Gatwick expansion had been formally endorsed by the Cabinet.

2. The Deputy Leader stated that rail links were vital, including direct links from Surrey to Heathrow Airport. He also referred to the Council's response to the Airport Commission's report that was in the agenda papers. However there were concerns about the infrastructure that needed to be mitigated, such as ensuring the strategic road and rail network was developed, as well as air travel.

3. It was questioned how Surrey's roads and rail lines would cope with expansion of either airport. Further work would be unquestionably needed to ensure the impacts on residents were fully mitigated. It was agreed that the increase of road noise should also be addressed while the outcome is discussed.

4. It was agreed that noise had been a problem throughout the surrounding divisions which could possibly lead to judicial review once the government report was published. The next stage of the project would be to receive a response from the Davies final report. It was expressed that the Economic prosperity of the County could be reduced if effects were not mitigated.

5. The non binding memorandum was discussed as it has been developed with Heathrow and will work together with Surrey County Council to gather a better understand of aspects the authority needs to address and mitigate.

6. It was stated that an airport expansion was a national opportunity. A second runway at Gatwick was still viable so it was questioned how the two airports work in conjunction until then. It was emphasised that all borough and district resident views need to be considered and all documentation understandable to residents.

7. The Board agreed that the final decision needed to be made as soon as possible Members urged the Deputy Leader to formally

pursue government to ensure the decision on airport capacity in the South East was made urgently.

8. Members expressed disappointment that surface access requirements had not been adequately addressed in the Davies Commission final report and asked that this be addressed in the recommendations.

Actions/Further information to be provided:
None.

Recommendations:

The recommendations were agreed in principle and then circulated for agreement. The following recommendations were formally endorsed at the meeting of the Council Overview Board on 1 October 2015:

1. Surrey County Council should urge government to make a quick and final decision on airport capacity in the South East.

2. The Council should be fully involved in the considerable work involved to refine any proposals after an 'in principle' decision on extra capacity is made. However, the council's financial exposure should be minimised as far as possible.

3. The Council should reiterate its regret (as expressed in their submission to the Airports Commission) that the commission did not explore the issues of surface access to any expanded airport in nearly enough detail, and recommends this should be given high priority.

The majority of Council Overview Board members agree that an extra runway, at one of the shortlisted locations recommended in the Airport Commission's report, should be provided as soon as practicable, not withstanding the reservations expressed above.

Committee Next Steps:
The Board would agreed the final recommendations at their meeting on 1 October 2015.

31/15 DATE OF NEXT MEETING [Item 10]

1 October 2015.

Meeting ended at: 15.22pm

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Chairman

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SURREY
COUNTY COUNCIL

Council Overview Board
1 October 2015

RECOMMENDATIONS TRACKER and FORWARD WORK PROGRAMME

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

Recommendations:

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

Next Steps:

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

Report contact:
Helen Rankin, Scrutiny Manager

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

Sources/background papers: None.

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Council Overview Board – Forward Work Programme
2015

1 October 2015

- Shareholder Board annual report
- Orbis – Business Plan
- Property Strategy
- Carbon & Energy Policy
- Budget monitoring
- Cabinet Member Priorities

5 November 2015

- Pay & Reward consultation
- HR & OD – Challenges and opportunities for the future

2 December 2015

- Pensions Scheme (tbc November or December)
- Trust Funds

28 January 2016

- Absence Management

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Council Overview Board
ACTIONS AND RECOMMENDATIONS TRACKER – UPDATE 22 September 2015

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

Recommendations made to Cabinet or other Scrutiny Boards

Date of meeting and reference	Item	Recommendations	To	Response	Progress Check On
17 AUGUST 2015	CHIEF EXECUTIVE'S 6 MONTH REPORT	That the Chief Executive's 6 month report be presented to Full Council	Leader of the Council	The Leader supported the request for the report to be presented to Council in future years	February 2016

Scrutiny Board and Officer Actions

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
4 June 2014	**YEAR-END FINANCIAL BUDGET OUT-TURN 2013/14**	That the following process be adopted for scrutiny of year-end performance results: • Each Select Committee to scrutinise year-end performance information for the priorities within their remit annually at their May/June meeting, with services	Democratic Services	A new system has been implemented for Performance reporting. The Council Overview & Scrutiny Committee's performance and finance sub group received a briefing on this in early 2015. Scrutiny Officers have now been trained to use the system and will	November 2015

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
		providing written explanation of the reasons for any priority rated as red. • That the outcomes of the scrutiny be reported to the Council Overview & Scrutiny Committee annually at its meeting in July.		demonstrate it to Member's through the individual scrutiny boards performance & finance sub group.	
4 June 2014	**REWARD STRATEGY REVIEW 2014-18**	Historic data about trends in staff costs and benchmarking data for staff above level S8 to be circulated to Members of the Committee.	Head of HR and Organisational Development	At the Performance & Finance Sub Group meeting in September 2014, the HR Relationship Manager (Adults) advised that the Council were currently looking to appoint a partner to undertake benchmarking. At present, benchmarking was completed on an ad-hoc basis, but there were no systematic checks. It was agreed that data would be shared as and when it became available and that the decision regarding the partner chosen for benchmarking would be announced to the Committee as part of their Pay & Reward updates scheduled. The next scheduled update is in November 2015.	November 2015.

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Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
2 July 2014	FORWARD WORK PROGRAMME AND RECOMMENDATIONS TRACKER	That the Chairman write to the Chief Executive to request his support in ensuring that officers respond in a timely fashion to requests for information by the Committee.	Chairman of the Committee	It has been agreed that this item will remain on the tracker until the Council Overview Board is completely satisfied that requests to officers are prioritised.	October 2015
3 October 2014	INTERNAL AUDIT REPORTS	The process for awarding the future agency staff contract to be shared with the Committee	Director of People and Development	A review of options has been completed and it has been agreed to retender under improved public procurement frameworks. There was consideration given to developing our own 'in-house' agency and it has been decided not to progress this approach given the level of investment, competitive market and changing demand patterns. SCC is now working with East Sussex as part of the Orbis partnership to jointly procure a new form of contract which allows the Councils to access cost effective mark-up rates, a wide talent pool of specialist and generalist agencies, to develop direct and productive relationships with key suppliers, whilst retaining the benefits of central control of costs and invoicing.	October 2015

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Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
29 January 2015	**CARBON AND ENERGY POLICY FOR 2015 TO 2016**	The Council carries out a staff awareness campaign to highlight the costs and CO2 emissions associated with current energy use	Trevor Pugh/Julie Fisher	Agreement to this recommendation was tabled at the meeting on 23 April 2015. The next scheduled review of this policy is in October 2015.	October 2015
29 January 2015	**CABINET MEMBER PRIORITIES**	The Committee to scrutinise the detailed business case for South East Business Services ahead of it being presented to Cabinet in July 2015.	Julie Fisher	The Transformation Sub Group will be reviewing this item in September 2015.	October 2015
23 April 2015	**SHAREHOLDER BOARD**	That the Committee receive a 6 monthly update combining a report of the Shareholder Board, incorporating a comparison of achievement against the original business case, with information about projects within the New Models of Delivery work stream	Julie Fisher	An update report will be brought to the Board in October.	October 2015
3 June 2015	**REPORT OF THE WELFARE REFORM TASK GROUP**	The case for continuing funding for the Local Assistance Scheme in Surrey is reconfirmed as part of the budget and service planning cycle, having due regard to usage, need, benefits and cost of delivery.	Welfare Reform Co-ordination Group	The Leader has endorsed the Recommendations of the Welfare Reform Task Group. Further updates on individual actions will be reported via the Welfare Reform Co-ordination Group	October 2015

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
3 June 2015	**REPORT OF THE WELFARE REFORM TASK GROUP**	That the getWiS£ or a similar service, be extended for a further 3 years, with a built-in review of usage and need on an annual basis.	Welfare Reform Co-ordination Group	See above	October 2015
3 June 2015	**REPORT OF THE WELFARE REFORM TASK GROUP**	That careful consideration be given to the role of Libraries as a 'gateway to County services' when developing a vision for the future of the Surrey Library Service and that the Resident Experience Board (previously Communities Select Committee) continues to monitor the progress.	Welfare Reform Co-ordination Group/Resident Experience Board	The Resident Experience Scrutiny Board have nominated a Member to sit on the Welfare Reform Task Group.\n\nThe Coordination Group, Task Group and Services will work together to ensure that the full consideration is given to the role of Libraries when considering the impact of the reforms.	October 2015
3 June 2015	**REPORT OF THE WELFARE REFORM TASK GROUP**	A Member representative of the Welfare Reform Task Group be invited to be briefed on the Universal Credit pilot in Elmbridge, and agree a protocol for keeping the Task Group informed.	Welfare Reform Co-ordination Group	An update is being provided to Members via the Local Committee Chairmen's Group, the Elmbridge Local Committee and a wider event around the introduction of Universal Credit in autumn 2015.\n\nMargaret Hicks has been identified as a champion to represent the Task Group	October 2015
3 June 2015	**REPORT OF THE WELFARE REFORM TASK GROUP**	That a structured project plan for the Universal Credit roll Pilot in Elmbridge be shared with Members of the Task Group.	Scrutiny Manager	See above	October 2015

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
3 June 2015	**REPORT OF THE WELFARE REFORM TASK GROUP**	A robust monitoring scheme needs to be introduced to measure update of staff accessing training but also measuring the numbers starting the programme and the number of staff completing the training.	Welfare Reform Co-ordination Group	A new training module has now been introduced and take-up figures will be reported via the task group.	October 2015
3 June 2015 COB 85	**REPORT OF THE WELFARE REFORM TASK GROUP**	The Task Group to explore further the length of time it can take claimants to reach tribunal when they have launched an appeal against a benefits decision and request further information about how the assessment process has improved since moving to the Maximus contract.	Welfare Reform Co-ordination Group	Maximus have been contacted to present evidence at a witness session	October 2015
3 June 2015	**REPORT OF THE WELFARE REFORM TASK GROUP**	Surrey's District & Boroughs and Housing Associations ensure that all options are explored for alternative payment arrangements for vulnerable claimants.	District & Borough Councils and Housing Associations	This matter will be raised with the Housing Associations through the Welfare Reform Coordination Group.	October 2015
3 June 2015	**REPORT OF THE WELFARE REFORM TASK GROUP**	The Welfare Reform Coordination Group continues to work with partners to ensure that the reforms, including the introduction of Universal Credit, are communicated widely with residents and services across the County.	Welfare Reform Co-ordination Group	An event focusing on Universal Credit is being organised for Autumn 2015.	October 2015

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
3 June 2015 COB 85	**REPORT OF THE WELFARE REFORM TASK GROUP**	The Surrey County Council Contact Centre is adequately trained to deal with, and signpost, callers to the correct services, particularly during the initial period of Universal Credit.	Contact Centre		October 2015
3 June 2015	**REPORT OF THE WELFARE REFORM TASK GROUP**	The Welfare Reform Task Group to investigate the disparity between hardship fund spending in different districts and boroughs in Surrey.	Welfare Reform Co-ordination Group	This will be considered by officers on the Welfare Reform Coordination Group	October 2015.
3 June 2015	**REPORT OF THE WELFARE REFORM TASK GROUP**	The Resident Experience Board will consider how each Information Hub across the County is and can be utilised by the community.	Resident Experience Board		October 2015
1 July 2015	**BUDGET MONITORING**	The Board recommends that Scrutiny Board Chairmen ensure that individual Scrutiny Boards scrutinise plans to replace one-off savings/test sustainability.	Scrutiny Chairmen.	Each individual Scrutiny Board has been notified and will include this question in their scrutiny of the draft budget.	November 2015.
10 September 2015	**AIRPORTS POLICY**	Recommendations are being finalised and will be tabled at the meeting on 1 October.	Scrutiny Manager		October 2015

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Council Overview Board
1 October 2015

ANNUAL REPORT OF THE SHAREHOLDER BOARD

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

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

As part of its strategy to innovate in developing new models of delivery and to benefit from the freedoms introduced by the Localism Act, Surrey County Council established a Shareholder Board, which reports annually to the Council. The purpose of the Board is to safeguard the council's interest as shareholder and to take decisions in matters that require the approval of the Council as owner of a company.

In April 2015, the Council Overview & Scrutiny Board received the first 6 month report of the Shareholder Board. The following papers are presented to the Council Overview Board for consideration:
1. *29 July 2015 Cabinet report that accompanied the Annual Shareholder Board report (Annex A)*
2. *Shareholder Board Annual Report (Annex B)*
3. *Shareholder Board decision summary (Annex C).*

Recommendations
The Scrutiny Board is asked to consider the annual report of the Shareholder Board and consider whether it would like to make any recommendations to Cabinet.

Next steps
The Board to receive an update in 6 months.

Report contact: *Susan Smyth, Strategic Finance Manager (Secretary to the Shareholder Board)*
Contact details: susan.smyth@surrecc.gov.uk

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SURREY COUNTY COUNCIL

CABINET

DATE: **29 JULY 2015**

REPORT OF: **MR DAVID HODGE, LEADER OF THE COUNCIL**

LEAD OFFICER: **JULIE FISHER, DEPUTY CHIEF EXECUTIVE**

SUBJECT: **ANNUAL REPORT OF THE SHAREHOLDER BOARD**

SUMMARY OF ISSUE:

As part of its strategy to innovate in developing new models of delivery and to benefit from the freedoms introduced by the Localism Act, Surrey County Council established a Shareholder Board, which reports annually to the Council.   The purpose of the Board is to safeguard the council's interest as shareholder and to take decisions in matters that require the approval of the Council as owner of a company.

RECOMMENDATIONS:

It is recommended that:

1.   the first Annual Report of the Shareholder Board (ANNEX A) is endorsed and that Cabinet present the report to Council at its meeting in October, and

2.   the Cabinet continue to support the Council's strategic approach to innovation and evaluating new models of delivery, ensuring that this innovation is supported by best practice governance arrangements.

REASON FOR RECOMMENDATIONS:

To inform the Council about the activities of the Shareholder Board.. Continued innovation will enable the Council to continue to respond to the challenges it faces and will contribute to enhancing its financial resilience in the longer term. The Shareholder Board has been established in accordance with best practice governance to ensure effective oversight and alignment with the strategic objectives and values of the council.

1. The Shareholder Board was created following the report to Cabinet in March 2013 outlining the Council's strategic approach to innovation and evaluating new models of delivery. This strategy set out the Council's approach to continuing to deliver public value in an environment of diminishing financial resources by evaluating different delivery models including the development of the Council's approach to trading.

2. The New Models of Delivery Programme was put in place to enable and assist services in identifying and assessing opportunities. The primary objective of this approach is to deliver public value for Surrey residents and businesses with any profits generated for the Council through trading being available to support the delivery of the Council's Medium Term Financial Plan. The approach ensures consistency to the appraisal of trading and commercial opportunities, and that all relevant options are considered.

3. The Council is able to make use of legal powers provided by a number of Acts including the Localism Act 2011 which together have broadened the range and scope of activities available to the Council. The report to Cabinet in March 2013 recognised that the Council had already taken advantage of these powers in the creation of the joint venture company with Babcock International Group PLC to provide school support services and since then a number of further opportunities have resulted in new ventures..

4. The Council may create a company or invest in shares for a wide range of purposes. For example, the Council's shareholding interest in the Joint Venture Company Bandstand Square Developments Ltd was established in order to facilitate the regeneration of Woking town centre in partnership with Woking Borough Council and a private developer. Similarly, Cabinet approved the creation of a property company in order to strengthen the Council's ability to invest in a diversified and balanced portfolio of assets in pursuit of its Investment Strategy.

5. The Shareholder Board has been established in accordance with best practice governance principles to ensure effective over-sight and alignment with the strategic objectives and values of the Council. The Board's authority and powers include:

    - appointing and removing directors;
    - approval of annual business plans signing off the business plan and financial dividend forecast (annually); and
    - reviewing the financial and overall performance of the trading company

6. The Board safeguards the Council's interest and takes decisions in matters that require the approval of the Council as owner or a shareholder of a company. Shareholder control is exercised over all companies owned by the Council, and in relation to any shares held whether the purpose is trading, service provision, or investment. Decisions in relation to the day to day operation of companies are taken by the directors of each company.

7. The Shareholder Board is comprised of 3 members of the council's Cabinet and the Chief Executive. The board is supported by officers of the Council, including the Section 151 Officer (Director of Finance) and the Monitoring Officer (Director of Legal & Democratic Services).

8. The Shareholder Board meets at least quarterly and receives detailed and comprehensive information and briefings to support its decision-making. The extent of this decision-making depends upon the Council's shareholding and the requirements of each company's Articles of Association, or other contractual documents such as a Shareholders Agreement in relation to Joint Venture companies.

9. The Shareholder Board reviews the financial performance of companies. In reviewing financial performance, the Board bears in mind contextual factors such as the purpose of the company, the agreed business plan, and the length of time it takes to create a successful company.

10. The Annual Report of the Shareholder Board is attached as ANNEX A to this report and provides further background information about the workings of the board together with information about the Council's companies and the progress made to date.

CONSULTATION:

11. A range of stakeholders were consulted on the establishment of the Shareholder Board and the strategies that underpin the establishment of council owned trading companies.

RISK MANAGEMENT AND IMPLICATIONS:

12. Effective risk management is a vital part of the Council's approach to innovation and establishing new models for service delivery and to generate income. The Shareholder Board provides this strong governance to ensure that risks are effectively managed.

Financial and Value for Money Implications

13. The decision to create a company or to invest in shares is taken by Cabinet upon the basis of a business case which articulates the financial implications for the council. Proposals are made with realistic expectations regarding the investment required and the length of time it will take to establish a successful company. The innovation strategy (New Models of Delivery) and Investment Strategy both recognise that the financial benefits and contribution to the Council's resilience will be delivered in the longer term.

14. The Shareholder Board is responsible for reviewing the financial performance of companies and taking decisions on an individual company by company basis and also maintains oversight of the Council's group position. The Board and its advisors ensure that the relationship between the Council and its

companies are on an "arms-length" basis as required by legislation. This means, for example, that the Council must recover the full cost of any accommodation, goods and services supplied to a trading company. Any financial assistance provided must be for a limited period, provided under a formal agreement and made in the expectation of returns in the future.

Section 151 Officer Commentary

15. There are no new financial implications arising from this report. The Shareholder Board ensures effective governance over the Council's companies and shareholding interests in order to enhance the financial resilience of the Council over the longer term. The board are supported by officers of the Council, who seek additional specialist technical external advice when required.

Legal Implications – Monitoring Officer

16. There are no direct legal implications arising from this report. The legal basis for company ownership and oversight is explained in the body of the report..

Equalities and Diversity

17. There are no direct equalities implications arising from this report.

Other Implications:

18. The potential implications for the following council priorities and policy areas have been considered.

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

WHAT HAPPENS NEXT:

The first annual report of the Shareholder Board will be present to Council at its October meeting.

Contact Officer:
Susan Smyth, Strategic Finance Manager (Secretary to the Shareholder Board)
Tel: 020 8541 7588

Annexes:
Annex A – Annual Report of the Shareholder Board.

Sources/background papers:
1. Strengthening the Council's Approach to Innovation: Models of Delivery (Cabinet March 2013)
2. Investment Strategy (Cabinet July 2013)

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Shareholder Board Annual Report
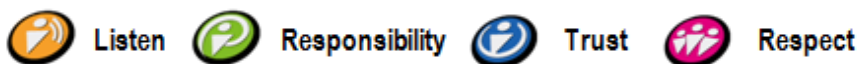**July 2015**

Contents

CONTEXT

The council has created trading companies and made investments to enhance financial resilience in the longer term.

Our Corporate Strategy, Confident in Surrey's future

 Listen   Responsibility   Trust   Respect

The council's strategic framework for innovation and investment is supporting the development of new ideas and approaches to enhance financial resilience. This increased emphasis on commercial activity has led to the creation of the Shareholder Board to monitor the council's trading activity and ensure satisfactory performance and effective risk management.

The Shareholder Board has been established in accordance with best practice governance principles and provides effective over-sight and alignment with the strategic objectives and values of the council. The board is member led and supported by officers, who when required seek the support of external professional advisors.

The Board safeguards the council's interests and takes decisions in matters that require the approval of the council as owner or a shareholder of a company. Decisions in relation to the day to day operation of a company are taken by the directors of each company.

THE SHAREHOLDER BOARD

Governance

- The Shareholder Board was created in September 2013 following the report to Cabinet setting out the council's strategic approach to innovation and new models of delivery.
- The Board and its role is noted in the constitution of the council.
- The Board works in accordance with its Terms of Reference (see Annex B) which are reviewed on an annual basis.
- Meetings take place at least quarterly.

The Shareholder Board is comprised of 3 members of the council's Cabinet and the Chief Executive. The board is supported by officers of the council, including the Section 151 Officer (Director of Finance) and the Monitoring Officer (Director of Legal & Democratic Services).

Shareholder Board
Members   • Leader   • Deputy Leader   • Cabinet Member for Business Services & New Models of Delivery   • Chief Executive
Advisors   • Director of Finance (Section 151 Officer)   • Director of Legal & Democratic Services (Monitoring Officer)   • Strategic Director Business Services   • Strategic Finance Manager (Board Secretary)

Purpose

The primary and most common purpose behind the creation of a Local Authority Trading Company (LATC) is to enable a council to participate in commercial trading activities. Many local authorities have created an LATC for this purpose, with the most common reason given being in order to grow income to protect services. Surrey County Council's first trading company, Babcock 4S Ltd, the Joint Venture with Babcock to provide school improvement services was created in 2003

The decision to create a company or invest in shares is taken by Cabinet upon the basis of a business case. Like many other councils, SCC has created companies in order to trade and grow income; with profits generated for the council available to support the delivery of the council's Medium Tern Financial Plan and enhance financial resilience. This is however not the only reason for the creation of a company or investment in shares.

Cabinet approved the creation of a Property Company in order to strengthen the council's ability to invest in a diversified and balanced portfolio of assets in pursuit of the Investment Strategy. The council's investment in FutureGov Ltd enhances this portfolio of assets and supports a company that has a track record of delivering innovative products and solutions in children's services and adult social care.

The council's participation in the Joint Venture Company, Bandstand Square Developments Ltd, delivers the councils strategy of enhancing economic prosperity in the county. This company, a special purpose vehicle, was established in order to deliver the economic regeneration of Woking Town Centre in partnership with Woking Borough Council and a private developer, Moyallen Ltd.

THE SHAREHOLDER BOARD

The Council's Share-holdings

The council has created companies and purchased shares in order to;

- Deliver services, benefiting from efficiencies driven by operating in a commercial environment,
- Trade & generate income
- Invest in assets to deliver an income and enhanced asset value in the longer term.
- Deliver regeneration

The decision to create a company or to invest in shares is taken by Cabinet upon the basis of a business case which articulates the financial implications and associated risks for the council.

These proposals are made with realistic and prudent expectations regarding the investment required and the length of time it will take to establish a successful company. The council therefore recognises that returns will not necessarily be received in the short-term but will contribute to longer-term financial resilience.

Cabinet Decision
To create a company or invest in shares

Regeneration	Service Delivery	Trading	Investment
Bandstand Square Develop-ments Ltd	Babcock 4S	S.E. Business Services Ltd	FutureGov
	Surrey Choices	TRICS Ltd	Halsey Garton Property Ltd

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

The trading results of the companies that are wholly owned by the council will be consolidated and reported on a Group accounting basis for the first time for the financial year ending 31st March 2015.

THE SHAREHOLDER BOARD

The Council's Share-holdings

Company	Ownership
Surrey Choices Ltd	100%
S.E.Business Services Ltd	100%
Halsey Garton Property Ltd	100%
Bandstand Square Developments Limited	24%
Babcock 4S Limited	19.99%
TRICS Consortium Limited	16.67%
FutureGov. Ltd	13.1%

Shareholder Board Decision-Making

The day-to-day operation of each company is the responsibility of the Directors (of each company) with the Shareholder Board being responsible for taking decisions on behalf of the council where these are of a more strategic nature. The extent of this decision-making will depend upon the council's shareholding and upon terms included in a company's Articles of Association (matters reserved for the Shareholder) and / or a Shareholders Agreement in relation to Joint Venture companies.

The Articles of Association for the companies wholly owned by the council stipulate that the shareholder, that is the Shareholder Board on behalf of the council, are required to approve or make decisions in relation to the following, for example,

Decision	Rationale
Changes to the Articles	Removes all controls
Appoint and remove Directors	To ensure that the company is appropriately managed and that there is satisfactory governance
Material change in the nature or scope of the business	To ensure companies only undertake activities for which approval has been given and to protect the council's reputation /continued

THE SHAREHOLDER BOARD

Reserved Matters (continued)

Decision	**Rationale**
Purchase of shares or interest in another company. Acquisitions of any business or any shares.	Significant business decision which may involve further financial risk
Borrowing or the raising of finance (except from SCC). The creation of any security interest (except SCC)	To avoid taking on debt that undermines security for SCC debt (excluding de-minims bank overdrafts) and to avoid incurring further financial risk
Issuing, withdrawal or buy back of shares	To maintain SCC ownership as originally intended
Enter any Joint Venture, consortium or partnership	To ensure companies only undertake activities for which approval has been given by Cabinet or the Shareholder Board, to protect SCC reputation and to ensure the council takes decisions that may involve substantial financial risk.
Selling, transferring, leasing, assigning property or assets (excluding de-minimis and replacement of operational equipment)	To avoid dilution of assets or security in relation to SCC debt
Disposal of any business or any shares	To maintain SCC ownership as originally intended
Entering into an administration order or steps to voluntarily wind up the company	To protect SCC's reputation

The decisions set aside for Shareholder approval listed above are an extract of the type of matters contained in the Articles of Association of each of the council's LATCs. The Shareholder Board reviews these articles on a periodic basis to ensure that they remain appropriate.

# THE SHAREHOLDER BOARD

Company Details

The following pages contain information about each company, including a description of activities and purpose, Cabinet approval & date of incorporation and progress made to date. Information of a financial and commercially sensitive nature has been excluded.

Directors

Each company must have at least one person named as a Director – the council itself cannot act in this capacity. The Shareholder Board is responsible for appointing (and removing) Directors to act on behalf of the council. Directors have specific responsibilities in Company Law and therefore the Shareholder Board will need to ensure that persons with the appropriate skills are selected. The name of the person(s) appointed to each company is noted in the section below. In the case of Joint Ventures the person appointed by the council to act in respect of its shareholding is noted. Directors appointed by the council receive no additional remuneration and undertake this role as part of their duties as an officer or member.
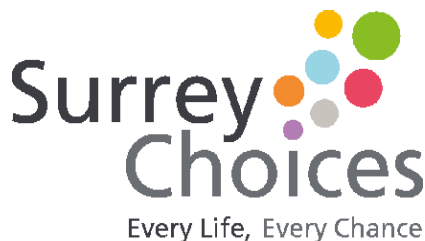
SURREY CHOICES LTD

Cabinet Approval	December 2013
Ownership	100%
Date of Incorporation	March 2014
	Commenced Trade in August 2014
Council Investment	£100 Share Capital
Directors	Simon Laker (Managing Director)
	Kevin Kilburn

Company Profile

Surrey Choices Ltd commenced trade in August 2014, following Cabinet approval of the business case in December 2013. The company provides people with learning and physical disabilities with a range of services in a variety of settings. The service offer includes day services and support for people who wish to seek employment or become engaged in work, volunteering or training opportunities. The Shared Lives service matches carers who provide support in a family home environment with people with disabilities. The company has recently developed a respite service creating additional capacity in the Surrey based market. The commissioning contract to supply services to the council triggered the transfer of employees from the council to the company under TUPE regulations in August 2014.

Business Case

The council created the company in order to ensure the sustainability of the services provided and to create a commercial environment in which to deliver efficiencies and continued innovation. Benefits to the council are to be derived by two means;

- Income generated from trading activity by supplying services to those people with personal budgets and those that privately purchase, and,

Page 42

- A reduction in the cost of services, that were previously delivered in-house and now commissioned by the council from Surrey Choices, from economies of scale delivered as a result of trading activity and from reducing fixed costs.

The business case demonstrated that the company would make a modest profit within the first five years of operation.

Council Investment

The council provided share capital of £100 and loans to enable the company to purchase operational assets from the council and to provide for working capital requirements– all lending has been provided on an "arms-length" basis at market rates of interest.

Progress Report

The Company has secured approval from the Care Quality Commission for the regulated services provided and for the newly developed respite provision. Changes have been made to the management team who have undertaken a thorough review of responsibilities, standards and policies, with these being re-shaped from the customer perspective. Management layers have been reduced such that there is now three tiers of management across the business and use of agency staff has reduced with increases to the permanent staffing.

Results from the first partial year of trading to 31st March 2015 are in line with expectations. The Company have reported a loss as a result of initial set-up costs, which includes the purchase of operational assets from the council and professional & project management support provided to enable the company to be in a position to start to trade.

The business will further develop new services and products, including

- Re-designing the day and community activities to provide an enhanced experience for existing customers and to attract new potential customers – including providing activities during the evening and more choice for young people.

- Increasing the scale of the Shared Lives provision
- Refresh the EmployAbility service to broaden its potential market and increase employment

Surrey Choices is expected to achieve a net profit in the financial year, 2015/16, the company's first full year of trading. Key to this will be the evaluation of fixed costs, in particular making changes to under-utilised premises which will be achieved by working with the council to develop a strategic asset plan.

S.E.BUSINESS SERVICES LTD

SEBS SE BUSINESS SERVICES

Cabinet Approval	March 2013
Ownership	100%
Date of Incorporation	June 2013 Commenced Trade in December 2013
Council Investment	£100 Share Capital
Directors	John Stebbings Paul Brocklehurst Liz Mills

Company Profile

S.E.Business Services commenced trade in December 2013, following Cabinet approval as part of the New Models of Delivery strategy in March 2013. The company provides business to business professional, technical, training and contingency services, enabling the council to trade in those functions in which it has particular expertise and capacity.

Business Case

Originally developed in order to enable the council to trade and to provide IT services, including data hosting, helpdesk and application support to a private sector organisation, the company has further developed and expanded to provide further IT contracts and services. Shareholder Board approval followed by Cabinet approval in March 2014, has enabled the company to enter the aviation fire contingency market created as a result of regulatory and licensing changes for UK airports. The company were selected to provide these services under contract in April 2014.

S.E.BUSINESS SERVICES LTD

Council Investment

The council provided share capital of £100 and an initial working capital loan to enable the company to commence trade– all lending has been provided on an "arms-length" basis and has been fully repaid.

Progress Report

The company has delivered profits in excess of those expected in the Business Case and compared to its first approved Annual Business Plan. These profits have been delivered as a result of entering the fire aviation contingency market and by securing a strategic contract with Heathrow Airport. This has enabled the company to declare a dividend in relation to the first full year of trading to 31st March 2015 (incorporating retained earnings from the prior year).

The contract with Heathrow is the first of its kind in the industry and has led to a number of potential leads to provide similar contingency capability to other UK airports. The management team are currently evaluating a number of similar opportunities and developing a related training offer.

The company employs staff as required to deliver confirmed contracts, and engages appropriate contractors, advisors and service providers to undertake the activities of the company. The Company receives services from the council, including contract delivery and operational services, commercial bid management support together with professional legal and finance services and accountancy support services. The council makes an appropriate charge to the company for any services provided, ensuring that the full cost of the activity is recovered.

HALSEY GARTON PROPERTY LTD

Cabinet Approval	May 2014
Ownership	100%
Date of Incorporation	June 2014
Council Investment	£1,000 Share Capital
Directors	John Stebbings
	Susan Smyth

Company Profile & Business Case

Halsey Garton Property Ltd was incorporated in June 2014 in order to fully implement the recommendations of the Investment Strategy approved by Cabinet in July 2013. The Property Company will enable the council to invest in a diversified and balanced portfolio of assets delivering income, asset growth and enhancing the council's financial resilience over the longer term.

Council Investment

The council has provided share capital of £1,000 which will be paid up upon the commencement of trade. All investment or development proposals will be underpinned by a robust business case for approval by Cabinet which will set out the financing arrangements. The council will provide the additional equity and debt financing required on an arm's length basis in accordance with the prevailing market conditions.

Progress Report

Cabinet approved the company's first investment acquisition in March 2015. The property was withdrawn from sale by the vendors during the due-diligence process and therefore did not proceed. The council is continuing to evaluate other potential investment opportunities.

BANDSTAND SQUARE DEVELOPMENTS LTD

Cabinet Approval	September 2012
Ownership	24%
Date of Purchase of Shares	February 2013
Council Investment	£7,200 Share Capital
Surrey County Council Directors	Denise Le Gal
	Trevor Pugh

Company Profile

Bandstand Square Developments Ltd (BSDL) is a company created for the purpose of delivering a regeneration of Woking town centre and is owned in partnership with Woking Borough Council WBC) and a private developer, Moyallen Ltd. The company will be wound up upon completion of the development.

Business Case

The council's participation in the regeneration project aligns with the strategic priorities of the council to support economic growth and will ensure the long-term viability of the retail offer in the town. The development, known as Victoria Square, will provide further retail premises, a hotel and residential accommodation. The development will create additional employment in both the development phase and the longer term. The development will require the relocation of the existing fire station and changes to the highway. BSDL are responsible for securing the planning permission, funding and delivering the replacement Fire Station to the council's specification.

BANDSTAND SQUARE DEVELOPMENTS LTD

Council Investment

The council has provided share capital of £7,100. Development loans for the first phase of the project are being provided to the Joint Venture by both SCC and WBC, on equal terms, and at a margin above the cost of equivalent borrowing. WBC will repay all loan funding upon completion of the development when it takes ownership of the freehold from the company.

Progress Report

Phase 1 of the project is focussed upon putting together the redevelopment site, securing planning consent and developing the new Fire Station. Specifically;

Activity	Status
Site Acquisition (former post office and Globe House)	Completed
Secure planning consent for the relocation of the Fire Station	Planning consent has been secured and a construction contract awarded. The new Fire Station is expected to be delivered in the summer of 2016.
Secure planning consent for the main scheme and agree terms with a residential development partner, a hotel operator and a large retailer for the main components of the scheme.	Planning consent for the Victoria Square scheme was approved in November 2014. Negotiations with various parties continue.

Cabinet, in October 2014, agreed to make a payment to BSDL to recognise that the new Fire Station delivers substantial betterment compared to the facilities at the existing fire station and to recognise that the backlog maintenance associated with the existing building can be removed. The new Fire Station will provide additional garaging for specialist vehicles and enhanced training facilities including a smoke house and an area for Road Traffic Accident training.

BABCOCK 4S LIMITED

Cabinet Approval	July 2003
Ownership	19.99%
Date of Incorporation	September 2003
Council Investment	£199.99
Surrey County Council Director	Susie Kemp

Company Profile

The Company provides specific and statutory educational support services under a Service Delivery Agreement (SDA) with the council and has developed to provide a range of services to schools. Their services include those related to education, including curriculum advice, governor support and more generic services such as personnel services, technology support and facilities management. The company also provides services to other local authorities.

Business Case

The Joint Venture company was formed in 2004 when the council selected a commercial partner to deliver its school support and improvement services. Originally named VT Four S Limited, the company was renamed as Babcock 4S Limited when Babcock Internal PLC acquired VT Education and Skills Limited in 2010.

The Joint Venture was proposed in a time of uncertainty regarding the role of Local Education Authorities. The Government had announced its intentions for the greater independence of schools and predicted that the market for education services would be provided by a small number of larger providers. The council formed the Joint Venture in response to these proposed changes, selecting a partner to enable the services to be traded, utilising the partner's commercial skills to enter the market and providing greater sustainability if the levels of service purchased by the council were to decline.

BABCOCK 4S LIMITED

Council Investment

The council received a substantial consideration from VT Education and Skills upon commencement of the Joint Venture and award of the contract to supply services. Investment required to establish the company in the market was provided by VT Education and Skills, as at the time Local Authorities were operating under a different capital finance regime which restricted borrowing and investment.

Progress Report

The Joint Venture has proved to be successful, delivering a financial return to the council as a shareholder, significant dividends and improving school performance as part of its SDA with the council. However it is expected that the company will be significantly impacted by changes in the schools market in the future. The change to academy status means that a proportion of funding is transferred from the local authority to individual schools and the academy is then responsible for commissioning its own support services. Some academies have chosen to continue to purchase their support services from B4S but others have not. In addition the company has lost a number of significant local authority contracts since 2012 or seen the contract value of those remaining significantly reduce.

The changes in the market will therefore impact upon the nature and viability of the business in the future. The Shareholder Board have commissioned a strategic review, which is due to report in the autumn.

TRICS CONSORTIUM LTD

Cabinet Approval	July 2014
Ownership	16.67%
Date of Incorporation	October 2014
	Commenced Trade in January 2015
Council Investment	£27,500 Share Capital
Surrey County Council Director	Dominic Forbes

Company Profile

TRICS Consortium Ltd commenced trade in January 2015, following Cabinet approval in July 2014. The Company provides a service to the transport planning and property development customer community by providing access to a comprehensive database of travel patterns known as trip rates. Trip rate data is used by planning consultants in support of planning applications in order to demonstrate the impact of major developments on local traffic. The database is recognised in national planning policy and is widely used by the planning profession and its use has been given due weight by Inspectors at Planning Inquiries.

The company is a joint venture with five other local authorities, Dorset County Council, East Sussex County Council, Hampshire County Council, Kent County Council, and West Sussex County Council. These councils held the rights to the database under a long-standing partnership arrangement and therefore became the shareholders of the company. The company now owns all Intellectual Property Rights in relation to the database and the brand.

Business Case

The creation of the company ensures that the commercial activities of the consortium councils is being undertaken in an appropriate manner and will enable the growth potential of the database into other territories to be fully exploited. The Business Plan, created using prudent assumptions based upon current volumes, demonstrates that the company is a commercially viable proposition. The Shareholders can therefore have a reasonable expectation that the company will be able to declare a dividend within a short timeframe.

TRICS CONSORTIUM LTD

Council Investment

The council, together with the other five local authority shareholders, invested equity funds to provide for working capital and set-up expenses. The funds provided were from balances held by the consortium, created from surpluses from previous activity. The total equity provided is in line with the estimated pre-tax profit from the first full year of trading and the shareholders will therefore receive a return on investment within a short timeframe.

Progress Report

The Company commenced trading on 1st January 2015 when it took over the operation of the database from the incumbent supplier. Each of the shareholding councils, with the exception of Kent where the decision is pending an officer recruitment, have appointed a Director to the board of the company to oversee the strategy and growth plans. A Managing Director has been recruited and appointed to deliver the day-to-day operation of the company and to manage the three employees that TUPE transferred from the previous supplier.

The business in on track to exceed the financial projections in the Business Plan and deliver a pre-tax profit for its first year of operation.

FUTUREGOV

Cabinet Approval	December 2013
Ownership	13.1%
Date of Purchase of Shares	January 2014
Council Investment	£125,000
Surrey County Council Director	Julie Fisher

Company Profile

FutureGov Ltd provides innovative digital solutions to Local Authorities and specialises in the children's service and adult social care market. Their products and consultancy services have been purchased by a number of authorities including those in Australia. The company are focusing on developing a range of products particularly focussed on the Adult Social Care market which recognise the impact of the Care Act on the market. The product range will support the drive towards personalisation and linking data across Local Authorities and health providers.

Business Case

The investment in FutureGov strengthens a partnership that has already delivered innovative products within social care. The council's investment was made alongside investment from Nesta, a charity whose investment function has a track record in identifying commercial opportunities that deliver social value. It is expected that the investment made by both parties will enable the company to grow and significantly increase the commercial focus of the company.   The investment will generate a modest net return to the council over a five year period.

FUTUREGOV LTD

Council Investment

The council provided equity and debt financing to FutureGov in 2014 as part of the company's funding round to find investors to support the growth of the company. The council's investment was made alongside that of a larger investment made by Nesta Investment Management, a wholly owned subsidiary of a charity focused upon companies and social ventures that deliver solutions to solve issues such as the health and wellbeing of the UK's ageing population. The debt financing provided by both parties is at market applicable interest rates, with the interest receivable offsetting the funding costs incurred on the initial equity investment.

Progress Report

The company has delivered significant revenue growth of some 60% since the date of investment however fell short of delivering fully against its ambitious business plan. Changes in the market have necessitated a re-evaluation of the strategy, and the company received support from Nesta's senior investment analyst to develop a detailed product plan and forecast. The overall suite of products has been developed and good sales prospects should enable the company to break-even by late 2015.

GLOSSARY (and associated principles)

Articles of Association

A company's Articles of Association set the rules (the constitution) for the company. The Articles are filed as part of the incorporation process and are publically available documents. The objects of the company describe what the company will do. The objects of a company are now deemed to be unlimited, unless the Articles limit them.

The Articles may restrict the decision-making powers of the Directors – these are described as Reserved Matters. The Articles may be changed at any time by a special resolution of the members (the shareholders) of the company.

Companies created by the council follow the model articles with the exception of the introduction of reserve powers in matters of strategic importance and one or two other minor exceptions.

Assets

A LATC may purchase assets from the council. In disposing of assets, the council must ensure that it receives appropriate market value and the company in turn will be required to purchase at market value. This is to ensure that there is no financial subsidy or advantage that may be deemed as state aid.

The council will retain property assets unless there is a financial advantage to transfer (for example, where the purpose of the trading company relates to property activities). Market rents will be charged for occupancy of property assets – rents are a pre-tax expense making this arrangement tax efficient and this also ensures that the council's balance sheet remains strong and is not diluted.

Surrey Choices Ltd purchased operational assets, such as vehicles and musical equipment, at appropriate market values from the council and this formed part of the initial set-up costs for the company.

Debt Financing

Debt financing provides the funds required to run a business. With limited or inadequate funds at a Company's disposal, the company may borrow the money required to grow and develop the business.

Interest on debt is a business expense, and therefore deducted before tax.

Companies created by the council, such as S.E.Business Services and Surrey Choices, have been set-up with limited equity funds. Funding for growth and working capital requirements has been provided by the council under an agreed loan facility.

GLOSSARY (and associated principles)

Directors Duties

The Shareholder Board are responsible for appointing (and removing) Directors to act on its behalf in relation to companies in which the council holds shares. Directors duties are described in the Companies Act 2006 and include a responsibility to promote the success of the company, exercise independent judgement and exercise reasonable care, skill and diligence.

Directors appointed by the Shareholder Board do not receive additional remuneration for their role and are covered by indemnities provided by the council in respect of financial loss (an extension of the indemnities provided by the council to staff and members as agreed by Cabinet in March 2013). This does not and cannot extend to negligence, default, breach of duty or breach of trust.

The council's legal team brief Directors so that they understand their duties.

Group Companies

Companies form a Group if one is a subsidiary of the other or both are subsidiaries of the same body corporate or each of them is controlled by the same person. Companies within a Group can take advantage of Group Tax relief. In tax legislation, the council is a body corporate that can perform the link between LATCs and therefore the losses of one company can be offset against profits of another.

This group status in tax law also provides the council with the ability to be exempt from stamp duty which would ordinarily apply to property transactions (including the entering into lease arrangements between group companies).

The council is required to produce Group Accounting statements which mean that the financial results of its LATC's will be included together with the financial results of the council. The council will continue to also produce detailed Annual Statements of Accounts on a single entity basis as now.

Joint Venture

A Joint Venture company is one that is owned by more than one shareholder, where the shareholders concerned are corporate bodies in their own right. The term Joint Venture is not one that is legally defined and is often used in respect of other arrangements that do not necessarily involve a limited company.

LATC (Local Authority Trading Company)

The terminology "LATC" is often used to describe a company that is owned by a Local Authority (i.e. Local Authority Trading Company). It is not a legally recognised different form of company however most companies described as LATC's are companies limited by shares, with the shares and therefore the company being wholly owned by the local authority.

Companies created by SCC are most likely to be limited by shares, as this structure ensures that profits can be returned to the shareholder (the council) in the form of dividend payments, and provides the possibility for future sale. It is the most suitable structure for trading activity and enables the Council to create a tax group.

It is possible that other company structures may be applicable in certain circumstances; however these structures tend to involve the removal of council control or would mean an inability to return profits.

Reserved Matters

Reserved matters are important decisions for which the Directors are required to seek and gain Shareholder Approval. These decisions are written in the Company's articles of association which set the constitution or the rules for the running of the company.

The Shareholder Board has delegated authority to perform these functions on behalf of the council. The reserved matters of SCC's companies have been written to ensure that the Shareholder Board is responsible for consideration of issues of strategic importance, take decisions that may involve changes to financial risks or may have an impact on the council's reputation.

Share Capital (Equity)

Equity or shares in a company represent the ownership interests. The Equity invested is the amount of funds contributed by the owners to the financial requirements of the company. In a limited liability company, the owners / shareholders lose no more than the amount invested. Equity invested at start-up is evaluated on the basis of assets owned and/or earnings potential.

Financial returns to the shareholders are made in the form of dividend payments. Dividends are not a business expense and are paid from post-tax profits.

Shareholders

The Shareholders (the owners of a company) and directors have different roles in a company. The Shareholders own the company and the directors manage it.

The Directors must obtain shareholder approval for decisions where the shareholder has restricted the powers of the Directors – these are called reserved matters.   The Shareholder Board has delegated authority to perform these functions on behalf of the council.

Shareholders Agreement

These are agreements between shareholders which are private documents. These agreements set out how the shareholders interact with each other and can define what happens in the event of dispute.

A shareholder agreement is only relevant when there is more than one shareholder and are recommended practice for Joint Ventures.

SCC has entered into shareholder agreements in respect of the Woking Bandstand Development (BSDL), TRICS Consortium Ltd and in relation to the investment in FutureGov Ltd (in this instance called an Investment Agreement).

Support Services

The 2003 Local Government Act provides the ability for the council to enter into agreements for the supply of goods and services, by and to a LATC. The supply of goods, services and financial assistance must be made without subsidy. The legislation guides the council to apply CIPFA definitions of total cost in calculating the cost of supplies made to a Trading company. This provides the ability to recover all costs in the organisation, including a proportion of all central overheads, depreciation, capital costs and pension back-funding. This wide definition allows significant overhead recovery in the provision of services to an LATC. The supply of goods and services calculated on this basis will be compliant with state aid legislation.

The arrangements for LATCs should seek to ensure that the overall cost base of the Group is not unnecessarily duplicated or increased as a result of any new arrangements. Therefore SCC will provide services to an LATC where it is in a position to do so, where these services are fit for purpose for the business and support its strategy and can be supplied at a cost that is competitive. This is particularly important from a Group perspective where costs are relatively fixed, for example in the provision of payroll services where a substantial portion of the cost relates to the system.

TUPE

The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) protect employees when a business changes to a new owner and apply to "relevant transfers" which may occur in many situations, including service provision or contract changes. In these situations, the employment transfers, employment terms and conditions transfer and continuity of employment is maintained.

The new employer is therefore required to provide the same terms and conditions to the staff concerned. Alternate provision can be made, e.g. a cash alternative to a lease car, but this alternate provision must be acceptable to the employee.

SCC are required to follow the provisions of the TUPE act. This will apply where a service is being transferred to a trading company, as occurred with the award of the commissioning contract for services to Surrey Choices.

A LATC will additionally be required to follow TUPE provisions when taking over a service contract from another supplier – for example, as in the case for S.E.Business Services in the provision of IT managed services previously supplied to the customer by another provider.

GLOSSARY (and associated principles)

Teckal

Procurement complications arise where the Local Authority creates a company to supply services that the LA wishes to continue to purchase – be those that were previously in-house or previously provided externally. The Council is not permitted to automatically purchase from a LATC company outside of normal EU procurement rules. The LATC is required to tender alongside other private sector suppliers.

Procurement issues in relation to the purchase of goods and services from a LATC were evaluated in the Teckal case. According to the 1999 Teckal judgement, public procurement rules do not apply to contracts if the control exercised by the contracting authority over the entity awarded the contract is similar to that which it exercises over its own departments and, if at the same time that entity carries out the essential part of its activities with the controlling authority. This judgement has now been codified into a new EU Directive and in UK Law by the Public Contract Regulations 2015.

SCC will need to ensure that arrangements comply when considering transferring activities to a trading company, assuming that the council wishes to continue to purchase the services. The arrangements for Surrey Choices comply with these considerations.

A LATC falling within the Teckal exemptions will itself be required to comply with the EU public procurement rules, and therefore Surrey Choices is subject these procurement regulations.

Transfer Pricing / State Aid

Transfer Pricing refers to the price at which divisions of a company or a group of companies transact with each other – the terminology relates to all aspects of inter-company financial arrangements. These arrangements have potential implications for the tax authorities. The UK has adopted principles of "arms length" in tax laws.

State Aid issues would apply where a LATC is established, or provided with goods and services and financial assistance at a subsidy.

SCC will need to ensure that it steers an appropriate path or middle ground between issues of transfer pricing (in relation to tax) and those in relation to State Aid. The cost of goods and services and financial assistance (e.g. loans) supplied by the Council to an LATC will therefore be tested against the market to ensure that prices / rates can be justified on an arm's length basis.

SHAREHOLDER BOARD

TERMS OF REFERENCE

Overview

The Shareholder Board will exercise the Council's role as shareholder in any company, limited by shares wholly or partly owned by the Council for the purposes of service provision and/or trading activities. The Board acts with the delegated authority of Cabinet to ensure the performance of any such company is satisfactory.

Any reference in these terms of reference to "Company" is defined as a company in which the Council holds shares.

The Shareholder Board may also decide, from time to time, whether to accept proposals to submit a bid to provide goods and /or services which, if successful would commit the council to the establishment of a company (which may include a joint venture company). In these instances, the decision of the Shareholder Board would be ratified in accordance with the council's decision-making process.

Membership

- Leader of the Council (Chairman)   David Hodge
- Deputy Leader of the Council   Peter Martin
- Cabinet Member for Business Services   Denise Le Gal
- Chief Executive   David McNulty

The Director of Finance, Director of Legal & Democratic Services and the Strategic Director for Business Services will be advisors to the Board to provide open and strong technical advice. Susan Smyth, Strategic Finance Manager, will act as secretary to the Board. Additional advisors may be invited to attend the Board as required.

Purpose

The Shareholder Board will:

1. Have the power to appoint and remove Company Directors
2. Approve and monitor Company Business Plans
3. Approve the allotment of further shares in a Company (whether to third party shareholders or the Council)
4. Exercise any reserved powers in the Articles of a Company
5. Endorse any amendments to Company Business Plans
6. Periodically evaluate financial performance of a Company
7. Agree significant capital or revenue investments proposed by a Company
8. Determine the distribution of any surplus or the issue of any dividends from a Company
9. Consider any recommendation from Company Directors to cease trading
10. Report to the Council annually on trading activity
11. Review the risks associated with trading activities.

The Shareholder Board will not have operational control over Companies   All decisions regarding the day to day operation of each Company, its business developments and commercial opportunities, staff terms and conditions and the development and implementation of its internal procedures, rest with the Directors of each Company

Relationship to scrutiny

Select Committees will retain their scrutiny function in relation to the Shareholder Board. The Council Overview Board will be able to call the Shareholder Board to account for progress in relation to any Company for which the Council is a shareholder and any returns it is making.

Scope

In respect of Teckal-compliant companies

The Shareholder Board will:

1. Monitor Teckal compliance at least annually.
2. Ensure the Business Plan of a Teckal compliant Company is aligned to the corporate objectives of the Council.

In respect of non Teckal-compliant wholly Council-owned companies

The Shareholder Board will also:

1. Seek to achieve appropriate returns on investment from trading activities.
2. Ensure trading activities are conducted in accordance with the values of the Council.

In respect of any shareholding and/or joint ventures

The Shareholder Board will:

1. Evaluate the return and benefits of the shareholding against the values of the Council.
2. Where appropriate, exercise influence over the company and /or joint ventures in accordance with the values of the Council.

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

The Shareholder Board will:

1. Evaluate the return and benefits of the proposal, including an evaluation of the proposed profit share in a Joint Venture.
2. Seek to achieve appropriate returns on investment from trading activities.
3. Ensure trading activities are conducted in accordance with the values of the Council.

Operation of the Shareholder Board

1. The Cabinet has delegated to the Shareholder Board the authority to take decisions in respect of 100% of the Council's shareholding in any Company.

2. The Shareholder Board will meet quarterly, or as required.

3. The quorum for a meeting of the Shareholder Board is a minimum of 3 members, one of whom must be the Leader or Deputy Leader, who will chair the meeting.

Page 62

4. The Shareholder Board may take decisions outside of a Company's general meeting as follows;

    a. At meetings of its members by consensus of those present, unless any member of the Board requires a vote, in which event a majority decision will be taken with each member of the Shareholder Board present having a single vote. The Chairman of the meeting has a casting vote in the event that there is no clear majority; or

    b. In cases of urgency, by a decision made by the Leader or Deputy Leader in consultation with the Chief Executive.

5. Any decisions made by the Shareholder Board in accordance with 4a or b above, must be notified to the Company's directors as soon as reasonably practicable following such decision being taken.

6. The Shareholder Board may take decisions at a Company's general meeting in accordance with the principles set out in 4a above.

7. The Chairman approves the agenda for each meeting. The agenda and papers for consideration are circulated at least two working days before the meeting. After each meeting, the Chairman approves the meeting notes and actions and signs any resolutions agreed by the Board.

8. The Shareholder Board will review the Terms of Reference annually.

V6

Last updated: 16.07.2015

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Shareholder Board – Record of Decisions

[This record includes items of a confidential nature]

30th March 2015

Item / Company	Description	Decision	Key Points
Governance	Approval of minutes	Agreed	
Surrey Choices Ltd	Directors Remuneration	Agreed	The Shareholder Board approved changes to the remuneration of the Managing Director.
Surrey Choices Ltd	Annual Business Plan	Noted	The Shareholder Board reviewed and discussed the Annual Business Plan. The board requested changes to be made for approval at the next meeting.

23rd April 2015

Item / Company	Description	Decision	Key Points
Governance	Approval of minutes	Agreed	
Surrey Choices Ltd	Annual Business Plan	Agreed	The Shareholder Board reviewed and approved the Annual Business Plan.
Babcock 4S Ltd	Strategy discussion	Agreed/ Noted	The Shareholder Board agreed that no changes should be made to the restrictive covenant and requested that a strategic options paper be prepared for future consideration.

3rd June 2015

Item / Company	Description	Decision	Key Points
Governance	Approval of minutes	Agreed	
Babcock 4S Ltd	Strategy	Noted	The Shareholder Board received an interim report providing an update on the progress of the strategic review of the Joint Venture.

1

Item / Company	Description	Decision	Key Points
Surrey Choices Ltd	Draft (unaudited) Annual Accounts	Noted	The Shareholder Board reviewed the draft Annual Accounts for the year ending 31st March 2015. The results for the first partial year of trading are in line with expectations. The Board will receive the final audited accounts at a later date.
S.E.Business Services Ltd	Draft (unaudited) Annual Accounts	Noted	The Shareholder Board reviewed the draft Annual Accounts for the year ending 31st March 2015. The results are an improvement upon the agreed Business Plan. The Board will receive the final audited accounts at a later date.
S.E.Business Services Ltd	Dividend	Agreed	The Shareholder Board approved that the company pay a dividend of £400,000, and noted that this dividend incorporates retained profits from the first partial year of trading.
S.E.Business Services Ltd	Commercial Opportunity	Agreed	The Shareholder Board approved that the company may progress business development opportunities (these opportunities are subject to a signed Non-Disclosure Agreement)

16th July 2015

Item / Company	Description	Decision	Key Points
Governance	Approval of minutes	Agreed	
Governance	Director Appointments	Agreed	The Shareholder Board agreed changes to Director appointments for Surrey Choices Ltd and Bandstand Square Developments Ltd following changes in member & officer responsibilities.
Governance	Shareholder Board Annual Report	Agreed	The Shareholder Board approved the Annual Report, which is to be presented to Cabinet in July.
Governance	Terms of Reference	Agreed	The Shareholder Board agreed minor changes to the Terms of Reference (appended to the Annual Report)
S.E.Business Services Ltd	Business Development Strategy	Agreed	The Shareholder Board approved the Business Development Strategy and agreed that the company may progress certain business opportunities.

Item / Company	Description	Decision	Key Points
Bandstand Square Developments Ltd	Approval of Reserved Matters	Agreed	The Shareholder Board approved that BSDL may enter into contractual arrangements in relation to the existing Fire Station and in respect of the replacement provision.
Municipal Bonds Agency	Provision of Equity Finance	Noted	The Shareholder Board noted the decision of the Director of Finance to provide equity finance in order to deliver an investment return and benefit from borrowing at preferential rates of interest.

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SURREY
COUNTY COUNCIL

Council Overview Board
1 October 2015

ORBIS BUSINESS PLAN

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

To provide Members with details of a 3 year business plan for Orbis.

East Sussex and Surrey County Council's Cabinets have both approved the business case to establish a public sector partnership to create an integrated business services organisation called Orbis, to deliver business and support services to both authorities.

On 11 September 2015, the Transformation Sub Group of the Council Overview Board received a presentation on the Orbis business case.

The Business Case and summary are attached to this cover report for consideration by the full Council Overview Board.

Recommendations

The Scrutiny Board is asked to consider the Orbis Business Plan and consider whether it would like to make any recommendations to Cabinet.

Next steps

- The Transformation Sub Group, and a sub Group of East Sussex's scrutiny function are holding a joint meeting on 5 October 2015 to consider whether they wish to make any joint recommendations to the Surrey and East Sussex Cabinets.

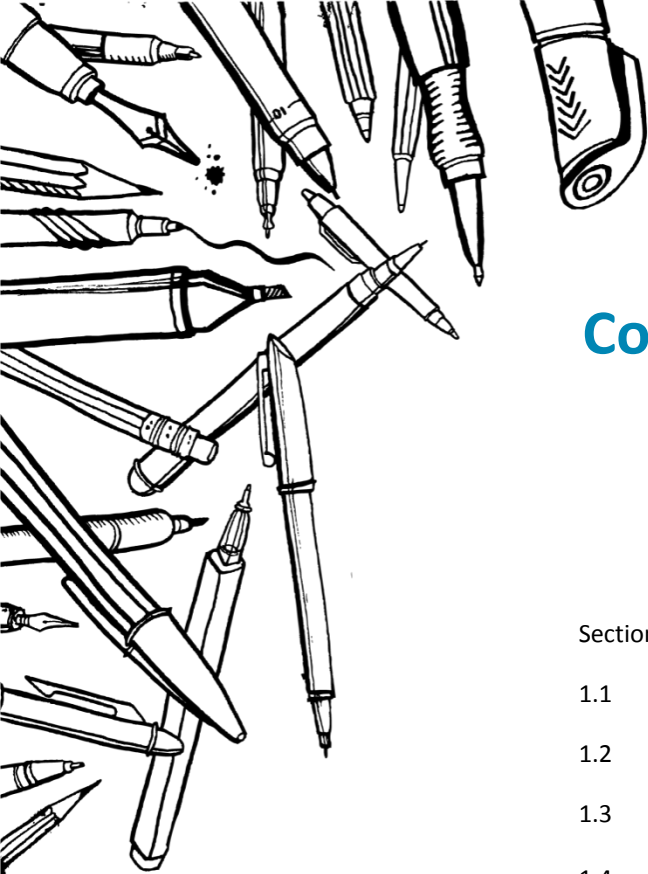**Report contact:** *John Stebbings, Chief Property Officer*
Contact details: John.Stebbings@surreycc.gov.uk

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orbis

The Compelling Alternative

Business Plan

Contents

Introduction

Strategic ambition for the Orbis partnership

The business services functions of East Sussex and Surrey County Councils provide a range of professional, advisory, transactional and operational services, which support residents, elected councillors, and public-facing services.

We are creating an efficient, modern, agile and digitally enabled operation by building on our established partnership in Procurement and Shared Services, (now known as Business Operations), to create a fully integrated business service known as Orbis . The partnership was originally launched in April 2015.

Providing excellent customer service and delivering public value are at the heart of our ambition. The partnership incorporates Human Resources and Organisational Development, Property Services, Technology and Information, Procurement, Finance and Business Operations.

What makes Orbis the 'Compelling Alternative'

Our ambition is different	Orbis comes from the Latin word meaning 'circular' and 'orbit'. We felt this really captured our intent to create all encompassing and seamless services which provide the professional expertise and passion needed to support the front line services of our partnership, and ultimately, for our residents.
Our approach is different	We have placed the engagement, buy-in and commitment of our people at the forefront. We have accelerated the people aspects of our design – tackling difficult decisions early such as 'who do we need leading our services?' and 'how will we tap in to the fantastic talent that we possess as we design our future?'.
Our offer is different	We have been working with local government for over a hundred years – no one knows how it works better than us – we want to challenge the norm and provide a better level of service to support our partners and customers. The Orbis ambition is to become the public sector provider of choice. There is an expectation that the partnership will grow beyond the two initial founding partners, as it shapes and develops, in order to improve the service we can deliver and provide increased public value to a wider community.

East Sussex
County Council

SURREY

Purpose of this Document

Background

Earlier this year, East Sussex and Surrey County Council's Cabinets approved the business case to establish the joint public-sector partnership of Orbis. The business case outlined the transformative arrangement that will deliver affordable services to each council and deliver benefits to both parties. Significant savings will be achieved from integration, from the adoption of best practices, management de-layering, process improvement and reduction of duplication. The partnership aims to bring on board other Partners and develop a model to provide services to Customers.

Both Cabinets resolved that additional work was needed to develop a **business plan and a three-year roadmap** to show the transition to full integration by 2019, which are presented in this document.

Purpose of this document

This business plan sets out the early achievements of the aims, ambitions and projected benefits which Orbis originally proposed. We are now in a position to outline future insights around what the 'Compelling Alternative' means for the future of our services – through a 'proof of concept' pilot project. This aims to provide Cabinet with the confidence that the investment required is essential to deliver the three year integration plan in a financially beneficial and sustainable way.

This document includes three sections:

1	The Story so Far	*'Design and proof of concept'*	Outlines all initial design work as at 'Year 0' of the business plan. The work completed to date demonstrates confidence in the process and direction, proved through the HR proof of concept pilot project – accelerating the delivery of the Orbis HR design.
2	The 3 year Roadmap	*'Making it happen'*	Outlines the pragmatic and sustainable three year roadmap to achieve projected benefits of the Orbis partnership including the programme infrastructure and investment required to make it happen.
3	Benefits Case	*'Projected benefits and investment required'*	Outlines the projected financial and non-financial benefits Orbis will deliver, and the investment required to fully transition from current to future state.

There are a number of **principles for defining success** that we wish to demonstrate – providing Cabinet with the confidence to approve the investment required to complete the Orbis story and reach full integration.
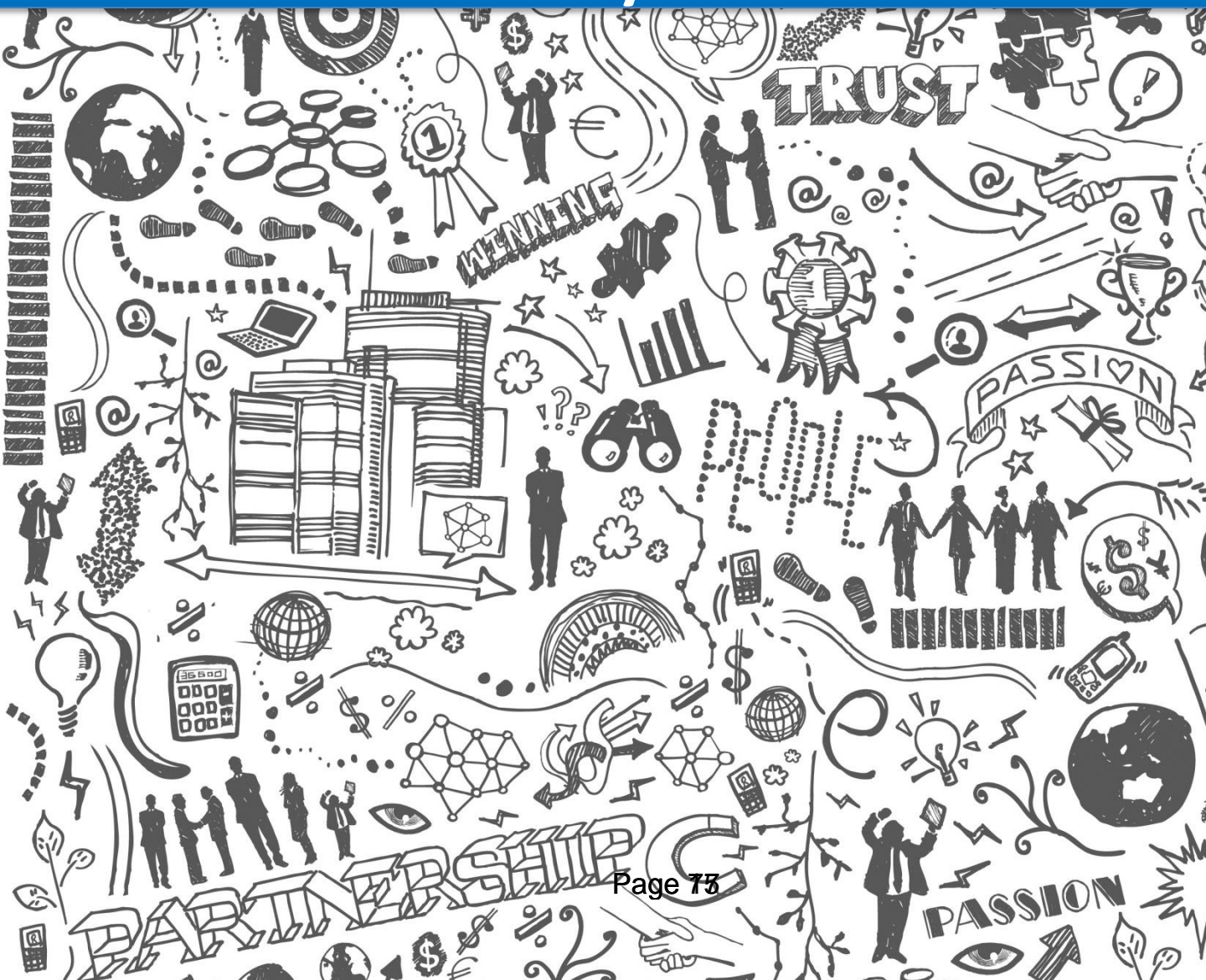
- ✓ We will consider and respect the future experience for our customers.
- ✓ Our decisions have been based on robust evidence and provide value for money.
- ✓ We understand, appreciate and have incorporated a vein of sovereignty.
- ✓ Our commitment to our sovereign authorities will not be impacted negatively.
- ✓ We can achieve greater things as a partnership.

Section 1

1.1 Our Approach to Designing Orbis

1.1.1 Our methodology

In embarking on a complex and large scale change it is important to have a robust, tried and tested method for designing. We have developed the Orbis Target Operating Model (TOM) framework to do this.

Orbis TOM Framework

- **Vision and Strategy** – 'What is the strategic reason for pursuing Orbis?'
- **Customers, Partners and Channels** – 'How do we ensure that our customers are at the heart of what we do, as well as create a compelling offer which attracts partners and allow us to grow?'
- **Services** – 'What are the core services and do they need to change as we integrate?'
- **People, Organisation and Culture** – 'What are the key roles, talent and culture we need to succeed as a partnership?'
- **Governance** – 'How will decisions be made, jointly?'
- **Processes and Transactions** – 'What do our integrated, streamlined and efficient processes need to be?'
- **Technology and Information** – 'What are the systems, applications and information requirements which will enable us to succeed?'
- **Location** – 'Where will people be physically based?'
- **Planning and Performance Management** – 'What are the key success factors which will guide how we plan?'

1.1.2 How this framework has been used

We have used this framework, or 'layers', to design and guide the content needed to develop the Orbis blueprint – outlining, at a high level, the future components of Orbis as a whole.

1.1.3 Overview of this section

This section of the business plan brings together the work carried out to date to develop the high level Orbis TOM across all services – while providing informative detail on 'what this will mean in practice' through the HR proof of concept. The other sections within the business plan detail the design so far against these layers.

In order to provide the right level of confidence at this stage of the business plan, 'Year 0', we selected a pilot project to undertake a detailed, early redesign and become the 'proof of concept'. This provides assurance in the approach and overall high level design and also demonstrates that the benefits outlined in the business case are not only achievable, but prudent. HR was selected to be the pilot for this due to it being essential to the delivery and enablement of full integration across all services.

HR Proof of Concept

1.1.4 Design principles

In order to bring the Orbis vision to life, and allow the designs to stay true to it, we have developed a set of design principles. These principles are a unique and robust set of requirements which are used for designing the Orbis Target Operating Model (TOM). They were originally developed by members of the Orbis Leadership Team (OLT), and have since been revised, and agreed with a number of key stakeholders prior to beginning the design process.

By 2019 we will …

1. place the customer at the heart of everything we do,
2. have a workforce who are proud and passionate and are given the opportunity to succeed and flourish,
3. embed a partnership culture, empowering our people to make decisions based on the right thing for our business and our customers,
4. be the public services supplier of choice, allowing our existing and future Partners to benefit from our increased standardisation and reduced duplication,
5. have a thriving business which is sustainable now and in the future.

We will test the principles on an on-going basis as the design for Orbis further develops and evolves.

1.1.5 Design Parameters

The design parameters translate the design principles into tangible design considerations, against which the effectiveness and appropriateness of the proposed design options can be assessed. These will act as a guide to the design of new services and a golden thread throughout. We have developed a set of principles that have been categorised against the layers of the TOM framework to ensure that all component parts are covered . The table below summarises some of our design parameters.

TOM Component	Design Parameters
Customers, Partners and Channels	Processes and enabling technology will be designed to empower customers to support themselves.
Services	The services will be annually reviewed against relevant external benchmarks and if necessary, changed to suit our two founding partners, and market demands.
People, Organisation and Culture	Matrix management will be incorporated into structures, roles and skills to enable the formation of topic-based, problem solving teams , which is underpinned through strong resource management
Processes and Transactions	Performance management will be consistent across the partnership and the process for this will be agreed across all partners .
Technology and Information	Innovative and transformational IT and Digital solutions will be used to support the delivery of operational and strategic priorities .
Location	Place resources where they add most value .
Planning and Performance	Robust evidence and intelligence will be gathered to drive decision making and performance improvement.

1.1.6 A collaborative and co-design approach

Orbis will capture a change in working for its people – these people are our biggest asset. This is why we have harnessed their talent as we design how we work in the future. Through drawing upon a number of key groups, a collaborative approach to developing the Target Operating Model (TOM) has allowed for a rich and informed design.

These groups consist of:

Orbis Leadership Team (OLT)	OLT have been crucial to the success of the designs so far, leading the transformation of the six service lines while also taking key decisions which affect the future of Orbis as a whole.
Orbis Senior Leadership Team (SLT)	Orbis SLT are a group of nominated managers from the Orbis services, who form the 'service design working groups'. These working groups have participated in a design process which has developed the individual service visions, the services which will be delivered in the future and the identification of benefits and phasing.
Focus Groups	The cross-service focus groups consist of a number of OLT members and skilled individuals from Orbis. The groups have been developing the cross-service layers of the TOM – including Partners and Customers, Governance and Branding.
ESCC and SCC Leadership	The East Sussex County Council Leadership Group and Surrey County Council Extended Leadership Team have been consulted at various points of the design of the Orbis TOM. This is to esnure a level of consistency and provide early visibility on what Orbis will mean for its Customers.
EPIC Champions	The EPIC champions form a network of volunteer change agents which has been created across Orbis who have come together to support a culture which brings the 'Compelling Alterative' to life. The role of an EPIC Champion is informal and provides challenge and insight to proposed designs – helping to shape the operating culture of Orbis. There is an open invitation to all colleagues .
EPIC People	Our EPIC people are fundamental contributors to our collaborative co-design. Thus far, we have used Yam Jams (online Q&A sessions) and drop in sessions as open forums to gain feedback on our early design phase. We look forward to involving our colleagues further during the next phase of design.
Trade Union Partners	Orbis is committed to working with respective partners' recognised trade unions. Orbis is committed to the concept of collective agreement and both values and welcomes the contribution that trade unions bring.

1.2 Vision and Strategy

1.2.1 The challenge

While financial austerity in local government grows, the demand from customers remains – this means that we need to think differently about how we solve the continuing pressure for cost efficiencies. Orbis is founded on a devolution prospectus, to work with Government to deliver strong and sustainable economic growth, enhance productivity, transform public services and build on the track record for fiscal efficiency.

1.2.2 The vision for change

Orbis is predicated on developing something unique, to become the 'Compelling Alternative'. The ambition is to deliver excellent services which place the customer at the heart of everything we do – in a way which is sustainable and protects the front line services, enhancing local residents' experience with the councils.

We aim to create sufficient scale to recruit and retain the best staff, to drive shared efficiencies and to invest in enabling technology.

Orbis, The Compelling Alternative

"A trusted partnership delivering value to customers and residents through our expertise, innovation and passion."

epic

Expertise   **P**assion   **I**nnovation   **C**ustomer

The design of Orbis brings a significant opportunity to create a strong, sector leading entity with ambitions to become the public service provider of choice for the public sector. With this opportunity comes a responsibility to ensure the design remains close to our vision. This vision will guide future designs.

Adding value to the customer
The HR service, when challenged with defining what a 'Compelling Alternative' service meant for them, placed emphasis on providing enhanced value to the user contributing to strategic decision making and enabling users of the service to become more self reliant. HR's future role in Orbis will be to empower Customers to make their own HR decisions by ensuring information required is easily accessible – standardising and, where possible, harmonising policies and removing barriers to enable swift and robust decision making. This will be delivered through having timely and appropriate access to essential advice, and enhancing the skill-set and confidence of managers. The HR service will lead by example, building on the best of what already exists, established through an existing professional community of confident and resilient practitioners.

HR Proof of Concept

1.2.3 The role of Orbis in the devolution agenda

East Sussex, Surrey and West Sussex have developed and proposed a devolution prospectus, known as the Three Southern Counties or the 3SC.

At the heart of the devolution offer is a commitment to work with Government to deliver strong and sustainable economic growth, enhance productivity, transform public services and build on the track record for fiscal efficiency.

Public service transformation is one of the two workstreams within the prospectus with a vision of **re-imagining public service delivery** through innovative approaches to service integration and collaboration between public sector partners and businesses.

Within the region there is a strong track record of established partnership working. It underpins everything and operates at many levels and on various county and cross-county geographies.

The three Local Enterprise Partnerships (LEPs) have provided helpful for bringing local authorities and wider public sector partners together with business, across a functional economic area, to develop Strategic Economic Plans and discuss a variety of local issues, including infrastructure, skills and housing.

We believe that Orbis aligns heavily to the principles set out by this initiative, through partnering to deliver more sustainable transformation across back office services.

There are many examples of cross-partnership frontline service transformation too. Some of these examples include:

- **New approaches** - adopting new ways of generating income and new models for delivering services including: Surrey Choices, established as a local authority trading company providing social care for people with disabilities; and integrating the East Sussex Adult Social Care Living at Home Service within East Sussex.

- **Sharing assets** – West Sussex County Council shares accommodation with Horsham District Council, in addition to other public services, delivering significant savings for both and enhancing joint working opportunities.

1.3 People, Organisation and Culture

1.3.1 Overview

The people, organisation and culture are all at the heart of the Orbis future state design and we believe that this is something which is key to making Orbis the 'Compelling Alterative'. The vision for Orbis is underpinned by EPIC people, delivering expertise with passion. There are a number of key deliverables created for this layer of the Target Operating Model (TOM) outlined below.

1.3.2 People

The HR infrastructure and the delivery of sustainable change are key priorities for the Orbis design. A number of initiatives are underway as the change is delivered collaboratively through the existing talent within the organisation. Some of the key activities include the development of an Orbis-wide Recruitment Strategy, the Orbis Talent Management Programme and a Pay and Reward Programme. These are just three of the key elements of the People and Transition Strategy that are being developed to enable people based changes across Orbis.

1.3.2.1 Leadership

The Orbis Leadership Team (OLT) have been crucial to the success of the designs so far, leading the transformation of the six service lines while also taking key decisions which affect the future of Orbis as a whole. It was important to mobilise the leadership early, as they are integral to the success of the partnership, they are leading the change with expertise and passion with their teams.

The aim is to create leaders at all organisational levels so that decisions are taken with confidence by those best placed to make them. By doing this we will enable our leaders to act confidently together with a strategic and commercial focus.

We have developed a common set of leadership behaviours:

Behaviour	This means…
Lead by Example	consistently role model the Orbis behaviours,
Inspire and Involve	setting a clear direction and involving others in the achievement of it,
Empower	leading in a way that enables others to take action and develop themselves.

1.3.2.2 Orbis talent

Our Orbis people are our unique differentiator and are at the core of delivering the excellent public services which our Partner organisations will provide through Orbis. We want to keep our talent, and continue to grow, nurture and retain it. Therefore, we have prioritised the early launch of our talent programme, which includes Ingenium.

Ingenium was launched to recognise, stretch and engage the talent across Orbis. It reflects the difference we are seeking to achieve in our behaviour, our thinking, and the way we evolve and engage with our people. The programme is all about identifying and showcasing the tremendous breadth and depth of emerging talent that exists within Orbis. Ingenium will also bring value to the organisation as people will be required to think of business problems we may experience in the early years of Orbis' formation and come up with innovative ideas to overcome them. The programme is in an early phase of design, and will eventually be a part of a broader talent strategy for Orbis.

The programme aims to encourage and invest in Orbis employees who are in the early stages of their career. The aim of the programme is to embed the EPIC behaviours within Orbis and to bring to life the aspirations detailed in the original Orbis business case:

- Fostering expertise, passion, innovation and customer focus within Orbis.
- Giving employees the opportunity to succeed and flourish.
- Retaining and developing talent within the organisation.
- Tapping into the potential of our people to explore and resolve real-life business issues.
- Creating a pool of talented individuals whose skills can be accessed as and when needed within the organisation.

Ingenium is not a selection process for wider Orbis changes - it is an EPIC celebration of talent and a developmental opportunity for those in early stages of their career. This will be communicated throughout the process.

12

1.3.3 Organisation

We believe in true, collaborative co-design, with appropriate involvement of our workforce and trade union colleagues; we want a rich design which is informed by our EPIC people. That is why we have prioritised the first key milestone as getting the management in place to lead the way. Through this, initial efficiencies will be made, in line with the initial business case (outlined in section 3).

This is not just about removing the duplication of management that naturally results when integrating two separate services; it is about getting the right roles and people, that will deliver our 'Compelling Alternative' and transformed service models. We think that this is the right way to create sustainable change which has minimal impact on our Customers.

The management structures will be designed for each of the six services using the design parameters and principles. The aim is to reduce management hierarchy, to aid a more flexible structure and faster decision making.

1.3.4 HR Policies and procedures

Harmonising policies and procedures wherever possible is an important part of developing an Orbis culture. We have undertaken detailed work to understand how we can operate within the parameters without fettering contractual terms and conditions of each Partner organisation, and put in place practices to make Orbis feel compelling for our staff.

HR Proof of Concept

In order to harmonise processes across Orbis, it is important that the underpinning policies align and are standardised across the two organisations, where necessary. As part of the future state design work for HR, we have begun to review the HR policies and procedures across both partners. Strong similarities already exist, however there is an opportunity for greater alignment. We have identified specific opportunities for greater standardisation of policies such as grievance, disciplinary, and performance management. Work on this will continue in the next phase of detailed design work.

1.3.5 Culture

The Orbis vision will be dependant on establishing the right culture within our services. In order to accelerate this, a number of EPIC behaviours have been developed to capture the target state for how people work together. These have been developed collaboratively with staff in order to bring these to life.

1.3.6 The Orbis EPIC behaviours

What they are:

- A common set of expectations across Orbis.
- Identify the behaviours that will enable us to be EPIC.
- Provide a common language and sense of identity, co-created with our Orbis colleagues.
- Have synergy with the Orbis brand – behaviours that personify the 'Compelling Alternative'.
- Simple and easy to understand, so that it feels natural for people to adopt them.

How they were developed:

- We compiled feedback from a number of Orbis engagement sessions with our co-design groups.
- We explored what was at the heart of the words that came back and turned these into the key areas of focus using 'plain English' .
- At the heart of the behaviours are the core Orbis values.

Underpinning the EPIC behaviours are a number of tangible actions that people can take to demonstrate them.

1.4 Customers and Partners

1.4.1 Customers and Partners

The work to date on Customers and Partners has been focused on defining our 'offer'. We have developed the vision for our services – how we want our Customers and Partners to feel and experience our services, and the next phase will be to design and deliver this vision.

Our approach is one of collaboration and co-design, and we will therefore involve our Customers and Partners in the design of our future state services.

- When we refer to Customers we are referring to the internal departments of our internal organisations e.g. Adult Social Care is a customer of Orbis.

- When we refer to Partners we are referring to other organisations who wish to join and integrate with Orbis.

- When we refer to Business-to-Business (B2B) Customers we are referring to recipients of our services, such as other local authorities who buy payroll.

1.4.2 Customers

Our vision for Orbis is predicated on developing services which place the customer at the heart of what we do, and through this we will achieve our ambition to grow through partnership.

Our Customers are our greatest priority and we believe that we will be able to enhance the service we provide them through our joint offering. As we work together to integrate our services, we have the opportunity to redesign and re-engineer our services to make them best in class. We will work to develop the 'Compelling Alternative' together by leveraging our leading practices and looking for innovative ways to improve customer experience and accessibility.

In addition to design of services, we will also look to improve customer experience through growth. By attracting new partners, we will be able to grow the size and scale of our operations, and add new services to the Orbis offering.

New partnerships will enable us to grow by reducing our operating costs, and achieving greater efficiencies of scale. This approach will help us build the resilience of our services and improve the experience for our Customers. Working together we will be able to expand our current customer base and enhance our services by learning from one another and leveraging best practices across the partnership.

1.4.2 Customers (Continued)

Our Customers are the essence of our service delivery, and how we continue to work with them as a partnership is integral to our future success. The service design for Orbis proposes a channel re-design towards increased self-sufficiency, by empowering Customers to manage more of their own supporting processes, and placing less reliance on business support functions. The ambition is for Orbis to achieve a level of consistency in quality for our Customers, providing them with ease of access to the services that they need. The detail for how this will look and feel will be designed over the next phase of service design.

We have a number of success stories for moving to this way of working already. Two examples of these are below.

Property Services to Schools in SCC The Property service in SCC introduced a new self-serve technology so that Schools could log their maintenance requests. This allowed them to have real-time information on the progress of their request. Benefits included: • Increased accuracy of data and information (schools self-submitting). • Increased customer satisfaction.	**Employee Programme - HR Services in ESCC** The employee assistance programme at ESCC moved from a face to face channel to a telephone service. Benefits included: • Access availability increased to 24/7, 365 days per year. • Reliability and universal access. • Reduction in cost of service by 80%.

Enhancing the service offer

The model overleaf has been proposed by the HR pilot project. This channel re-design aims to deliver a better service to Customers by improving the convenience and accessibility of HR tools and resources, to enable managers to make effective decisions. The channel re-design to less dependency on the HR professional service will be predicated on the right training and support for managers as well as access to the more standardised, simplified and harmonised policies and information they need to be able to make effective decisions. When the model is implemented well , it will achieve greater consistency in the levels of HR compliance across the Partner organisations, enhance the speed of service delivery and provide the Customer with greater clarity through swifter access to the support and information they need. Additionally, with the right measures and plans in place, this channel re-design can realise significant benefits in reducing cost of the HR service – minimising the capacity needed from HR professionals.

This approach has been adopted by many leading organisations, particularly in the private sector where enabling technologies support the use of employee self-serve. The shift in channels and enhanced empowerment also support the matrix management ambitions of Orbis – line managers will change for project working or will be expected to direct remote teams, therefore the ability for employees to support themselves will be essential.
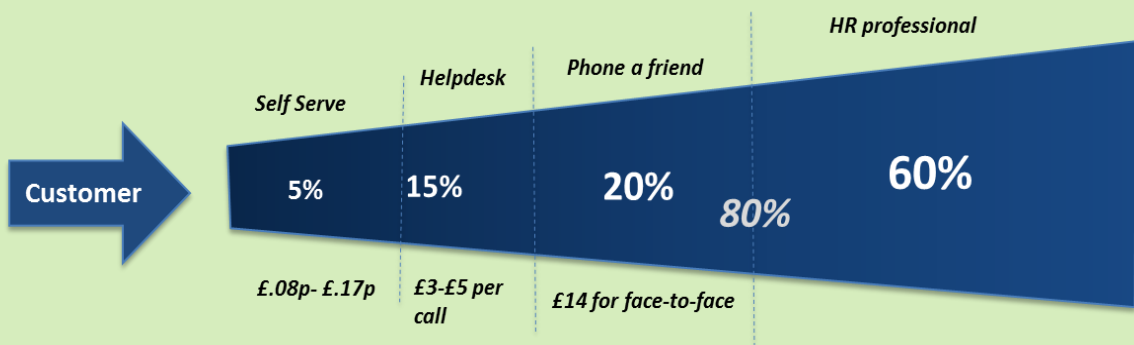
HR Proof of Concept
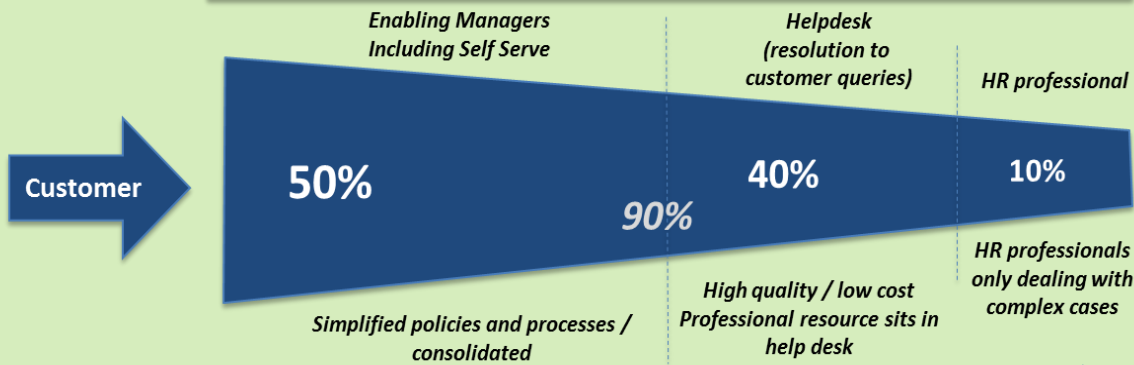
HR Proof of Concept

Enhancing the service offer

This enhanced service offer has been underpinned by a detailed analysis of existing practices, external benchmarking and challenge from leading external professionals. The pace and scale that this enhanced model can achieve will be dependant on a number of factors, such as investment in technology, up-skilling of managers and the availability of a standard technical solution across the partnership.

HR professional

Helpdesk | *Phone a friend*

Self Serve

Customer

| 5% | 15% | 20% | **80%** | 60% |

£.08p- £.17p | *£3-£5 per call* | *£14 for face-to-face*

Future State

Technical layer / platform

Enabling Managers Including Self Serve | *Helpdesk (resolution to customer queries)* | *HR professional*

Customer

50% | **90%** | **40%** | **10%**

Simplified policies and processes / consolidated | *High quality / low cost Professional resource sits in help desk* | *HR professionals only dealing with complex cases*

Increasing restorative / mediation reducing formal cases

The figures above are the most quoted for channel re-design savings in the UK and have been used in many local and central government papers and channel strategies.

East Sussex County Council

SURREY

1.4.3 Partners

We have an aspiration for Orbis to grow beyond the initial two Founding Partners and we have already generated interest from other local authorities wanting to sign up to our vision of the 'Compelling Alternative'. Together, we can create further scale, efficiencies and rival the private sector in delivering support services to a range of Customers. The below is a proposal for partners joining Orbis. It outlines the potential 'offer' for new Partners wishing to join the partnership.

New Partners will have the ability to help shape and influence how services will be delivered in the future. New Partners will have the opportunity to keep Orbis compelling, ensure it remains fit for purpose but ultimately benefit from the established services and ways of operating which have been designed so far – including the efficiencies. Detailed work is on-going around defining the commercial principles for working as an Orbis Partner – we are currently having open conversations with potential interested Partners about how this could work in practice.

Orbis Vision	*"A **trusted partnership** delivering value to customers and residents through our expertise, innovation and passion."*
Becoming an Orbis Partner	Orbis is all about creating a public sector shared service which aims to grow and strengthen through its Partners, increasing collective buying power and streamlining processes to provide better, more efficient services. The public sector should be seen as one team cooperating to deliver value for money services wherever possible. Orbis aspires to become the go-to place for delivery of public sector services.
What to expect	When you become a Partner, you invest in our vision for better and more compelling shared public services. It means you become an owner of this vision. This brings a significant level of responsibility and a number of advantages. • Support – Unlike the sole founder of an organisation, you are not alone, you are part of a collaborative network of fellow Partners who support one another to achieve our united goals of becoming the compelling alternative • Legacy – The Orbis Partners are custodians of the service, you will have a unique opportunity to co-create something that will continue to grow as we develop and become more mature .

The non-negotiables of becoming an Orbis Partner	**Governance:** • You will work within and be a part of the Orbis governance arrangements which have been set out as a Joint Committee. • You will benefit from sharing an already established, passionate Orbis Leadership Team (OLT). **Investment:** • You will commit time and resource to provide critical support to help shape the service (Founding Partners) to build a credible customer offering. Senior officers will be required to challenge the design of services constructively through open and transparent dialogue so that together we can build the compelling alternative. Operational staff will be required to take part in the co-design of detailed service offerings and structures. • You will commit a financial investment to an approved business case. Through being a Partner you have a real stake in our joint organisation.	**Partner Types & Roles**	**Founding Partner:** • Helps to shape the service to build a credible customer offering and the contractual arrangements which underpin e.g. terms and conditions. • Will inform the service scope and design of initial Key Performance Indicators (KPIs). • Play active role in transformation of service. • Benefits from co-developing the emerging offer and proves the model through 'first customer' status for your respective sovereign agencies . **New Partner:** • Sign up to the core Orbis offer designed and outlined in the business case, helping to shape how services continually improve. • Benefits from a mature service and joining the already established infrastructure.

Page 88

1.4.3 On-Boarding process for partners

In order to realise the ambition to grow beyond the original Founding Partners, there is a need to define the on-boarding process for new Partners. Therefore we have started to develop an approach for assessing scope and fit for purpose of new Partners to ensure the long term growth and sustainability of the partnership is protected. It is essential that new partners who join Orbis are aligned with the vision and strategy of the partnership, and can contribute to the future growth and success of Orbis.

As we go through the development of a successful partnership, we are likely to come across a number of micro-level decisions and challenges that when seen in isolation could be difficult to overcome. These decisions are currently being considered by the Founding Partners, and will be developed as part of the Inter-Authority Agreement (IAA). The learnings from this will help develop a methodology and enable a more informed discussion with future Partners. However, there should be no negative impact to the sovereign authorities as a result of setting up Orbis; further reviews through the appropriate governance structures would be required if this was likely to occur.

It is important to recognise that the integration of new Partners will likely require a review of the IAA and the associated governance model.

| Considerations		Why is it important?
A	Allocation of Cost of Shared Service	As the partnership develops, and new organisations join, we will need to have a mechanism for allocating the costs of the partnership to all organisations. This will include how the level of provision can be flexed, and what the rules associated with these are.
B	Overheads and Recharges	In order to operate, there will be the usual overhead costs associated with running the organisation. However, there should be no additional costs to the sovereign authorities as a result of setting up the partnership which are not outweighed by financial benefit.
C	Capital Allocation	As organisations enter the partnership they are likely to be at different points relative to each other. Establishing a way that all organisations enter the partnership is important, including any one-off costs.
D	Joint Appointments	Under the Joint Committee structure, employees may be required to work across all organisations within the partnership, but will only be employed by one. Understanding and agreeing how employees within Orbis are managed is important to ensure that all staff are treated with the same standard across the partnership.
E	Pay, Reward and Terms and Conditions	The terms and conditions across all entities entering the partnerships are likely to be different. We are working out a practical solution for the two founding partners, however, we would need to review the on-boarding of new Partners on a case-by-case basis to plan how we can make this work together.

1.5 Services
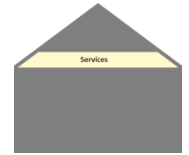
1.5.1 Overview of Functional Service Model

Orbis has been designed with six functional services within its portfolio – these combine and integrate the offerings which currently, or will eventually, exist within East Sussex and Surrey County Councils. Underpinning these services is efficient and effective customer access and a strong leadership function.

Each of the six services within the Orbis portfolio have designed their future offerings under 'Centres of Expertise' and 'Transactional Business Solution'. This approach to service delivery is based on a classic shared services model, and has been very effective in practice.
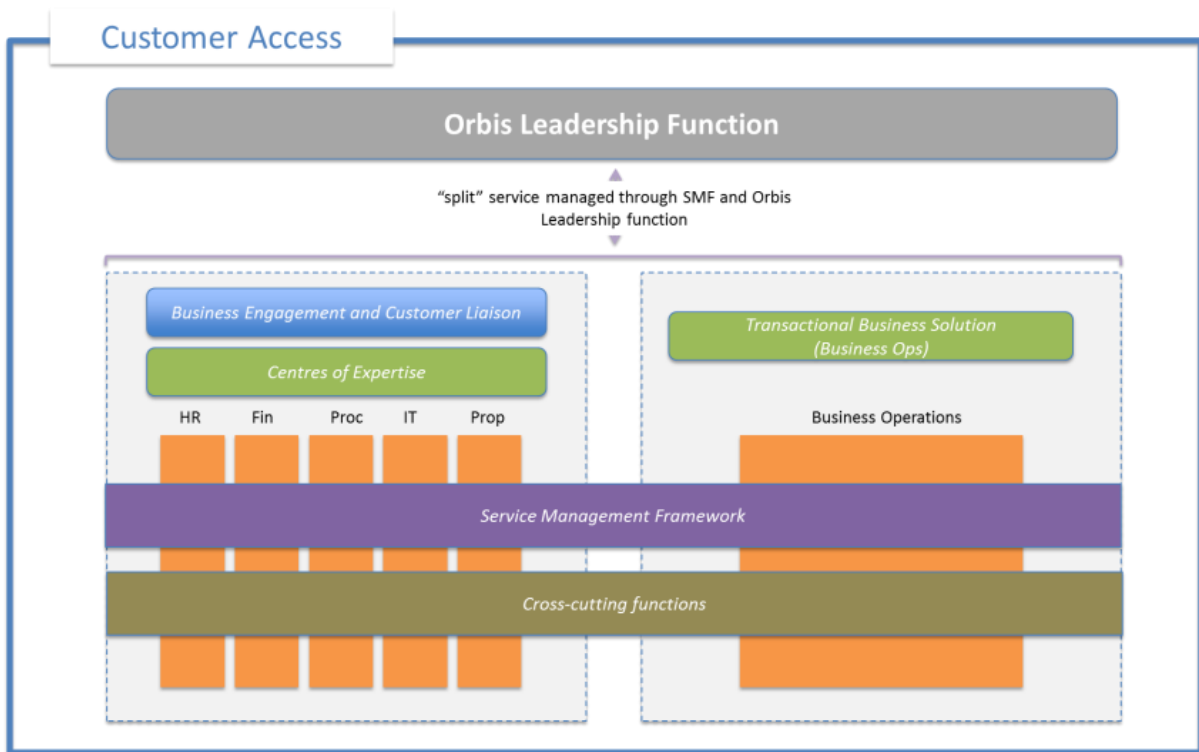

Orbis Functional Service Model

1.5.1.1 Orbis Leadership Function

Leadership is responsible for management of Orbis activity, affecting services, cross-cutting and Transactional Business Solution (Business Operations). This is an essential function to direct 'whole-Orbis' activity which spans across services and brings everything together.

1.5.1.2 Customer Access

Customer access, or 'experience', is a key focus of the detailed design of Orbis. We want to make it as easy as possible for our Customers to access our services and find the expertise, knowledge and information that they need. We believe the pathway for Customers should be designed as one – removing complexity and enabling ease of access. We will invest in enabling technologies that support this approach to service delivery, so that Customers can access and engage with our services more conveniently.
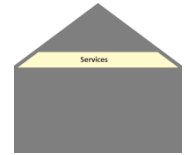
1.5.1.3 Business Engagement and Customer Liaison

Each service will naturally have their own approach to engaging with their Customers however, there will be a consistent approach to quality, gathering requirements and developing sovereign service strategies.

Specialist advice and strategy

Services will often have regular places on the Customers' service management teams, as well as providing pro-active insight and advice to enable Customers to make value for money decisions.

Additionally we will work with our Customers on a project/programme basis providing transformational expertise as well as day-to-day support.

Customer experience

The first point of entry for all Customers requiring advice or access to information will be a key part of the Orbis design. We want to make it as easy as possible for customers to engage with us which is why it is a key part of our next stages of service design.
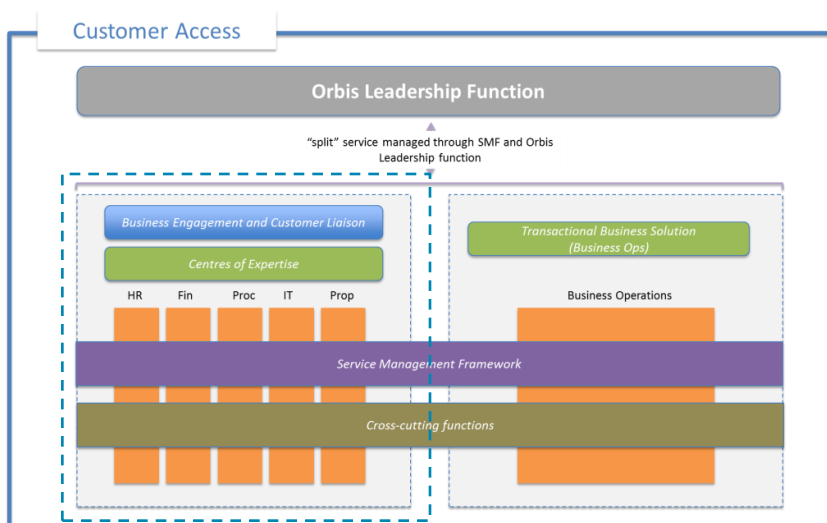
HR, through the pilot design, has designed its customer liaison through two senior management posts, each with a dedicated Partner organisation focus. These roles will be responsible for engaging with their respective organisation to 'commission' the services they need for HR from the pooled centres of expertise – such as workforce planning, policy development and HR advisory.

HR Proof of Concept
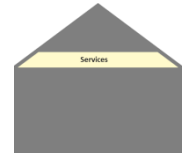
1.5.1.4 Centres of Expertise

The centres of expertise are the areas of professional specialism which will be 'commissioned' by the business engagement and customer liaison function on behalf of Customers. These areas of expertise have the ability to be traded to external customers. Generally they are agnostic of location. The following diagram summarises the proposed centres of expertise for each service:

Centre of Expertise Business Capabilities by Service

HR	Finance	Procurement	IT & Digital	Property
Wellbeing / Health & Safety	Production & Maintenance of Strategies	Strategic Sourcing	Architecture & Design	Project & Programme Office
Workforce [Development & OD]	Delivery of Audit Plan, Assurance, Control Environment	Category Strategy Development	Projects & Programmes	Operations Delivery
Pay & Reward Strategy	Horizon Scanning	Contract Management	Application Management	Investment & Regeneration
Contract Management	Financial Hierarchy Design	Intelligence & Analytics	Service Management	Asset Strategy Management
Policy Development	Subject Matter & Specialist Finance Advisory	Professional Skill Development	Security & Risk	
HR Advisory	Data Analysis & Reporting		Operations	Capital Projects
			IT Services for Schools	
			IT Services for Libraries	
			Data Centre Provision	

1.5.1.5 Partnership growth and new services

There is a process to be taken with new partners to identify whether new services e.g. Revenues and Benefits, would become a new offer (a new vertical) or be incorporated within an existing service (an existing vertical). This will be dependant on maturity of the service to take on the new activity and / or where the function can be managed most effectively; as well as the views and insights from the new partner bringing the service into Orbis.

The HR Centres of Expertise

HR Proof of Concept

These represent the key areas where both Partners will benefit from integration, both in terms of cost reduction (doing things once) and maximising scarce expertise, thus improving service resilience.

Policy Development: an integrated team will be refreshing and responding to changes in national legislation and recommending the action required to current practice to ensure both Partners are legally compliant.

Well-being, Inclusion, Health & Safety: This specialist unit will be able to coordinate a standard offering to support Partner organisations' well-being strategy. It will also be able to respond to specific localised commissioners at a corporate departmental or team level in response to a specific local requirement or focus. The learning and benefits acquired from such localised commissioners are then shared across the team.

Contract management: coordinates the procurement of activities such as agency staff, recruitment and occupational health to ensure maximum efficiency and service quality is procured and the relevant contracts effectively managed. Contracts may be partnership wide organisational specific and will utilise expertise, minimising duplication and sharing learning and continuous improvement.
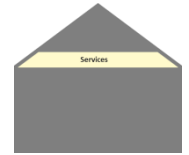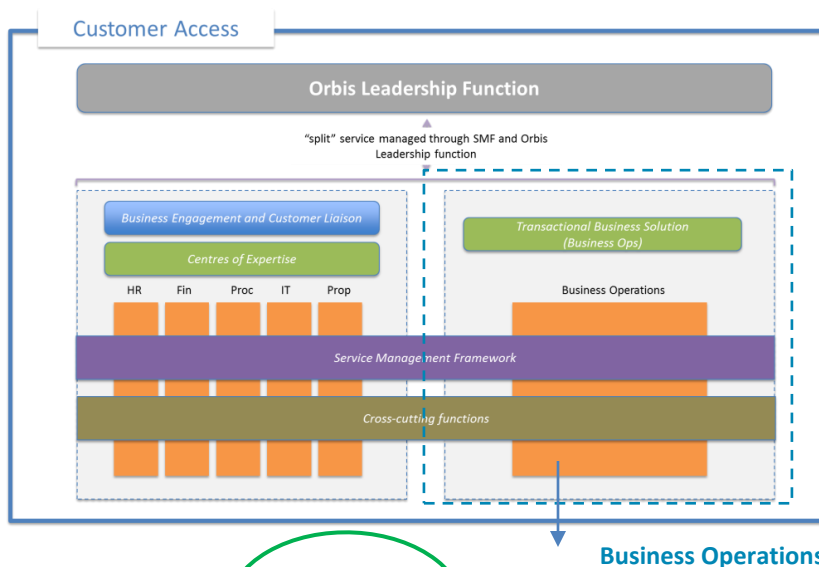
1.5.1.6 Transactional Business Solution

Services within this function will drive efficiencies for Orbis and its Partners and Customers by reducing unit costs through efficiencies of scale. Typically these efficiencies will be achieved by effective process reengineering, better use of available technologies and through excellent people management.

This will involve a clear split between services (left) and Transactional Business Solution (right) but there will still be single service ownership through 'Global Process Owners' which sit across the end to end process.

This will mitigate the risk of services becoming solely 'customers' of the Business Operations function – further enabled through the Service Management Framework.

HR Transaction Services
HR scoped the services to be placed in 'Business Operations' by determining the services which could benefit from increased automation, standardisation and general efficiency generation. The ideal is that the channel re-design implementation will enable this change.

Pensions   Payroll   E-recruitment

First Level HR Advice   Training Administration

HR Proof of Concept

Business Operations

HR transactional activity	Finance transactional activity	Procurement transactional activity

Property transactional activity	IT and Digital transactional activity

First line customer contact

Continuous improvement

Data management
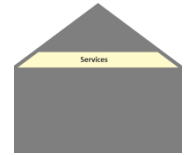
1.5.1.6 Transactional Business Solution (Continued)

We have developed a unique model for the running of Business Operations, identifying scope and purpose of fit of services to be transitioned into Business Operations.

Work has already been initiated during the service design workshops to identify certain services that could be delivered by Business Operations due to their transactional, high-volume nature. The aim is to drive additional growth and deliver more efficient services, through reengineering processes and adding increased automation where possible. Through this, we will be able to reduce our operating costs, and improve our services in order to attract new Customers and Partners. This strategy is a key long-term growth driver for Orbis, which will help us compete in new markets, by enhancing the services we can deliver through the scale of our joint partnership.

1.5.1.7 Commercial Opportunities

East Sussex and Surrey County Councils already have some excellent successes in trading their services commercially, for example the Business Operations team trade their payroll function to a number of other public sector organisations.

As part of our ambition for growth, we will build on this success and continue to commercialise certain services, and improve the Orbis offering to win new business. We believe that by joining together and driving scale, we will be able to achieve efficiencies and make our services more competitive and gain additional market demand.

We are already generating 5% of our in-scope Orbis activity from customer income, and we believe we can grow this further by striving for operational excellence, and delivering on improved customer satisfaction.

We have developed an approach for identifying sales opportunities, and winning bids successfully, which our services are already using to win business for Orbis. In the next phase of the programme, we will develop a growth and commercial team, who will design and deliver a growth and commercial strategy to coordinate new business opportunities across services. Through this we will be able to effectively develop portfolio strategies for our services, and link up the account management across Orbis.

24
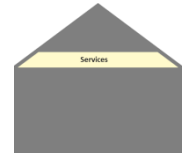
1.5.1.8 Cross-Cutting Functions

There are a number of offerings and operations which span across two or more of the six services. These have been defined as 'cross-cutting functions'.

There were a number of choices for how to manage and arrange these functions, from complete centralisation to devolved within the services – the table below shows the definitions for these cross-cutting functions.
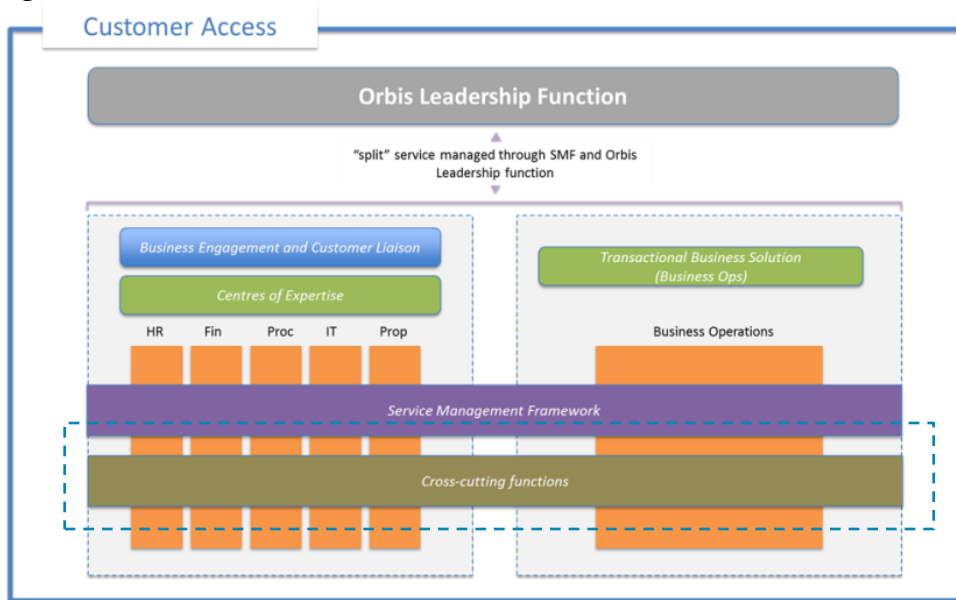
| Cross-Cutting	Definition	Does capability currently exist?
Performance	Metrics, Key Performance Indicators (KPIs), and information about the fulfilment of desired outcomes .	Y
Business Support	Administrative and clerical generic support to an activity, function or service .	Y
Risk Management	The forecasting and evaluation of risks together with the identification of procedures to avoid or minimise their impact.	Y
Programme Management	The discipline for delivering a project and programme within agreed resources.	Y
Business Change and Transformation	The discipline for delivering a change to the running of a particular activity, function or service.	Y
Service Desks	The first point of contact for all 'user' customers - front door .	Y
Growth and Commercial	The management of business development, profit planning and target setting.	Y
Account Management	The discipline for managing relationships with Business-to-Business (B2B) customers.	Y
Continuous Improvement	The discipline for delivering continuous improvements to processes on a day-to-day basis .	Y
Data Management	The processing, coordination and consolidation of data and information across a particular activity, function and / or service .	Y
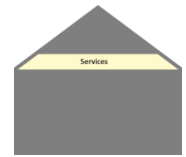
1.5.1.8.2 Centralisation of cross-cutting functions

There are a number of choices on how and where to place the cross-cutting functions of Orbis. These choices are mapped on a 'centralisation scale' below.

De-centralised ←——————————————————————————→ **Centralised**

1 – Do Nothing	2 – Share Methods and Tools	3 – Create a Virtual Team	4 – Align capability and capacity to a Service	5 – Centralise completely
Repeated functions and capabilities with different approaches and methodologies *Services continue to approach cross-cutting functions in their own way.*	**Recommended 'good practice' but not governed** *Services continue to approach cross-cutting functions in their own way, but there is a recommended approach for 'good practice'.*	**Champions and community to drive good practice** *Creation of a 'virtual team' or network to own the methods, tools and approach – keep it updated, recognise it as a profession across Orbis .*	**Continue, re-focus or invest in resources, existing team** *Pool the resources for a particular function and align it to a specific service area – where the capability is complimented or the approach and skill-set is more mature .*	**Continue, Re-focus or invest in resources, central team** *Pool the resources for a particular function and align it centrally – where something requires cross-service delivery, decision making and capacity .*

The placement of cross-cutting activity does not impact service lines in having an element of responsibility for it.

Example placement using the centralisation scale:

	1 – Do Nothing	2 – Share Methods and Tools	3 – Create a Virtual Team	4 – Align capability and capacity to a Service	5 – Centralise completely
Programme Management	*All services have their own method and approach to managing programmes; there is no single view across Orbis.*	*There is a recommended toolset and approach for managing programmes across Orbis but no governed or single view.*	*A virtual team of practice has been set up to own the methods, collate a single view of programmes across Orbis* **[recommended].**	*All programme management capability has been removed from all Orbis services and placed in one, such as IT.*	*All programme management capability has been removed from all Orbis services and placed in a central team.*

Programme Management is unique in the different services and requires a specialist skill-set, therefore it is not recommended to centralise within a service, or completely. It is recommended that it is placed as a 'virtual team' with IT – the team has a mature capability and re-usable methods which Orbis and its customers can benefit from.

1.6. Governance
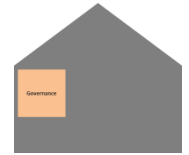
1.6.1 The Governance Framework

The establishment and mobilisation of a clear and effective governance structure is essential to the efficient running of Orbis. Good governance will drive confidence across Partners, enable rapid and robust decision making and set the overall direction for services. It is particularly important under the Joint Committee structure to understand the governance, controls and structures of the sovereignty.
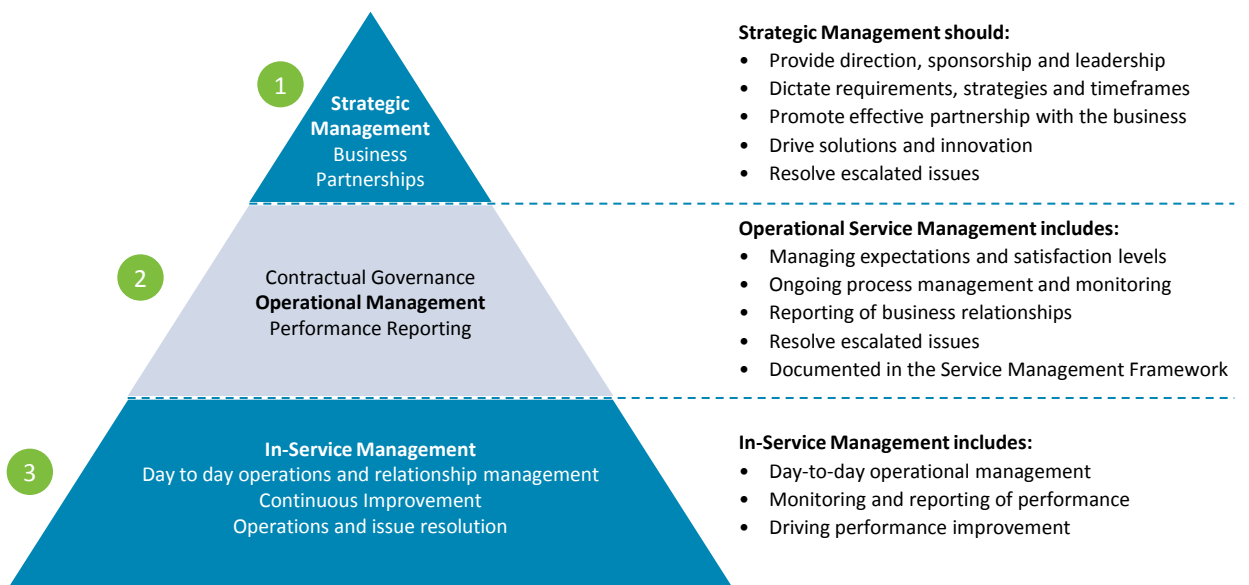
1.6.1.1 How Orbis delivery will be governed

The 'Orbis Governance' relates to the functional structures required to enable the new operating model to work in practice. The proposed framework is intended to coordinate activities between services, through clearly defined escalation points and reporting routes.

The governance design presented is indicative and subject to an ongoing continuous improvement process that will review and evolve the model during the course of the Orbis programme mobilisation and transition to Orbis as an organisational entity.

1
Strategic Management
Business Partnerships

Strategic Management should:
- Provide direction, sponsorship and leadership
- Dictate requirements, strategies and timeframes
- Promote effective partnership with the business
- Drive solutions and innovation
- Resolve escalated issues

2
Contractual Governance
Operational Management
Performance Reporting

Operational Service Management includes:
- Managing expectations and satisfaction levels
- Ongoing process management and monitoring
- Reporting of business relationships
- Resolve escalated issues
- Documented in the Service Management Framework

3
In-Service Management
Day to day operations and relationship management
Continuous Improvement
Operations and issue resolution

In-Service Management includes:
- Day-to-day operational management
- Monitoring and reporting of performance
- Driving performance improvement

1.6.1.2 Sovereignty

Under the partnership structure there will be a number of areas which need to remain sovereign to the Partner organisations. It is essential that councils have the relevant amount of control over their core functions to deliver the priorities of Members.

For business services across the Partner organisations (i.e. Orbis), the overall decision making and accountability will be responsible within the sovereign organisations, the delivery and management of these services will be managed and governed within the Joint Committee structure of Orbis.

Activity	ESCC / SCC Sovereignty	Orbis	Example Scenarios
Budget Management and Strategy (S151 Accountability)	Decision making on the budgets within ESSC / SCC. Decision making on actions for overspending 151 accountability.	Budget monitoring and provision of advice on delivery of services within Budgets.	*E.g. If a department is overspending in either ESCC or SCC, Orbis would monitor the budget and provide information to ESCC or SCC in order for them to action within the dept. of the sovereign council.*
Orbis Service Strategy & Delivery	Setting direction and requirements for business services Oversight and governance against sovereign policy, management of Members.	Strategy development for how Orbis services can deliver against direction set by sovereign authorities Management of performance against sovereign requirements (portfolio plans).	*E.g. The portfolio plan written by either ESCC or SCC for business services requires 6 new schools to be built – Orbis would be responsible for managing the delivery of 6 new schools.*
Other departmental strategy	All aspects of development, management.	Provision of supportive services and information.	*E.g. A department strategy for ESCC / SCC will be developed by the sovereign authority. Orbis will be responsible for providing the department with supportive services as they deliver it and any advice needed to develop it.*
Corporate strategies	Set corporate strategy and define priorities.	Provide support services needed to deliver the corporate strategies of each council.	*E.g. A priority outcomes is to make the best use of resources, Orbis joint property and procurement services will ensure this outcome is delivered.*
Employee Terms and Conditions (T&Cs)	Setting and defining T&Cs for staff.	Managing staff to T&Cs, managing and delivering an HR process which complies with policies.	*E.g. ESCC or SCC undergo a pay review for all staff and decide to increase all salaries by 2%, Orbis will manage the employee T&Cs for the sovereign authority inside and outside of Orbis as part of the HR function.*

1.7 Technology and Information
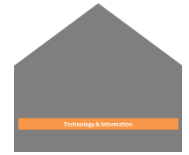
1.7.1 Technology and Information overview

As a key enabler of keeping Orbis up and running during the transition to future state, as well as supporting the transformative changes, Technology and Information must be harmonised to realise the full potential from business services. Before this can be done however, Orbis will first focus on the hygiene factors of providing shared working environments. This will be achieved by constructing a foundation upon which Orbis staff can collaborate. Prime examples of this collaboration include the ability for colleagues from different organisations to share calendar and email contact information, to be able to access critical applications, such as the current finance or HR case management systems from remote locations or simply to get access to files and information stored on a folder in another office. Once these hygiene factors have been addressed, further convergence of IT systems will enable further benefits for Orbis as the provision of services across Orbis is brought together.

Solutions for Technology and Information can be classified by five enabling themes:

- An improvement in **self-sufficiency** which will empower both Orbis staff and customers.
- Increased **mobility**, allowing Orbis staff and customers to access Orbis technology and information from varied locations.
- **Collaboration** allowing Orbis staff and Customers to work together on common platforms, information and documents.
- Improved **Cost Efficiency** from the re-use of technologies across Orbis maximising the value of IT and Digital.

1.7.2 Technology and Information Design

Within Orbis at present, each Partner has a separate and stand-alone IT environment, which provides the technology and information required to support each councils' services. These two environments, while similar in many ways, have been created to serve the specific needs of each council.

In order to achieve effective integration across Orbis, the supporting technologies used by each partner organisation also need to come together. This means there should appear to be a single, consistent user experience to anyone consuming technology and data across Orbis. This is reliant on first getting the IT hygiene factors, such as email, calendar and document sharing working across Orbis, before specific technologies and information to harmonise services' business capabilities are implemented.
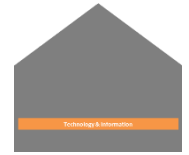
There are two distinctly different ways in which technology and data enables Services to operate efficiently in this diagram. These are:

Business Services IT	Core IT Services
Business Services IT refers to the provision of line of business IT solutions that solve specific needs within or across services. Here, the focus is on supporting the services in the operation of their functional areas, with the right technology and data for their individual needs.

Cross-cutting technologies and data will also be used, especially in areas such as reporting and data management where the technology and data can be re-used across the enterprise by multiple services, for example the cross-pollination of finance data into the services to allow for better decision making support.

Business Services IT represents the results of 'Areas of Search' within each service. The services will identify areas which they wish to focus on to harmonise their business capabilities and, in doing so, will require converged technologies and information.

As Business Services IT is so dependent on the analysis of 'Areas of Search' for each service solution, cost and benefits cannot be fully predicted until such a time as the analysis is completed. This will require more effort. | Underpinning the support of services themselves is the foundation upon which all IT is built. This is referred to as the Core IT Services and includes the provision of common tools and environments upon which services depend to conduct their day-to-day operations.

Core IT Services covers all of the Technology and Data building blocks any organisation needs to operate, from email to the provision of hardware to securing the IT estates. These IT environments are currently provide d for the specific needs of each organisation. To enable collaboration between Orbis staff in each organisation these environments must converge.

Core IT Services will provide the foundation upon which these technologies are delivered, such as the networks, security, web servers and email. Core IT Services will also address the themes of customer enablement, mobility, collaboration and cost efficiency through targeted, cross-cutting projects that will build a foundation upon which Orbis technology solutions can be delivered.

This includes interoperability between major technology assets, such as email and calendar, making critical applications used across all services available from any location, giving access to file shares and network resources across all Orbis IT environments; and ensuring user accounts can be managed across Orbis. |
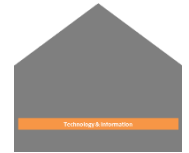
The convergence of both Business Services IT and Core IT Services seeks to improve the efficiency of the provision of services across Orbis by focusing on the changing expectations of Orbis Customers, who increasingly demand a service that is available whenever and wherever they need. Meeting these changing expectations not only empowers Orbis Customers but also creates efficiencies for Orbis service staff who can spend more time on higher-value activities.

Both organisations currently use the SAP Enterprise Resource Planning system to varying degrees to deliver corporate services. Further investment would be required by East Sussex County Council to reduce manual processes and address usability and reporting issues. Surrey County Council could also benefit from a converged platform to satisfy demand around usability, decision support, and changing workplace needs.

An initial piece of work to establish the 'case for change' concluded that 'doing nothing' is not an option. Consequently, the decision to stay with SAP in a converged form, or to move to another system will be addressed by the Business Solutions Platform (BSP) programme. This programme will run in parallel to Orbis, but will also have an impact outside of Orbis. Therefore, it will have its own set of benefits outlined in a separate business case. Interdependencies between the Business Solutions Platform and Orbis programmes will be managed by those responsible for the delivery of each programme; for example, decisions affecting the IT landscape for both programmes will pass through the same Architecture Design Authority.
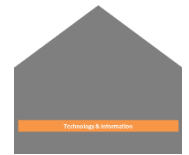
1.7.3 Themes for the provision of Technology and Information

Across both Business Services IT and Core IT Services there are five different themes that will address changes in demand from technology and data by enabling technologies and data to realise future service design. The following themes are relevant across services, and show where effort is required to ensure that the customer experience across Orbis is rich, insightful and engaging:

Theme	Description	Results
Self-Sufficiency	Self-sufficiency refers to Customers being empowered, going beyond self-service in a traditional sense. It aims to provide not only the ability for the Customer to serve themselves but to do so when and where they choose, without having to wait for heavy process to deliver results to them.	• Ability for managers in front-line services to provide their own performance appraisals rather than have this function performed through a centralised HR contact.
Mobility	Mobility generally means the convenience to access services from any location, not just from home but from outside traditional networks as well. It needs Customers to be able to access services across different devices from different locations and makes use of correct channel management to do so.	• Common approach to delivery for Customers leveraging the best Mobility strategies of ESCC and SCC (e.g. Agile and Modern Worker programmes).
Collaboration	The ability to work together across boundaries is what is meant in basic terms by collaboration. In the context of Orbis this extends to the ability to share documents, information and data across the different networks that make up the IT landscape of the Orbis Partners as well as the ability to share knowledge and expertise as well.	• Technologies that enable virtual teaming and knowledge sharing. There are various applications already in use (e.g. Huddle and SharePoint) that allow Orbis staff to work on the same documents.
Cost Efficiency	Cost efficiency in simple terms refers to getting the most value out of technology and data. The combined purchasing power of Orbis and the opportunities for re-use of technology across Orbis give the ability to maximise value from IT systems currently in use and from IT systems that need to be procured.	• Use of a common email platform that will be standardised across Orbis. • Provision of administration systems for HR that will allow more generic teams to fulfil the need, freeing up more skilled workers for advisory roles.
Digital	The Digital theme refers to the use of modern transformational methods create technologies and information to engage Customers in more compelling, accessible and automated ways. This enriches the customer experience of the services they require from Orbis and creates a desire for more engagement.	• Use of a single customer landing page which aggregates access to activities they may wish to conduct across all services and presents them in an easy to use, engaging and compelling manner.
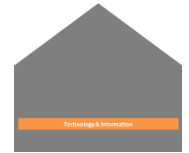
The HR pilot process has highlighted these five themes, but has also shown the need for enabling technologies that span across all Orbis services to allow the services to modernise their business capabilities and provide a richer customer experience that embraces customer empowerment, mobility, collaboration and cost efficiency. These technologies will be deployed across Orbis and will then be configured on a service-by-service basis according to the specific needs of each service. Not only will this be cost-efficient IT for the services, but also provide a consistency to ensure that our Customers experience a similar high level of service across Orbis.

These enabling technologies are:

Enabling Technologies across Orbis	Description	Self-Sufficiency	Mobility	Collaboration	Cost efficiency
Business Operations Management	This set of enabling technologies refers to those tools and systems that can be used to allow information to flow around the organisation more freely and to be accessed in more varied means.	■	■	■	
Business Intelligence, Analytics and Reporting	Allowing the right data to be accessible in the right place at the right time is the aim of this set of enabling technologies.	■	■		■
Knowledge Management and Search	Technologies that allow knowledge and subject matter expertise to be shared around the organisation in a context specific manner	■		■	■
Enterprise Applications Integration	The ability to physically move data between systems across the Orbis Partners using technological means such as Application Programming Interfaces and 'Message Bus' solutions.		■	■	■
Enterprise Data Management	Managing data across multiple systems and multiple organisations, this set of technologies aims to re-use both structured and non-structured data in an efficient manner.			■	■

HR Proof of Concept

The HR Centres of Expertise

Enterprise-wide enabling technologies will help harmonise the business capabilities of each Service through the analysis of '**Areas of Search**'. This analysis will determine how best to implement the enabling technologies for each service, for example the implementation of an HR dashboard for staff to feed into their own performance appraisals, showing how well they are doing and enabling their lessons learnt to be visible across the organisation.

'Areas of Search' are priority areas where the greatest perceived benefits will be realised through process improvement and reduction of duplication.	E.g. HR Advisory Processes to be redesigned to leverage best practices, and reduce the amount of time HR professionals spend supporting managers.

East Sussex County Council

SURREY

1.8 Location

1.8.1 Overview

The location of Orbis services will be based on the real estate currently available across both councils, as well as any locality based requirements. There is an opportunity to co-locate services, which would help reduce operating costs by consolidating activity from multiple sites across the two councils. Co-location of services could also lead to reduced IT management costs, and could provide scale and capacity for future growth.

Most services are flexible and could be based anywhere, when supported by the right enabling technology. There are however some cases where certain roles require specific local expertise, and will therefore need to remain in certain locations (e.g. relationships with local Business Partners).

There are some services which may benefit from being regionally based, such as Business Operations. Work has taken place to create the capacity to locate necessary parts of these services together now. This will help align strategies, remove duplication of roles and align a consistent management structure which will set the service up for success.

When determining if / and how services will be relocated, some questions and implications we will need to consider:

- How would co-location affect our services?
- What is the cost involved in co-location, and is there an opportunity for additional savings to be realised?
- How many different sites do we have available in the Orbis partnership?
- How would our staff and customers be impacted?
- Do we want to retain jobs locally for each partner?

We have just begun to initiate detailed design for future service delivery, which is a key dependency in determining location requirements. We will conduct a more in-depth analysis on the costs, benefits and risk associated with this approach, once we have a better idea of how each service will be delivered in the future.

HR Proof of Concept

The Agile Workforce of the Future

The roles within the top three tiers of management have

been designed to have location considerations, balancing the need

to have HR personnel where the Customers need them with the most

cost effective solution. Therefore, a small number of roles have been specifically placed within a location of each Partner organisation, but the majority can be co-located or based anywhere within the Orbis property portfolio – enabling a flexible and resilient workforce.

East Sussex County Council

SURREY

1.9 Processes and Transactions
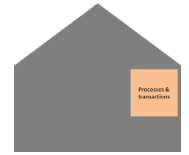
1.9.1 Overview

The processes and transactions will be a key part of the detailed design of Orbis. It will be fundamental to converging services while also enabling best value for the Customer and for money. For all services, other than the HR pilot project, this will be covered in the next phases of design, led by the future service leadership teams.

Simplifying processes in HR

HR Proof of Concept

For HR we are trying to simplify processes, and identify areas within HR where we can reduce our level of support and enable managers to become more self sufficient. When the model is implemented well it will achieve greater consistency in the levels of HR compliance across the partnership, enhance the speed of service delivery and provide Customers with greater clarity through timely access to the support and information they need.

The illustration below demonstrates an example of some of the detailed workings carried out to understand the current processes – what is expected from a statutory perspective and what happens in practice. This work has enabled us to determine the current practice and how they vary, both from established policies, as well as minimum legislative requirements. This criteria has allowed a forecast of the level of efficiencies that could be realised if the manager was equipped, supported and therefore empowered to deliver against an agreed policy in a self-sufficient way. The 'actual' involvement from HR, shows high amounts of reliance on HR hand holding, which can delay procedures, increase costs and cause unnecessary 'clunkiness' in the process.
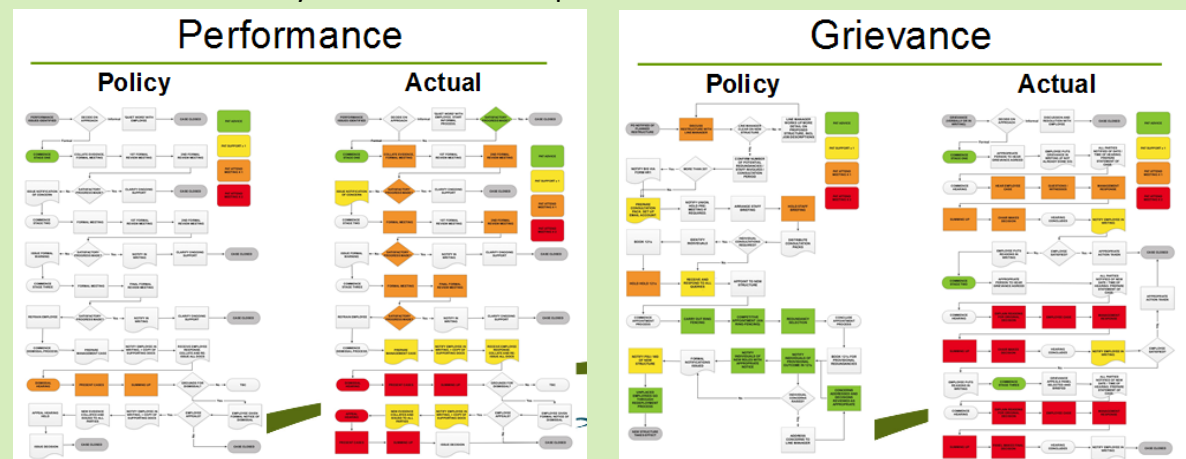
Illustrative purposes only – please ignore text

Key:
- Telephone support
- Face-to-face (pre-meet)
- Face-to-face (formal meeting)
- Face-to-face 2 HR personnel
- Manager self sufficiency (intranet)
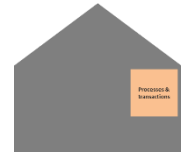
(Continued)

As well as this working to check resource effort against Statutory Policy,

some internal Partner benchmarks were taken. This benchmarking

exercise allowed us to gather an informed current state and to understand the levels of change required between the two Partner organisations in order to reach an efficient, effective integrated state. Through this internal benchmarking work, we have been able to assess performance across the partnership, identifying what is working well and which areas could be improved. This has been an important exercise in determining best parts of both of the HR service models within the current Partner organisations. The aim is to leverage these best practices in the future state design.

We have also compared this data to industry benchmarks – to allow us to have a HR service design which is viable in the market.

Key Observations

- The cost of the HR Advisory function is 20% higher in Surrey than East Sussex.
- East Sussex support 40% more customers than Surrey with the same level of resources.
- Cases are managed on average 45% faster to a successful resolution in East Sussex than in Surrey.
- There is a need to improve the quality and availability of timely information management.

The table below highlights on a like to like basis, a significantly higher cost per employee for HR service delivered in Surrey compared to East Sussex.

Item	East Sussex	Surrey
Total HR staffing cost per customer (rounded to nearest £)	Staffing = £1,839, 000 Customers = 15,505 (including schools and academies) £118	Staffing = £3,223,000 Customers = 11,024 £292

Section 2

The Three Year Roadmap
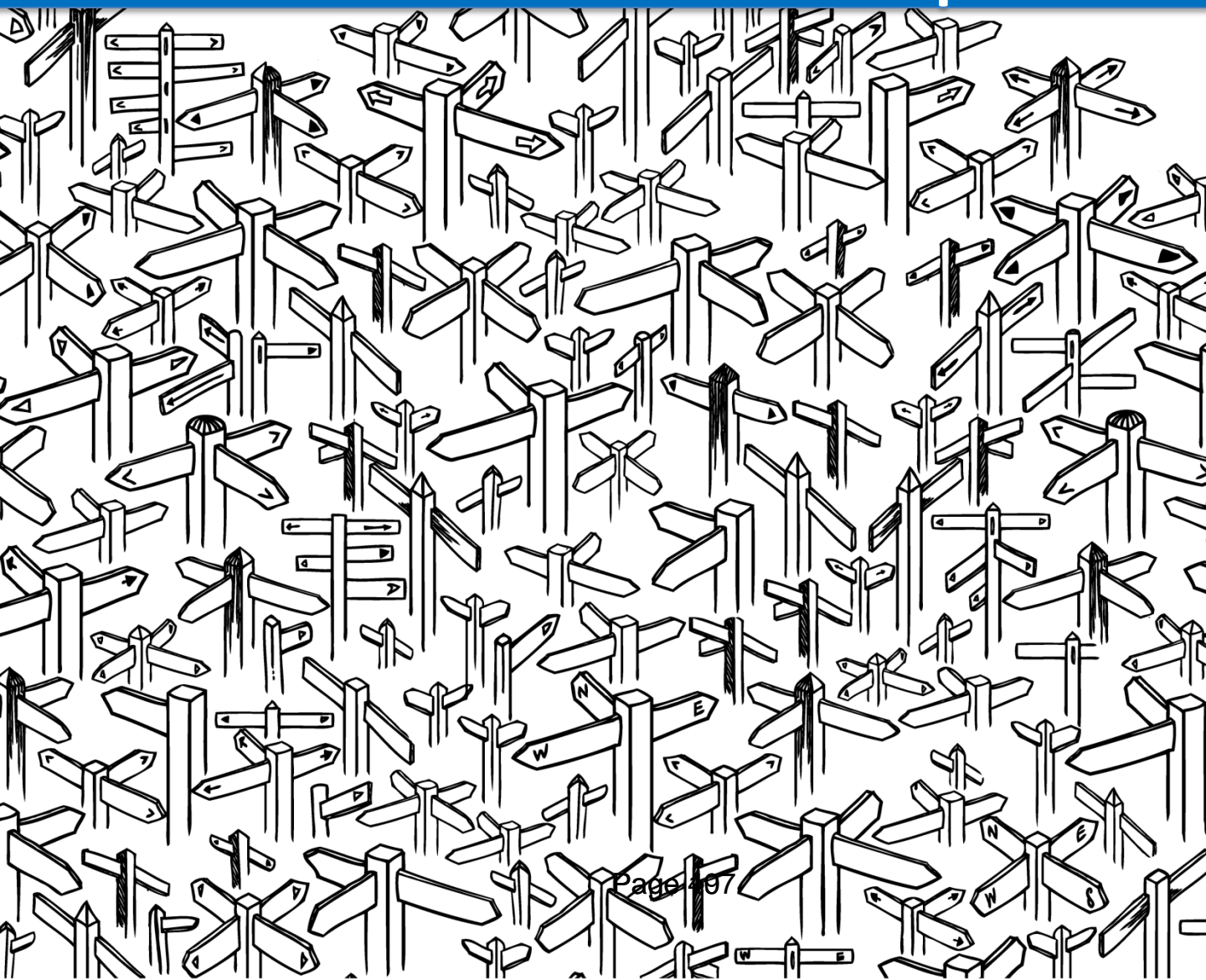
2.1 The Journey so Far

2.1.1 Overview

We have been working together since 2012 to improve the way we deliver services to our Customers and Partners, starting with a shared Procurement function. We are proud of our accomplishments thus far, and have great ambition for what lies ahead. The following section outlines key milestones and our future plans for development of the partnership over the next three years.

2.1.2 The Journey so far

Since the partnership officially launched in April 2015, Orbis has successfully initiated a programme of change. The first phase of this programme has been focused around establishing the vision for change and the initial elements of the Target Operating Model / TOM *(See Section 1.1.1 for more detail)*.

The second phase will be to develop and align a series of focused programmes around people, processes and technology to support integration of each service, reduce duplication, and enhance service efficiency.

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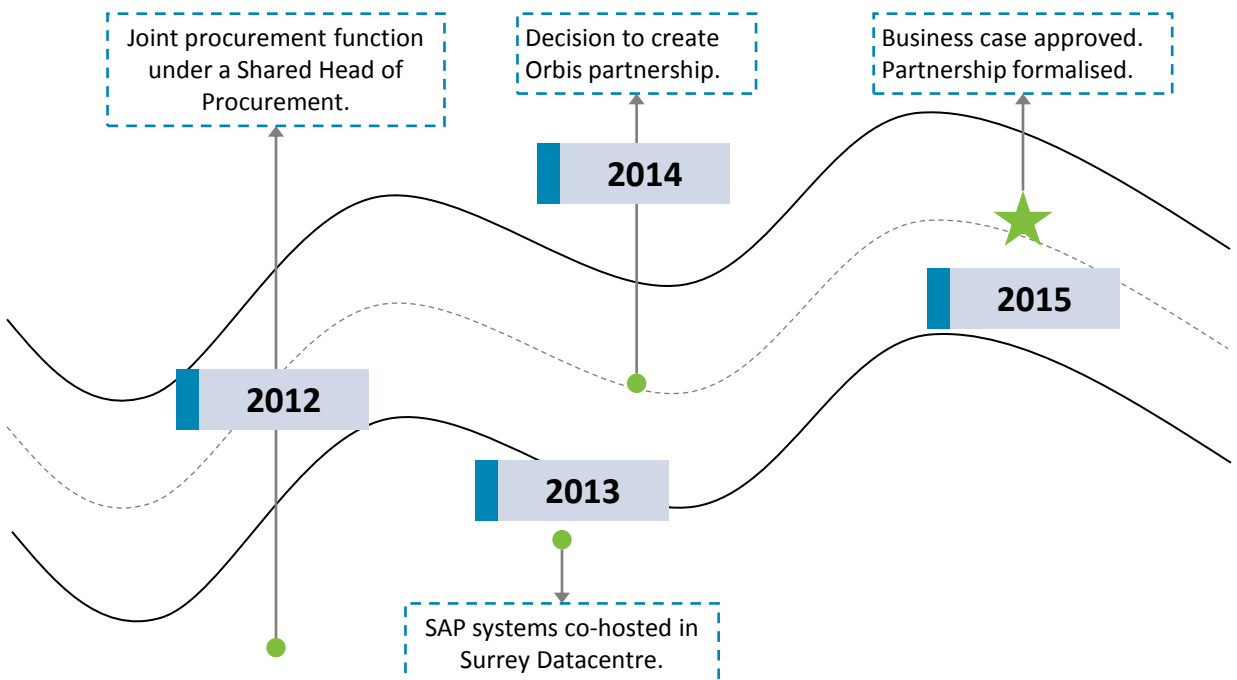
2.1.3 We have been leading change through our EPIC people

The change for people and culture has been initiated through various communication and engagement campaigns, such as the formation of the EPIC Champions network, and the co-creation of the Orbis behaviours *(See section 1.3.6)*

Through the collaborative co-design, which was outlined in Section 1 of this business plan, significant staff engagement and involvement has already begun to take place.
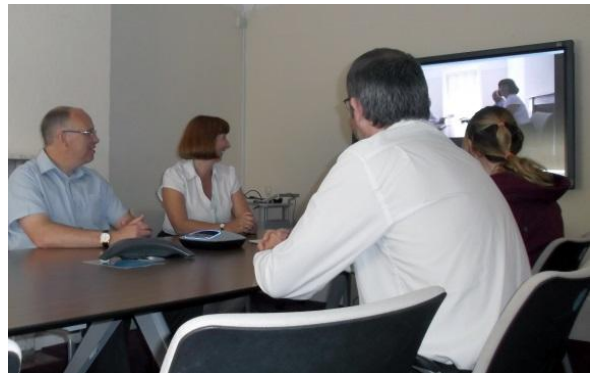
Orbis Design Working Groups

The work on the Target Operating Model / TOM *(Section 1 of this business plan)* has helped to advance the thinking around the vision and culture of Orbis. For the past few months, each service has worked together to build on the initial design work for the TOM, and to envision how their integrated service may look and feel in the future. The integration of management teams will be the first major change programme activity, and will result in significant savings for the partnership.

The next phase of the programme will be focused on the detailed design of the TOM and business integration. The Orbis change programme will be the mechanism to move the services from their current to the future states set out in the TOM. The change programme is a significant undertaking and will be delivered over a three year period. The expected phasing of activity is shown in the high-level change roadmap.

2.2 The 3 Year Roadmap

We have strong ambition to build a better service for our Customers and create an 'EPIC' work place, however the journey to get to this future state is significant, and will require time and investment. The Roadmap for Change sets out the activities required to transition services from their current to future state over a three year period.

2015

Where we are today

2018

Services created their future state vision

Integrated models developed for each service

Orbis design principles confirmed

HR Capabilities assessment

HR Integrated mgmt structure confirmed

Partner principles established

Capabilities assessment for 'Areas of Search' for all services

Review of policies and procedures

2016

Branding, Cross-cutting and Governance focus groups established

Recruitment Strategy developed

Performance Mgmt Strategy developed

Orbis behaviours confirmed

epic

Ingenium

EPIC Champions established

Created Ingenium (Talent programme)

Pay and Reward Strategy to be developed

Vision to be the 'Compelling Alternative'

HR Proof of Concept

£ Integrated management team in place

Process improvement and removal of duplication savings

Business Solutions Platform configuration and training

Business Solutions Platform procured

Improved data management and reporting capabilities

IT solution architecture for 'Areas of Search'

Alignment of future state policies and procedures

Core enabling IT architecture

£ Orbis is a fully integrated service

Business readiness assessment and future state planning

2019

2017

£ Transition of people into new teams

Behavioural and role-based training for redeployed and new hires

START

East Sussex County Council

SURREY

40

2.3.1 Change and Transition

Separate programmes which are either service specific **(driver programmes)** or cross-cutting across all areas (**enabling programmes**) will be used to transition services from their current to future state.

Each programme will involve a range of projects and workstreams which together deliver the changes and outcomes required to enable the required benefits. The approaches between programmes will also change depending on the timeline for delivery, availability of resource, technology requirements and location dependencies.

	Orbis Service Led Driver Programmes					
	IT & Digital	HR	Finance	Property	Procurement	Business Operations
Enabling Programmes	People & Change					
	Business Unit Transformation					
	Technology and Information					
	Cross-cutting/ Customer & Partner					
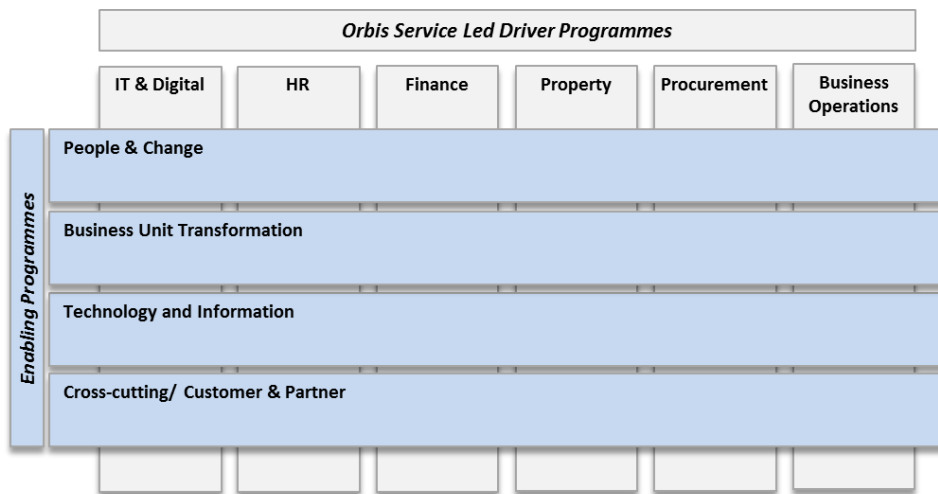
Driver Programmes	Enabling Programmes
Driver programmes will be responsible for the detailed design and implementation of the future state service, including business units / functions, people, process, and system requirements. These programmes will be led by each service, supported by enabling programmes. Resources to support each programme will be determined by each service.	**Enabling programmes** will work across the driver programmes to support people and system requirements, and to facilitate business change across services. Initially 4 Enabling programmes are recommended: 1) **People and Change** This programme will create the necessary culture within Orbis and set out the HR infrastructure necessary for services to complete the people element of their driver programmes. 2) **Business Unit Transformation** Working with IT to capture and develop business requirements and ensuring business as usual activities are maintained. 3) **Technology and Information** Implementation of enabling IT platforms which will underpin the changes needed by services. 4) **Cross-cutting / Customer and Partner** Delivering Orbis-level design and growth of Orbis itself

2.3.2 The approach for service led business change

Business change and transition will be delivered in a phased approach over a three year period. Each service will have a separate journey moving towards an integrated service by 2019.

The phasing of change activities will vary by service depending on business readiness, technology requirements and resource capacity.

At this point in time, each service is in the process of confirming their integrated operating model, integrated management structure and 'Areas of Search' (these are priority areas where the greatest perceived benefits can be realised from integration). Over the next few months, each service will determine where business improvement can be made and how savings can be delivered.

2.3.3 HR pilot

HR has already identified seven 'Areas of Search', which have been analysed in detail to determine if savings could be realised. The pilot provided confidence that savings could be achieved by improving processes, and creating a more digitally enabled service. The aim for the future service is to achieve these savings, while also improving the customer experience.

> **HR Proof of Concept**
>
> The approach taken by HR to design their Target Operating Model components was successful in developing a proof of concept, which the other five service areas can adopt as they begin detailed design. The pilot process gave the opportunity for enhancement and lessons learned so that it can be improved, adapted and rolled out to the other services to assist them with uncovering areas of potential savings and income generation.

2.3.4 Phasing approach

Change initiatives will be broken out by programme and project, and will run simultaneously in order to keep pace. At a high-level change activities will be grouped as 1) 'Design' 2) 'Build' and 3) 'Implement'. There will be different phases of each over the three year business plan, and some activities will run concurrently. The services will lead service design, build and implementation activities, with their people delivering and managing the change. Enabling programmes such as Technology and Information and People and Change Management will support each phase, specifically 'Build and Implement'.

Design	Build	Implement

2.3 How it will be delivered

2.3.5 Programme Delivery

The programme plan below is a high level view of the programme activities which will deliver the three year roadmap.
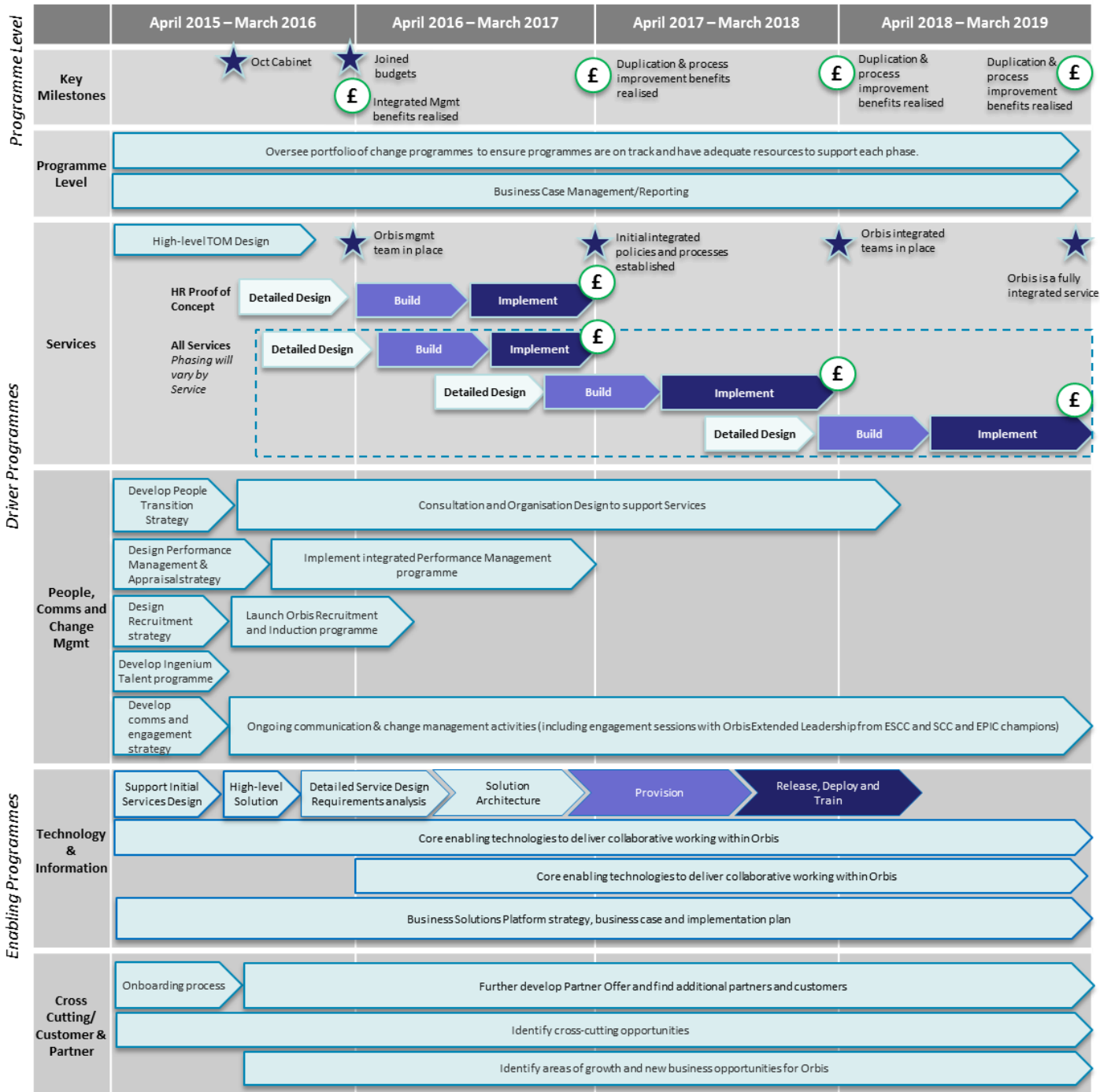
2.3.6 Programme resources

In order to maintain momentum, and keep pace and scale, it is important that the right resources be engaged to mobilise the next phase of the programme. A level of investment is required to maintain the current programme team for the next critical phase of detailed service design. The proposed cost for resourcing the required teams to support a change and transition programme of this scale and duration has been estimated at a total cost of £2.1m.

The proposed resourcing mix is based on the following principles and considerations.

Key principles of resourcing are:

1. The right people and right mix

- Governance, operational experience, programme / project delivery, analysts.
- People who can deliver sustainable change.

2. The right resourcing schedule

- Resources will ramp up and down over time.
- Internal resource supply should not jeopardise business performance.
- External support can be used to deliver specific capacity, capability or experience.

3. Selection should be about capability, not just availability

- Extract our best resources from business-as-usual (BAU) activity – recruit if we do not have the skills required.

Key considerations when determining resources for Orbis:

- **Access to the right capabilities and expertise –** Not having the right technical expertise and capabilities to get the job done may lead to project slippage.
- **Conflicting priorities –** Internal staff have existing BAU priorities that may influence the time they can commit to projects.
- **Owning the change –** In order for change to be successful, it is important to have a good mix of internal staff owning and driving change programmes.

Section 3

Benefits Case

3.1 Benefits Case

3.1.1 Overview

The benefits from establishing a shared service invariably relate to the consolidation of activities and services delivered by the two partners, and the resulting resilience and efficiencies that can be gained. Integration of this scale could deliver financial and non-financial benefits, and both are fundamental to the success of the Orbis partnership.

3.1.2 Benefit types

There are four key benefit types that could deliver financial savings:

Management De-layering: This will be achieved by integrating the management of each service and reducing, where appropriate, the layers of managerial hierarchy.

Process Improvement: Making processes more efficient and effective through use of more standardised, streamlined processes. The scale of Orbis also provides opportunity to maintain specialisms in specific areas. These can often be technology enabled to offer automation and user self-sufficiency.

Removal of Duplication: Where activity is common across the two organisations, there is potential benefit through economies of scales and scope to remove duplicated effort. Care needs to be taken to ensure that the needs of the individual authorities are still met from a common approach (e.g. through tailoring specific activities where needed).

Growth: This is the additional income that the services within Orbis have forecast can be achieved for inclusion in the Business Plan – this is key for Orbis as it expands its external customer base. Further opportunities for growth are expected through the partnership, although a prudent approach has been taken and these further benefits not included in the business benefits at this stage.

3.1.3 Non-financial benefits

Non-financial benefits are expected to be generated for the two councils as improved processes, systems, and management information will provide better insight for decision making and identify where attention could be provided to improve value for money.

EPIC People

- Orbis will capture a change in working for its people – these people are our biggest asset. This is why we have harnessed their talent as we design how we work in the future – they will co-design our future services.
- Staff engagement and motivation to be part of a **innovative, knowledge-led organisation** which places emphasis on the **development of talent.** We place significant emphasis on developing this and have launched Ingenium, our high performer talent programme.
- Together, we have improved operational resilience as greater **depth and breadth of skills** exist across both councils.

| Integrated Services | • We have integrated management structures to **enable strong, single accountability.**
• We have identified early opportunities to create **scale, financial efficiencies** and **pool talent and expertise** to deliver excellent quality for our Customers. |
| Customer Experience | • Our vision and design principles are centred around **improving and sustaining the services** that we provide to our Customers and Partners.
• We have developed an approach for service delivery that will **improve accessibility of services** and empower Customers transform to an **agile way of working**, through channel re-design. |

3.1.4 Financial case

To support the implementation of the Orbis partnership the financial plan has been developed and builds on the outline business case presented to Cabinet in February 2015. This case identified potential savings of £6m - £8m (10%-15%) against a 2014/15 baseline. Corresponding investment costs of £6m - £10m were identified to support the implementation, and delivery of these expected savings over a three year period.

The baseline has been refreshed and updated for the 2015/16 budgets and detailed work has been completed to ensure consistency between both councils and provide an agreed foundation to enable the design of services for the future.

Design of the Target Operating Model (TOM) for each of the services has enabled the benefits to be refined further and provided greater confidence about where the principal benefits can be realised. Working with the technology teams across both councils has also enabled further refinement of these investment costs. There is still further work required to confirm the benefits and associated costs and this will be completed in the next phase.

3.1.5 Baseline

The partnership have refreshed the baseline operating budget which has been used as the basis for the benefit targets. This baseline is indicative of the activities that will be undertaken by the partnership on behalf of each council and determines the expected budget contribution required. This provisional budget includes some activities that are undertaken by one council only, which is noted as 'single activity' in the table on page 48.

East Sussex
County Council

SURREY

47

Activity Type	Description	ESCC	SCC	Total
Common Activity	This relates to categories of activity that common to both the Founding Partner organisations	£21.3m	£42.1m	£63.4m
Single Activity	This is activity that is unique to one of the Founding Partners.	£0.3m	£1.1m	£1.4m
Total in Scope	Total of the 'Common Activity' and 'Single Activity'	£21.6m	£43.2m	£64.8m

The baseline confirms that the contribution ratio for the founding partners remains at broadly 1/3: 2/3 as noted in the outline business case. The due-diligence required to ensure that baseline accords with the agreed principles will be further developed and captured in the Inter-Authority Agreement (IAA) and will be used as a basis for sharing future costs and benefits.

3.1.6 Financial benefits

There are clear financial benefits to be delivered from integrating Services across Orbis. Initially these will be delivered from management de-layering and removal of duplication, as services integrate, but longer term we will see greater benefits from detailed process improvement and technology enablement.

The initial business case stated that the partnership would achieve financial savings of £6m-£8m over a three year period. These benefits are net of repayment of the investment required to achieve them. We are confident that the upper end of this range can be achieved and a total savings of at least 12% against the 2015/16 baseline budget can be delivered by year three of the business plan.

At a high-level the projected financial benefits expected from now until 2019 are summarised in the table below. An approach for managing these benefits is currently being developed.

Overall Benefits	16/17	17/18	18/19	Total
Additional £m delivered each year	**£1.2m**	**£2.9m**	**£4.2m**	**£8.3m**
ESCC £m delivered each year	£0.4m	£1.0m	£1.4m	£2.8m
SCC £m delivered each year	£0.8m	£2.0m	£2.8m	£5.5m
Total % Incremental saving against 15/16 baseline	**1.8%**	**4.5%**	**6.5%**	**12.8%**

3.1.6 Financial benefits (continued)

The business plan has been developed over a three year period, with efficiencies identified over this timeframe. However, Orbis is expected to yield greater efficiencies in years four and five, yet to be identified, as we grow by bringing on additional partners.

To develop a more detailed benefits case, each service has developed 'Areas of Search' to provide focus for where the largest benefits are expected. These will be used as a starting point during the next phase of work to define a set of simplified, standardised and harmonised processes, and a more accurate benefit estimate.

3.2 Investment Required

3.2.1 Implementation Costs

Implementation costs have also been reviewed to incorporate updated estimates based on further IT design definition and a potential programme delivery team to support implementation. High level estimates show implementation costs of c. £7m to deliver the three year business plan, excluding the cost of changes to the Business Solutions Platform.

Cost Category	Description	Indicative costs £m
IT Costs[1]	This includes the cost of: • **Core IT systems** to enable operations across the two organisations. • **Business Line specific** applications to enable the new processes in each service.	£3.5m
Programme Costs	• This includes the costs of programme team resources for the three year business plan to benefit all services. Costs are dependent on the speed of design and implementation, along with the level of complexity to move to the new way of operating. • Costs incurred for the benefit of an individual service are borne by that Service and not included here.	£2.1m
Contingency	This is a 10% contingency on IT costs to reflect a level of uncertainty and risk associated with implementation.	£350k
Sub-Total		£6.0m
Reorganisation - Redundancy Costs	This includes an estimate for the redundancy costs associated with the programme. The total will be dependent on the remuneration and length of service of individuals that leave the organisation. Natural attrition and not filling vacancies is expected to mitigate increases to this figure.	£1.0m
Total Investment		£7.0m

[1] Excluding Business Solutions Platform

Business Solutions Platform

Both organisations are using the same Enterprise Resource Planning system (SAP) and have confirmed that this needs to be reviewed to align systems and provide further benefits and flexibilities. A separate business case will be developed for Cabinet review and approval.

3.2.2 Phasing of implementation costs

A high level indicative phasing of the costs has been applied over the life of the business plan.
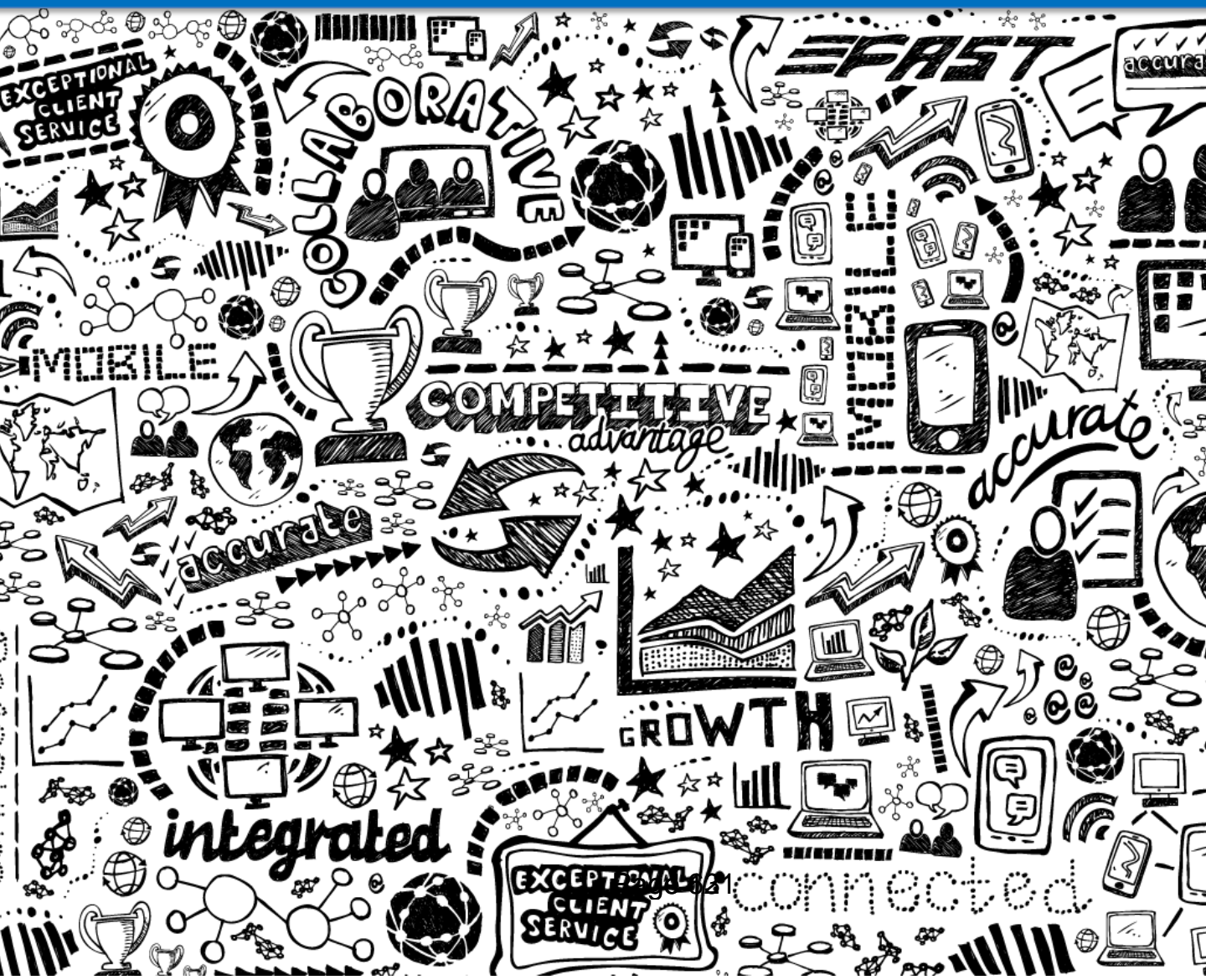
Costs	16/17	17/18	18/19	Total
£m	£4.2m[2]	£2.1m	£0.7m	£7.0m

[2] Dependent upon speed of delivery, of this total, up to £1.3m maybe incurred prior to 1 April 2016

Section 4

Risks

4 Risks

In addition to the benefits Orbis delivers to both Councils, and the additional opportunities for growth, we need to recognise the potential risks. By providing key stakeholders with visibility and clarity about the risks of the partnership, there is the opportunity to understand and appreciate the impact that this could entail, and mitigation action that needs to be put in place.

The following table lists key risks in relation to the creation and running of the partnership. An exhaustive list of risks will be maintained and monitored as part of the ongoing Orbis Governance process. This process will put in place the steps to mitigate risks as early as possible according to the mitigating actions set out in the table below.

Type	Risk	Description & Implication	Mitigation
Strategic	• Changes in the business strategies of Orbis Founding Partners approach to share operations, affecting the ability for Orbis to deliver Services.	• There is the possibility that if Partnership Strategies of the Founding Partners diverge, significant changes to the operating model of Orbis will be required in order to avert undermining operations of Orbis. • If Partnership Strategies are aligned with other authorities, choices in how Orbis strategies are implemented may be limited. • If the structure or function of either Orbis Founding Partner changes, there will be wide-ranging impacts on the Orbis model.	• A Joint Committee structure has been agreed, which ensures that all Partners have oversight on the running of Orbis. • Orbis Leadership will be visible to the sovereign authorities to present impact of sovereign decisions on Orbis and to action those decisions. • A clear defined exit strategy for Orbis partners is being developed by Orbis Leadership as part of the Inter-Authority Agreement (IAA).
	• Changes from an integrated model (e.g. the finance function of one partner leaving Orbis) will introduce significant complexity, cost and time.	• Integration of the Partners will add increased complexity to any dissolution (e.g. significant roles may be completed by individuals employed by one authority, joint budgets may not allow a clear delineation between activity in one authority or the other).	• Both Partners enter into the arrangement on an indefinite basis. • Exit strategy and implications to be developed as part of IAA.
	• The Inter-Authority Agreement (IAA) has not yet been signed.	• The official agreement between Orbis Founding Partners has yet to be signed meaning that the commitment to Orbis has not been formalised by either Orbis Founding Partner.	• The IAA will be signed using delegated authority as soon as possible.

4 Risks

Type	Risk	Description & Implication	Mitigation
Financial	• Changes in the expected investment costs and benefits.	• Orbis may not achieve the identified financial targets either through delayed benefit realisation or increased investment costs. • Delays or overruns could lead to unexpected increases in investment cost or delays in benefit realisation.	• A clearly defined benefits management process is to be set up to enable the rapid identification of benefits which are unlikely to be realised and which mitigating actions are to be taken. • Investment costs will be forecast and tracked against those forecasts to allow timely decision. • Programme management will track both benefits and investment and report regularly by Orbis to the Joint Committee.
	• The cost of exiting the Orbis partnership is expected to be significant.	• The costs of a Partner leaving Orbis is expected to be high and not necessarily limited to one Partner. • The untangling of any IT systems implemented for Orbis will have significant cost upon exit of a Partner, e.g. a platform for data analytics will likely have to be reconfigured and relocated at cost to the remaining Partner(s).	• Exit strategy and implications to be developed as part of IAA. • The business case for any technology and information project initiated for Orbis will consider the implications for Partners leaving Orbis.
Operational	• The implementation of the integrated Orbis model will involve a high degree of change and has the potential to impact Business-As-Usual services.	• Changes will be identified across all Business Service functions; services will need to continue to operate whilst changes are being implemented. • There may be a 'dip' in service performance whilst the transition to the new operating model is completed.	• A clearly defined implementation and change management approach is required to support the transition to the new way of operating. • A robust communications strategy will help articulate how service levels may change during the transition period and support expectations management.

East Sussex
County Council

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4 Risks

Type	Risk	Description & Implication	Mitigation
Operational	• Some benefits will have significant reliance upon technology solutions.	• Technology solutions will have a high number of dependencies and be time consuming to implement. • Failure to progress with the technology needs can impact the timing or realisation of benefits and cause an increase in investment cost due to overruns.	• Integration of Target Operating Model and IT implementation strategies enables the identification of dependencies at Orbis level. • Application of common governance structures provides visibility of IT progress across all current programmes of work, including sovereign authority change programmes, Orbis and any potential ERP (SAP) replacement.
	• Integration of new Partners into the Orbis model.	• New Partners have the potential to impact the Business-As-Usual operations of Orbis through increased scope of services, capacity needs and political requirements. • The entrance of new Partners will also have an effect on governance structures already present within Orbis.	• A clear governance structure is required to support the strategic decision to integrate a new Partner and a defined on-boarding process is required to enable this.
	• Differing terms and conditions can destabilise the working environment.	• When staff from different organisations come together, differences in pay or terms and conditions, such as holiday and pension entitlements, can create a disjointed work force.	• Development of Pay and Reward Strategy. • Clear communication of expectations of staff based in various Orbis locations and the implications for this. • Regular consultation and engagement with recognised trade unions.
	• Staff and stakeholders resisting change.	• Current staff and stakeholders may not appreciate the need for change and attempt to deter the change from happening. • This will cause delays to the realisation of benefits and higher costs due to overrun.	• Development of stakeholder map and identify risks. • Ensure clear communication of the benefits of Orbis to staff and stakeholders. • Utilise a communications strategy to engage staff and stakeholders in a positive manner and keep them up to date on Orbis successes.

4 Risks

Type	Risk	Description & Implication	Mitigation
Operational	• Service behaviours not consistent with those set for Orbis.	• The Orbis programme has set what it believes to be the behaviours services must exhibit to provide a 'Compelling Alternative' to service provision. If these are not adhered to then the quality of service delivered to customer may degrade	• Communicate the behaviours set by the Orbis programme to services in a clear and concise manner. • Ensure services agree with and buy into the behaviours. • Provide training and review on a regular basis.
Reputational	• Threat to Orbis' reputation from poor performance.	• If the quality of service degrades either during or after implementation then the reputation of Orbis as well as that of the sovereign authorities will suffer.	• Ensure effective programme management is in place at each service line to track performance of services before, during and after changes occur.

East Sussex
County Council

SURREY

Section 5

What's Next for Orbis
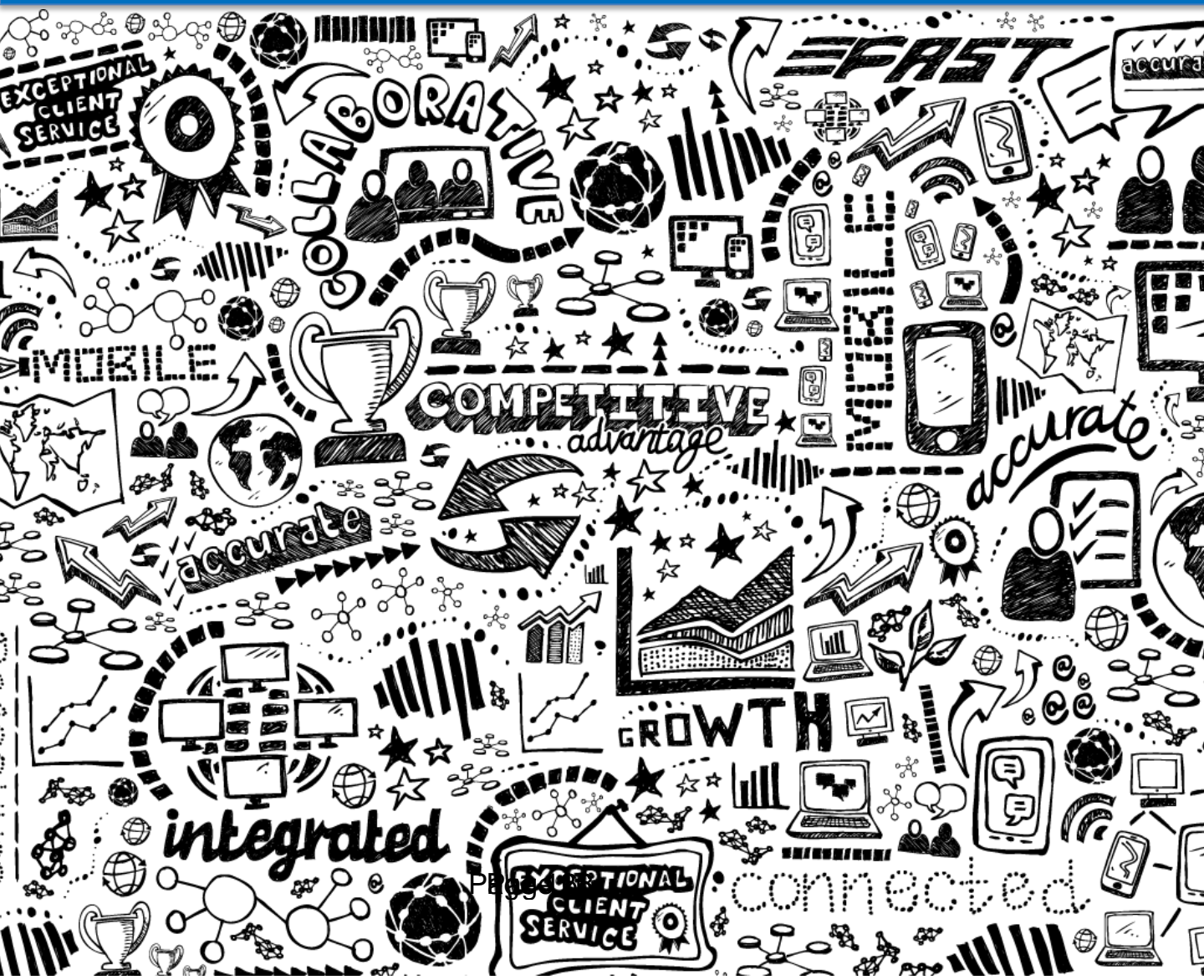
5. What's Next for Orbis

The story so far demonstrates that by utilising our existing talent to co-design and co-develop new services, we can achieve the compelling alternative through scale and pace.

Success Criteria	Demonstrated through..
✓ **We will consider and respect the future experience for our customers**	We have placed Customers at the heart of our initial stages of design. Our plans emphasise value in providing Customers with the right tools and knowledge to reduce their dependence on support services, while providing them with the backbone they need to deliver frontline services.
✓ **Our decisions have been based on robust evidence and provide value for money**	The designs demonstrated so far have been supported and facilitated by experienced individuals who have delivered shared services and transformation across a number of sectors. We have 'stress tested' the efficiencies and plans against examples and are proud of how we compare – through our 'Compelling Alterative'.
✓ **We understand, appreciate and have incorporated a vein of Sovereignty**	Our legacy Partner organisations are important to us, and we have built in their values and governance structures to set us up for success.
✓ **Our commitment to our sovereign authorities will not be impacted negatively**	Orbis is a partnership and will enhance the service provided to our sovereign organisations, whilst respecting their procedures. We have taken the values and culture demonstrated by each Partner organisation to create something integrated, and complimentary.
✓ **As a partnership we can achieve far greater things, together**	Our partnership is built on two outstanding organisations, coming together to create something unique and compelling. Our designs are predicated on taking the best parts of each to redesign our services – together, we can achieve great things. Integration is key to realising the efficiencies required to protect our front line services and create sustainable change .
✓ **We will build on our existing talent, expertise and knowledge of our EPIC people**	We have put in place a range of opportunities, such as the EPIC Champions to ensure our colleagues are engaged and involved in the creation of Orbis. We will be developing a suite of practices to develop the Orbis culture and put in place opportunities that will enable our Epic people to flourish.

In order to complete the Orbis story, reaching full integration and achieve full projected benefits, we require Cabinet's endorsement, sponsorship and sign-off of the investment required.

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County Council

SURREY

5.4.1 Opportunities for future growth

We have built a solid foundation, and have the ambition to further develop the partnership over the next three years. We will grow our services principally through on-boarding of new Partners or Customers.

Partners: The benefits case is predicated on two Founding Partner organisations. The addition of a new Partner has the potential to:

- Increase the scale of operations, where a new Partner has 'Common Activity' (e.g. HR) to Orbis. This has the potential to reduce the per unit cost of delivery.

- Enhance the Orbis commercial offering where a new Partner offers a new 'Single Activity' (e.g. Revenue and Benefits) that is operationally attractive.

Care needs to be taken to ensure that the Partners provide a good fit for Orbis and to mitigate dis-benefits associated with increased management time providing oversight or issue resolution.

Customers: Growth of Orbis through new Customers will enable the scale of operations to increase, provide opportunities to generate income, and create potential for further economies of scale. Data shows that currently 5% of in-scope Orbis activity is generated through income from Customers, demonstrating an existing demand but also potential for further development.

Consideration needs to be given to the organisation required to support an increased customer base to ensure that incremental income exceeds any incremental cost if cost effectiveness is to be maintained.

orbis

The Compelling Alternative

Business Plan Summary

East Sussex County Council

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Introduction

Background

Surrey County Council and East Sussex County Council have formalised their partnership, aiming to become an ambitious, efficient, and modern provider of business services, which places our Customer at the heart of everything we do.

We have been working together since 2012, to improve the way we deliver services to our Customers – when we started leading the way through shared Procurement. The ambition is to create a 'Compelling Alternative' in the provision of shared services. We will do this by continuing to integrate our services, utilising existing talent to co-design and co-develop enhanced services that drive efficiencies and scale, and improve the way we deliver services to our Customers and Partners.

Purpose of the Business Plan

To demonstrate early achievements and projected benefits of the partnership, we have established a standard approach to design and deliver integrated business services for the future. Each service is halfway through this process. HR is slightly further along, as they were the original pathfinder to demonstrate the 'proof of concept'.

✓ Define the Vision for the Service	✓ Define the Functional Model	✓ Define the Leadership Team	Define the Senior Mgmt. Structure	Design the high-level processes	Define the team sizing

We have developed a set of principles to define success, and guide our forward plan, to provide confidence in the investment required to complete the Orbis story by 2019.

Principle	Demonstrated through…
We will consider and respect the future experience for our Customers	We have placed Customers at the heart of our initial stages of design. Our plans emphasise value in providing Customers with the right tools and knowledge to reduce their dependence on support services, while providing them with the backbone they need to deliver frontline services.
Our decisions will be based on robust evidence and provide value for money	The designs demonstrated so far have been supported and facilitated by experienced individuals who have delivered shared services and transformation across a number of sectors. We have 'stress tested' the efficiencies and plans against examples and are proud of how we compare – through our 'Compelling Alternative'.
We understand, appreciate and have incorporated a vein of sovereignty	Our legacy Partner organisations are important to us, and we have built in their values and governance structures to set us up for success.
Our commitment to our sovereign authorities will not be impacted negatively	Orbis is a partnership and will enhance the service provided to our sovereign organisations, whilst respecting their procedures. We have taken the values and culture demonstrated by each Partner organisation to create something integrated, and complimentary to support our organisations to deliver our Corporate Plans.
We can achieve greater things as a partnership	Our partnership is built on two outstanding organisations. Our designs are predicated on taking the best parts of each to redesign our services – together, we can achieve great things. Integration is key to realising the efficiencies required to protect our front line services and create sustainable change.
We will build on the talent, expertise and knowledge of our EPIC people	We have put in place a range of opportunities, such as the Epic Champions, to ensure our colleagues are engaged and involved in the creation of Orbis. We will be developing a suite of practices to develop the Orbis culture and put in place opportunities that will enable our Epic people to flourish.

East Sussex County Council

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Our Achievements

Orbis, The Compelling Alternative

"A trusted partnership delivering value to customers and residents through our expertise, innovation and passion."

epic

Expertise   **P**assion   **I**nnovation   **C**ustomer

Through our collaborative co-design approach, we have demonstrated that we can make efficiencies while also enhancing the service that we provide for our Customers.

EPIC People

- Orbis will capture a change in working for its people – these people are our biggest asset. This is why we will harness their talent, as we redesign how we work in the future through collaborative co-design.
- Staff engagement and motivation to be part of an **innovative, knowledge-led organisation** which places emphasis on the **development of talent.** We place significant emphasis on developing this and have launched Ingenium, our high performer talent programme, and we have co-developed our EPIC behaviours.

Integrated Services

- Together, we have improved operational resilience as greater **depth and breadth of skills** exist across both Councils.
- We are designing integrated management structures to **enable strong, single accountability; these will be in place from April 2016.**
- We have identified early opportunities to create **scale, financial efficiencies,** and to **pool talent and expertise,** in order to deliver excellent quality for our Customers.

Customer Experience

- Our vision and design principles are centred around **improving and sustaining the services** that we provide our Customers and Partners.
- We have developed an approach for service delivery that will **improve accessibility of services** and empower Customers to transform to an **agile way of working**.

Financial Benefits

- We have confidence that we can achieve at least **12% savings over three years** and **Orbis business services will cost £8m less per annum in the future**.
- Through partnership, we are able to achieve this without reducing the scope of support from any of our services.
- Each service has jointly identified a three year plan for targeting these savings through integration.

Orbis is set to deliver value for money public services, delivering at least 12% operational savings over three years

We are designing future services which place the Customer at the heart of everything we do

Our designs have been co-developed and delivered through the collaboration of our EPIC people

East Sussex County Council

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3

Our model for service delivery will drive efficiency and scale

The approach to Orbis service design has been collaborative; bringing together two outstanding organisations to deliver an enhanced integrated service offering that leverages the operations of each Council.

There are six services involved in the partnership portfolio, including: Finance, Human Resources, Info. Technology & Digital, Property, Procurement, and Business Operations.

These services have worked together over the past months to design a functional service delivery model that works across all services, leveraging expertise of both Councils, and enabling greater customer access to these services. The high-level design of this model has provided a framework for Orbis level service delivery. The next phase of design will be to detail processes for each service that feed into this overall model.

Orbis Leadership team (OLT) has been key to the success of the designs so far, leading the transformation of the six service lines, whilst also taking key decisions which affect the future of Orbis as a whole.

We have prioritised the first key milestone as getting the **service management** in place to lead the way. This is not just about removing the duplication of management that naturally results when two organisations become one; this is about getting the right roles and people that will deliver our 'Compelling Alternative' and transformed service models. We think that this is the right way to create sustainable change which has minimal impact on our Customers.
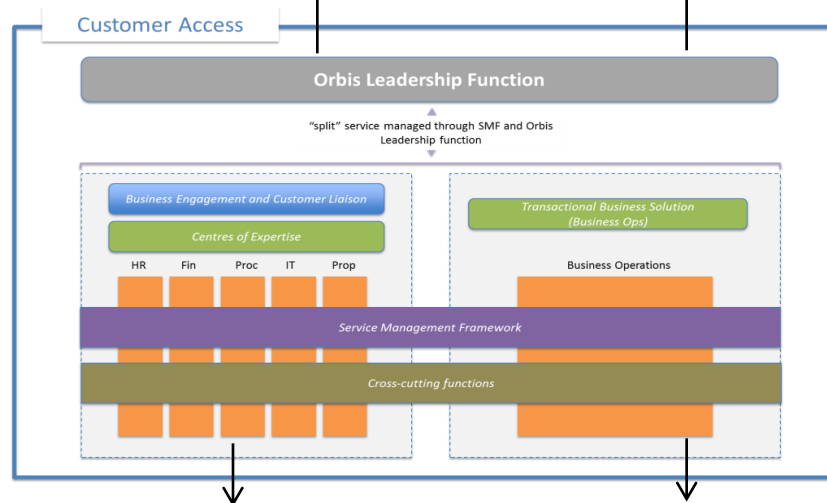
There is a process to be taken with new Partners to identify whether **new services** e.g. Revenues and Benefits, would become a new service line (a new vertical) or be incorporated within an existing service line (an existing vertical). This will be dependant on the maturity of the service to take on the new activity and / or where the function can be managed most effectively.

Customer Access

Orbis Leadership Function

"split" service managed through SMF and Orbis Leadership function

Business Engagement and Customer Liaison

Centres of Expertise

HR   Fin   Proc   IT   Prop

Transactional Business Solution (Business Ops)

Business Operations

Service Management Framework

Cross-cutting functions

The centres of expertise have been developed with the Service Design Working Groups – these are the areas of specialist, professional offerings from the service which will be 'commissioned' by the business engagement and Customer Liaison function, on behalf of the Customers. This will allow us to pool our expertise and strengthen our approaches through integrated offerings.

Services within the **Business Operations** function will drive efficiencies for Orbis and its Partners and Customers by reducing unit costs through efficiencies of scale. Typically these efficiencies will be achieved by effective process reengineering, better use of available technologies and through excellent people management.

Our ambition is to enhance the experience for our valued Customers

Our Customers are the essence of our service delivery, and how we continue to work with them as a partnership is integral to our future success. The service design for Orbis proposes a channel re-design towards increased self-sufficiency, by empowering Customers to manage more of their own supporting processes, and placing less reliance on business support functions. The ambition is for Orbis to achieve a level of consistency in quality for our Customers, providing them with ease of access to the services that they need. The detail for how this will look and feel will be designed over the next phase of service design.

We have a number of success stories for moving to this way of working already. Two examples of these are below.

Property Services to Schools in SCC
The Property Service in Surrey County Council introduced a new self-serve technology so that Schools could log their maintenance requests. This allowed them to have real-time information on the progress of their request. Benefits included:
- Increased accuracy of data and information (schools self-submitting),
- Increased customer satisfaction .

Employee Assistance Programme - HR services in ESCC
The Employee Assistance Programme at East Sussex County Council moved from a face to face channel to a telephone. Benefits included:
- *Access availability increased to 24/7, 365 days per year,*
- *Reliability and universal access,*
- *Reduction in cost of service by 80% .*

> We are working together in partnership to improve the way we provide business services to the public sector. Our ambition is to become the 'Compelling Alternative'.
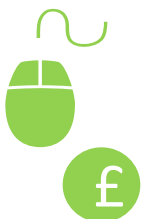
How will I benefit from Orbis?
- Improved **convenience and accessibility** of our services.
- Access to the best **expertise, knowledge and experience** from our employees.
- **Standardised, streamlined processes** to make the service you receive more efficient.
- Operational excellence.

Our Proof of Concept Project demonstrates our ability to achieve greatness

With the purpose of providing the right level of confidence at this stage of the business plan, a decision was taken to select a 'pathfinder' pilot project to undertake a detailed, early redesign and become the 'proof of concept'. HR was selected as the pathfinder for this, due to it being essential to the delivery and enablement of full integration across all services.

The aim of this pilot is to provide assurance in the approach and overall high level design, while also demonstrating that the financial benefits outlined in the Business Case, as well as additional non-financial benefits, are achievable and in some cases, prudent.

The pilot has been a great success thus far. HR has developed its integrated service delivery model, leadership team and senior management structure, and have demonstrated that it can achieve financial benefits over the three year business plan. The two teams have spent a significant amount of time working through the future state design, and vision for the service, which is largely enabled through channel re-design. This channel re-design will enable managers to have greater access to the tools and resources they need to effectively manage their teams, with less reliance on the HR professional.

Work to date on HR Service | In progress | Next Steps…

✓ Define the Vision for the Service
✓ Define the Functional Model
✓ Define the Leadership Team
✓ Define the Senior Mgmt. Structure
Design the high-level processes
Define the team sizing
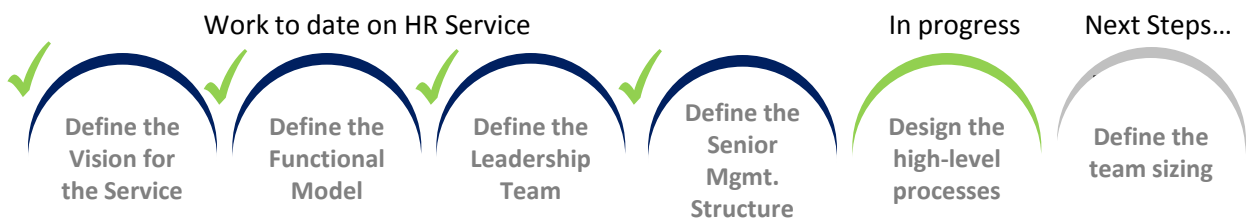
Benefits achieved through the HR Proof of Concept

Financial Benefits
- Integrating and redefining senior management roles will deliver **20% savings**.
- Stress testing and benchmarking has demonstrated that HR could deliver **15%-20% savings through an initial investment in channel re-design, process improvement and removal of duplication** by year three of the business plan.

Non-Financial Benefits
- **Standardised, streamlined processes** to make service delivery more efficient.
- Greater management of information and best in class services, will encourage more **effective decision making**.
- Reduction in administration work required of HR professional, so they can **focus on where they add the greatest value**.

Customer Experience
- Improved **accessibility to the right tools and resources**, to enable effective decision making and people management.

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We have an ambition to grow

We have an aspiration for Orbis to grow beyond the initial two Founding Partners, and we have already generated interest from other local authorities wanting to sign up to our vision of the 'Compelling Alternative'. Together, we can create further scale and efficiencies, and rival the Private Sector in delivering support services to a range of Customers. The proposal for Partners joining Orbis is presented in the table below. It outlines the potential 'offer' for new Partners wishing to join the partnership.

Essentially, new Partners will join Orbis at the current state of design. They will have the ability to help shape and influence how services will be delivered in the future. New Partners will have the opportunity to keep Orbis compelling, ensure it remains fit for purpose, but ultimately benefit from the established services and ways of operating which have been designed so far – including the efficiencies. Detailed work is on-going around defining the commercial principles for working as an Orbis Partner – we are currently having open conversations with potential interested Partners about how this could work in practice.

Orbis Vision	*"A trusted partnership delivering value to customers and residents through our expertise, innovation and passion."*		
Becoming an Orbis Partner	Orbis is all about creating a public sector shared service which aims to grow and strengthen through its Partners, increasing collective buying power and streamlining processes to provide better, more efficient services. The public sector should be seen as one team cooperating to save money wherever possible. Orbis aspires to become the go-to place for delivery of public sector services.		
What to expect	When you become a Partner, you invest in our vision for better and more compelling shared public services. It means you become an owner of this vision. This brings a significant level of responsibility and a number of advantages. • Support – Unlike the sole founder of an organisation, you are not alone; you are part of a collaborative network of fellow Partners who support one another to achieve our united goals of becoming the 'Compelling Alternative'. • Legacy – The Orbis Partners are custodians of the service. You will have a unique opportunity to co-create something that will continue to grow as we develop and become more mature.		
The non-negotiables of becoming an Orbis Partner	**Governance:** • You will work within and be a part of the Orbis governance arrangements which have been set out as a Joint Committee. • You will benefit from sharing an already established, passionate Orbis Leadership Team (OLT). **Investment:** • You will commit time and resource to provide critical support to help shape the service, (Founding Partners) , to build a credible customer offering. Senior officers will be required to challenge the design of services constructively through open and transparent dialogue , so that together we can build the 'Compelling Alternative'. Operational staff will be required to take part in the co-design of detailed service offerings and structures. • You will commit a financial investment to an approved business case. Through being a Partner, you have a real stake in our joint organisation.	Partner Types and Roles	**Founding Partner:** • Helps to shape the service to build a credible customer offering and the contractual arrangements which underpin it e.g. terms and conditions. • Will inform the design of initial Service Level Agreements (SLAs) and Key Performance Indicators (KPIs). • Play an active role in transformation of the service. • Benefits from co-developing the emerging offer, and proves the model through 'first customer' status for your respective sovereign agencies . **New Partner:** • Sign up to the core Orbis offer designed and outlined in the business case, helping to shape how services continually improve. • Benefits from a mature service and joining the already established infrastructure.

East Sussex County Council

SURREY

7

It is important to understand how our sovereignty will work

Under the partnership structure there will be a number of areas which need to remain sovereign to each Partner organisation. It is essential that each Partner have the relevant amount of control over their core functions to manage the priorities of each Council.

The Joint Committee structure provides flexibility and freedom for each Council. As Orbis is not a legal entity, each Council will continue to manage their respective budgets and corporate strategies.

For business services across the Partner organisations (i.e. Orbis), the overall decision making and accountability will be responsible within the Sovereign organisations, the delivery and management of these services will be managed and governed within the Joint Committee structure of Orbis.

Activity	ESCC / SCC Sovereignty	Orbis	Example Scenarios
Budget Management and Strategy (S151 Accountability)	• Decision making on the budgets within ESSC / SCC. • Decision making on actions for overspending. • 151 accountability.	• Delivering services within budgets. • Delivering a finance service to statutory requirements. • Budget management.	*E.g. sovereign department is overspending in either ESCC or SCC, Orbis would monitor the budget and provide information to ESCC or SCC in order for them to action within department in the sovereign agency.*
Orbis Service Strategy & Delivery	• Setting direction and requirements for business services. • Oversight and governance against sovereign policy, management of Members.	• Strategy development for how Orbis services can deliver against direction set by sovereign authorities. • Management of performance against sovereign requirements (portfolio plans).	*E.g. The portfolio plan written by either ESCC or SCC for business services requires 6 new schools to be built – Orbis would be responsible for managing the delivery of 6 new schools.*
Other departmental strategy	• All aspects of development, management.	• Provision of supportive services and information.	*E.g. directorate strategy for ESCC / SCC will be developed by sovereign authority. Orbis will be responsible for providing the department with supportive services as they deliver it.*
Employee Terms and Conditions (T&Cs)	• Setting and defining T&Cs for staff.	• Managing staff to T&Cs, managing and delivering an HR process which complies with policies.	*E.g. ESCC or SCC undergo a pay review for all staff and decide to increase all salaries by 2%, Orbis will manage the employee T&Cs for the sovereign authority inside and outside of Orbis as part of the HR function.*

Our benefits case is strong, and will be phased over the next three years

The benefits from establishing a shared service invariably relate to the consolidation of activities and services delivered by the two Partners, and the resulting resilience and efficiencies that can be gained. Integration of this scale will deliver financial and non-financial benefits, and both are fundamental to the success of the Orbis partnership.

Expected financial savings were originally estimated and categorised in the February Cabinet report and are summarised in the table below:

De-layering	Process Improvement	Removal of Duplication	Growth
Integrating the management of each service and reducing, where appropriate, the layers of managerial hierarchy.	Making processes more efficient and effective through use of more standardised, streamlined processes. These can often be technology enabled to offer automation or user empowerment through self-service.	Where activity is common across the two organisations, there is potential benefit through economies of scale and scope to remove duplicated effort.	Additional income that the services within Orbis have forecast can be achieved for inclusion in the business plan – this is key for Orbis as it expands its external customer base.

The initial business case stated that the partnership would achieve a financial saving of £6m-£8m over a three year period. After an initial analysis of 'Areas of Search' (activities with a high concentration of FTE and cost), and benchmarking against shared services integrations of this type, we are confident that the upper end of this range can be achieved, and a total saving of at least 12% can be delivered by year three of the business plan.

	16/17	17/18	18/19	Total
Additional £m delivered each year	1.2m	2.9m	4.2m	**8.3m**

Initial savings will be based on management de-layering and removal of duplication, which yield benefits of 10-15%. The total benefits against 15/16 baseline will recur year on year.

Each service has been challenged to target savings in the range of 15% over the three year business plan, while maintaining a consistent quality of services for Customers and minimum disruption. The timeline to deliver these savings will be different for each service. This will depend on business readiness, technology enablement and resource capacity.

In addition to the financial benefits expected from the partnership, there are some key non-financial benefits that the partnership will aim to achieve over the next three years:

- Improved client management and customer experience through process reengineering, better use of technologies and excellent people management.
- Better insight for decision making and investment due to improved systems.
- Increased staff motivation and attraction of top talent through Orbis-wide people engagement and development work.
- Incremental growth by attracting additional Partners and Customers and adding additional services to the Orbis offering.

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In order to complete our story, we need to invest

A transformation of this scale and duration will require significant investment. The main investment costs will be technology implementation and programme related costs. High level estimates show indicative implementation costs of c.£7m to deliver the three year business plan, excluding the cost of changes to the Business Solutions Platform. These costs have been reviewed to incorporate updated estimates based on further IT design definition and a potential programme team to support implementation.

Cost Category	Description	Indicative costs
IT Costs[1]	This includes the cost of : (a) Core IT systems to enable operations across the two organisations. (b) Business Line specific applications to enable the new processes in each service.	£3.5m
Programme Costs	This includes the costs of programme team resources for the three year business plan to benefit all services. Costs are dependent on the speed of design and implementation, along with the level of complexity to move to the new way of operating. Costs incurred for the benefit of an individual service are borne by that service and not included here.	£2.1m
Contingency	This is a 10% contingency on IT costs to reflect a level of uncertainty and risk associated with implementation.	£350k
Sub-Total		**£6.0m**
Reorganisation - Redundancy Costs	This includes an estimate for the redundancy costs associated with the programme. The total will be dependent on the remuneration and length of service of individuals that leave the organisation. Natural attrition and not filling vacancies is expected to mitigate increases to this figure.	£1.0m
Total Investment		**£7.0m**

[1] Excluding Business Solutions Platform

Business Solutions Platform

Both organisations are using the same Enterprise Resource Planning System (SAP) and have confirmed that this needs to be reviewed to align systems and provide further benefits and flexibilities. However, a separate business case will be developed for Cabinet review and approval.

Phasing of Implementation Costs

A high level indicative phasing of costs has been applied over the life of the business plan

Costs	16/17	17/18	18/19	TOTAL
£m	£4.2m[2]	£2.1m	£0.7m	**£7.0m**

[2] Dependent upon speed of delivery, of this total, up to £1.3m maybe incurred prior to 1 April 2016

There is also a need to understand and mitigate against a number of inherent risks

We have great ambition to deliver effective, sustainable change over the three year business plan. We recognise that there are risks involved with this level of change and integration. By identifying these risks early on, and providing key stakeholders with visibility and clarity, there is opportunity to understand and appreciate the implications so that we can mitigate accordingly. The following table summarises some of the strategic, financial and operational risks that could be expected.

Type	Risk	Description & Implication	Mitigation
Strategic	Council objectives change significantly from those identified and agreed at the creation of Orbis.	• Divergent strategies of the two councils has the potential to undermine the operations of Orbis or require significant changes to the Orbis operating model.	• A Joint Committee structure has been agreed, which helps ensure that all Partners have oversight on the running of Orbis. • Orbis Leadership will be visible to the Sovereign authorities and have the ability to articulate the impact of sovereign decisions on Orbis.
	Any changes from an integrated model (i.e. Dissolution of partnership) will be complex, costly and time consuming.	• Integration of the Partners will add increased complexity to any dissolution (e.g. significant roles may be completed by individuals employed by one authority, joint budgets may not allow a clear delineation between activity in one authority or the other).	• Both councils enter into the arrangement on an indefinite basis. • Exit strategy and implications will be addressed as part of the Inter Authority Agreement (IAA), which is currently being developed.
Financial	Business case does not achieve the full range of benefits identified in the business plan.	• The financial case may not achieve the identified targets, potentially through delayed benefit realisation or increased investment costs.	• A clearly defined benefits management process is to be defined and implemented to enable quick identification where benefits are unlikely to be realised and mitigating actions to be taken.
Operational	The implementation of the integrated Orbis model will involve a high degree of change that has the potential to interrupt Business-as-Usual services.	• Changes are likely to be identified across all Business Service functions; services will need to continue to operate whilst changes are being implemented. • There may be a 'dip' in service performance whilst the transition to the new operating model is completed.	• New designs and GAP analysis between current and future states need to clearly articulate the changes required and migration strategy. • A clearly defined implementation and change management approach is required to support the transition. • A robust communications strategy can help articulate how service levels may change during the transition period and support expectations management.

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County Council

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Next Steps

The story so far demonstrates the strength of our partnership, and our ability to achieve the 'Compelling Alternative', through co-design and co-development. Our ambition is strong and we believe we must continue to drive momentum through scale and pace.

We understand that this will be a journey with associated risks, and we believe through identifying these early, keeping our stakeholders informed, and taking required action to mitigate accordingly, we can achieve greatness.

In order to complete the Orbis story, and achieve full projected benefits, we require Cabinet's **endorsement, sponsorship and sign-off** of the next level of investment required.

This will allow us to continue to the next phase of detailed service design, and the procurement of the Business Solutions Platform.

Investment Required

- In order to maintain momentum and continue to drive pace and scale, we need to invest in new technologies and a long-term implementation programme.
- The total investment to deliver a programme of this scale and duration, including technology investment is £6million.

Decisions

- We require Cabinet's endorsement, sponsorship and sign-out of the required investment in order to proceed to the next phase of design and initiate procurement of the Business Solutions Platform.

SURREY
COUNTY COUNCIL

Council Overview Board
1 October 2015

The Property Strategy

Purpose of the report: Scrutiny of the Property Strategy

To provide the Council Overview Board with the opportunity to understand the scale and scope of Property Services and its alignment to the Corporate Strategy

Report:

Property Services is a corporate function that operates across Surrey County Council and the services it is structured around:

- Clear lines of responsibility and focus on function,
- clear role definition
- alignment of the function with the Corporate Strategy

The Property Service's structure is designed following consultation across the customer base and at strategic level and operates across the following areas as shown below.
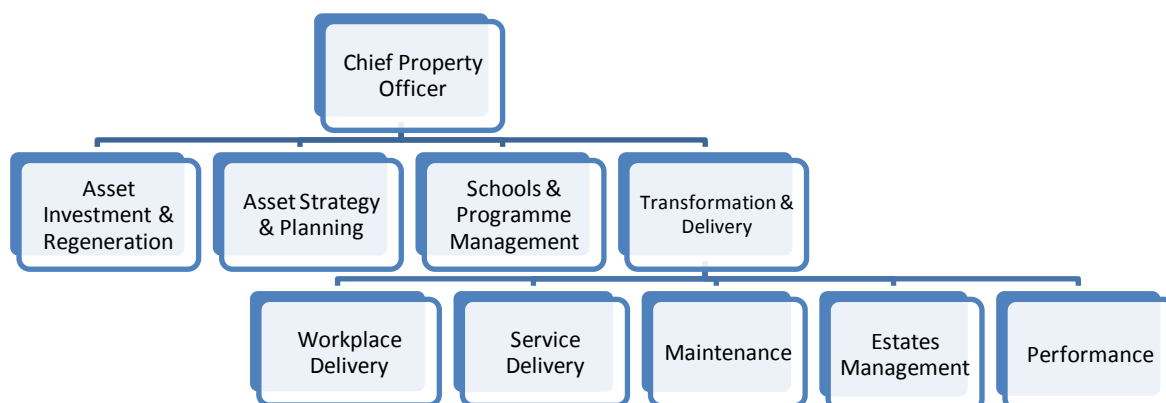
- The structure recognises the need for continuous improvement of the service and creating a culture of improvement and the customer being at the heart of what we do.

- Sitting at the core of the Property Services function is the Strategic Asset Management Plan which will guide our future property decisions and provide the link between the strategic consideration of assets and their role in the delivery of the Council's services. This strategy was worked up in consultation with our customers and partners and is a living active document which sets out our strategy for asset management into the future and highlights areas for immediate improvement for action.

Page 1 of 2

- At the core of Property Services is the overarching aim of achieving best value from our assets and enhancing the current portfolio.

- The vision for Property Services is to be a catalyst for Economic Development and Regeneration within the County, through investment in existing and new opportunities that will drive new income streams and enhance value for money from existing assets.

- Property Services' priorities flow from the priorities of the Directorate. They run right through and feature heavily in this Strategic Asset Management Plan, providing a reference and path back through the Business Services Directorate priorities and the corporate priorities. Property Services' vision is "to be a catalyst for economic development and regeneration within the County, through investment in existing and new opportunities that will drive new income streams and enhance value for money from existing assets."

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

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

- We in Surrey have a key role to play and have already been recognised for our work in initiatives such as the One Public Estate, following on from the government's Capital and Asset Pathfinder Programme and Surrey First.

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

Recommendations

That the Board continues to support Property Services strategy and the strategic approach and customer focus.

Next steps

As appropriate as requested for Property Services to bring back any questions from the Council Overview Board.

Report contact: *John Stebbings*
Contact details: *john.stebbings@surreycc.gov.uk 020 8213 2554*
Sources/background papers: *Strategic Asset Management Plan*

Strategic Asset
Management Plan

Building a better Surrey

SURREY
COUNTY COUNCIL

Making Surrey a better place

Contents

3

Foreword

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

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

We in Surrey have a key role to play. We have a high performing council and are continuing to build a 'one team' culture for Surrey. We have already been recognised for our work in initiatives such as the government's Capital and Asset Pathfinder programme and Surrey First.

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

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

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

5

Denise Le Gal
Cabinet Member
for Business Services

Tony Samuels
Cabinet Member
for Assets and
Regeneration
Programmes

Julie Fisher
Strategic Director
for Business Services

John Stebbings
Chief Property Officer
Business Services

Executive summary

Context

Our purpose is to ensure good quality public services for the residents of Surrey so that they remain healthy, safe and confident about the future. Focusing on residents, value, partnerships, quality, people and stewardship, our vision is by 2017 to be the most effective council in England. The purpose, vision and values are at the core of this Strategic Asset Management Plan.

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

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

These priorities run through the core of the plan, providing clarity on the vision and values for the council, how the directorate and Property Services strives to meet these, and the targets against which these will be measured. Of note is the targeted spend through local Surrey suppliers, the CO2 and energy usage reduction, support for regeneration, growth and investment, and the move towards smarter and more flexible ways of working.

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

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

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

7

Governance framework

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

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

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

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

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

Policies and strategies

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

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

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

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

The schools estate section looks at the asset management approach to the education estate, which comprises in excess of 400 facilities across community schools, foundation schools, voluntary aided and controlled schools and academies.

The Schools and Learning Service and Property Services is developing a plan that will provide an asset management strategy for each area, a five-year schools programme and Medium Term Financial Plan, and a 15-year forecast for infrastructure planning. The teams are also looking at working with the service to develop a set of protocols to provide a consistent approach to school place planning and a clearer and quicker route to decision making. In addition, the Special Education Needs (SEN) strategy is being refreshed and Property Services is helping identify and develop corresponding asset management plans.

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

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

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

8

9

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12

13

Action plan and implementation

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

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

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

1) **Performance management** – a framework to monitor the performance and consistency across Property Services, focusing on targets, measured against Key Performance Indicators (KPIs) and monitoring of performance of the department, supplier contracts and performance down to individual asset level. Benchmarking against comparable public sector organisations is undertaken.

2) **Financial management** - the Property Finance team provides professional financial information, analysis, advice and support, produces all external financial reporting on council activities and lead on the council's annual budget setting and in-year monitoring arrangements. The finance team also sets the financial framework for the council, covering the regulations, instructions and guidance on all financial activities.

3) **Data management** - property data is recognised as a key tool in driving value from the council's property assets. It is used for the day to day management of assets, measuring their performance and providing information to support asset strategy. Integral to the management of data will be the implementation of a new Property and Asset Management System (PAMS), which is currently underway in a joint initiative with Hampshire County Council. PAMS will provide a fully integrated property information system that will facilitate partnership working, bringing together property asset data, financial information, maps, spatial information from CAD plans, and document management. PAMS will assist public sector partners in the sharing of property data. It will also aid management of the plethora of property documents held in the department and help make property information more accessible and transparent, both internally and externally.

4) **Reporting** - is key to decision making in Property Services and supports the governance process and general management of property business. It is broken down into three categories: 1) decision making – at departmental, directorate and Cabinet level; 2) performance - regular reporting of key performance indicators at departmental and directorate level; 3) business planning and improvement – regular reporting of progress against plans and targets at departmental and directorate level.

Context

Context for the plan

Why have a plan?

Surrey County Council's Strategic Asset Management Plan will guide our future property decisions and provide the link between the strategic consideration of assets and their role in the delivery of the council's services.

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

Our Strategic Asset Management Plan sits at the core of the Property Services function, and will be reviewed regularly. It provides a reference for policy decisions that influence asset management and is a focal point for asset management debate and the inevitable impact from external factors that will have a bearing on the council's assets. In particular, one area of change is the national drive for public services and the bodies that deliver them to be more joined up. We are already embracing this approach through initiatives such as Surrey First, as are other public sector bodies with significant land holdings, such as the Ministry of Defence and the health service.
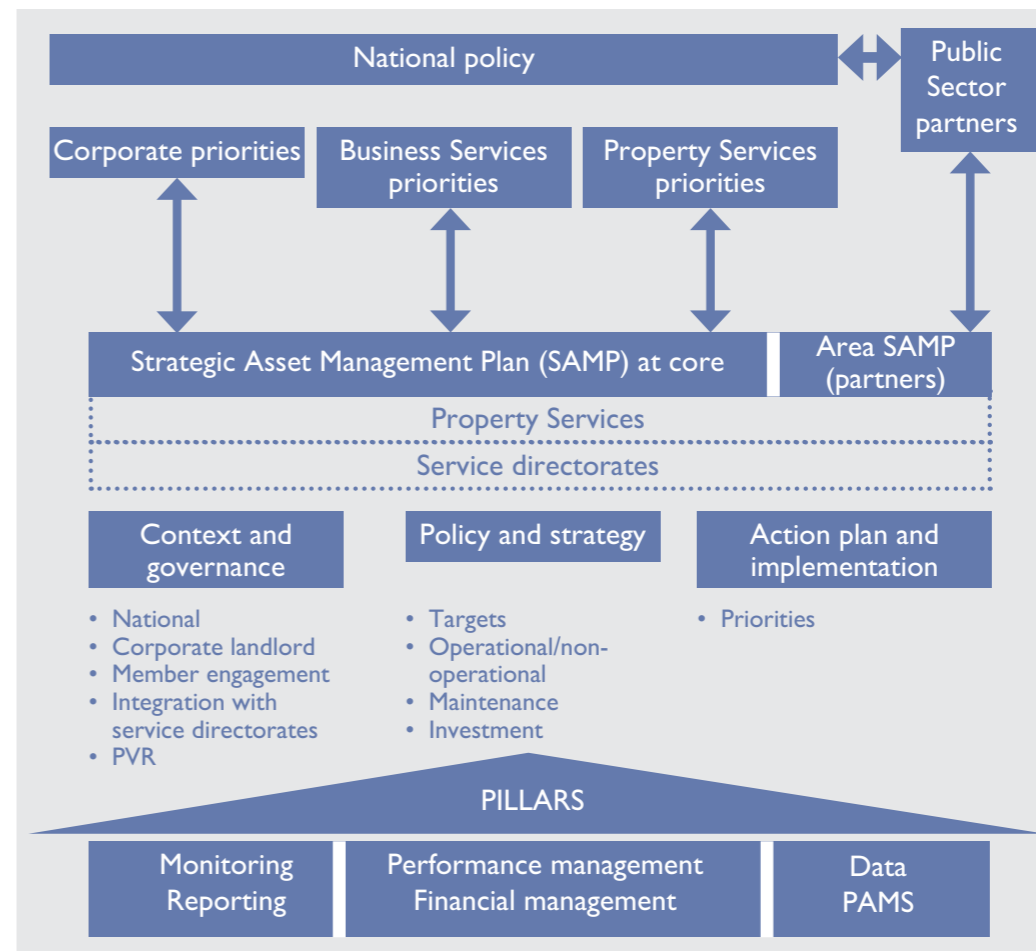
The diagram on the left illustrates the plan in context. It shows how the plan acknowledges the Corporate Priorities, the priorities of the Business Services Directorate and the Property Services priorities, and uses these as principal reference points.

The plan brings a customer-focused approach to asset management that affords officers and members a long-term planning horizon, instilling confidence in decisions and bringing a consistency of approach across the council. The involvement of service directorates in the creation of the document has been instrumental in garnering feedback on the proposed asset management direction and improvements to the property service.

The plan brings a transparency to our work and provides clarity on all areas of Property Services and the inter-dependencies within the organisation and with partners.

Underpinning the development of the plan is a set of actions that will be taken forward to improve service to customers. The actions will be monitored and progress reported to the council on a regular basis. Of particular importance is the audience; our expectation is that the plan will be read by councillors, officers, members of the public, other public sector partners and those from the voluntary sector, as well as being in regular use by our staff.

What does the county council's estate look like?

Property Services has responsibility for an extensive portfolio of operational and non-operational premises, many individually designed and constructed over several decades, others acquired more recently under mixed tenure arrangements. Service delivery includes the design of new buildings, the management and maintenance, refurbishment and adaptation of existing buildings, the purchase, sale and development of land and property, management of leases and other agreements, and tenancy management including rents/service charges payable and receivable. Property related services are also provided to external clients through service level agreements.

The council's property portfolio includes about 700 operational assets with a further 400 non-operational assets, including land over 0.5 hectares in size. In all there are approximately 3,000 buildings on these sites. There are also approximately 2,000 pieces of land less than 0.5 hectares in size. The majority of assets are owned freehold, although many are held on lease. The school estate comprises 303 nursery, infant, junior and primary schools, 53 secondary schools, 23 special schools, 10 Short Stay Schools, of which 97 are voluntary aided schools and 33 are Academies.

Properties within the portfolio include:
Operational Estate – these are the assets that are used to deliver services to the community, including:
- schools and other educational premises
- youth centres
- residential homes and day care centres
- adult education centres
- libraries
- fire stations
- office buildings
- highway depots and civic amenity sites.

Non-operational Estate – these are the assets that the county council holds to meet other council objectives, including:
- small business centres
- smallholdings and farms
- gypsy sites
- vacant land and buildings
- tenanted buildings
- garden Licences
- staff housing.

National, local and corporate policy

National policy drivers

Overarching national policy impacts many of the services delivered by the council. Against the backdrop of the economic climate, more recently there has been a number of new and revised policy areas that have been specifically targeted at assets and how these can be used to promote growth. These include:
- **community right to bid (assets of community value)** - the Localism Act requires district and borough councils to maintain a list of assets of community value which have been nominated by the local community. When listed assets come up for sale or change of ownership, the Act gives community groups the time to develop a bid and raise the money to bid to buy the asset when it comes on the open market. Assets held by the county council may be nominated for these lists.
- **the Localism Act** also introduces a General Power of Competence, which is designed to provide local authorities with the same powers as any individual. This may create a number of new opportunities for the county council in terms of its strategic asset management. For example, there may be scope to consider a wider range of strategic land purchases, which would currently need to satisfy the "wellbeing" requirement introduced by the Local Government Act 2000.
- **Community Infrastructure Levy (CIL)** - the Community Infrastructure Levy is a new planning charge, introduced by the Planning Act 2008. It came into force on 6 April 2010 through the Community Infrastructure Levy Regulations 2010. Development may be liable for a charge under the Community Infrastructure Levy, if the local planning authority has chosen to set a charge in its area.

16

17

The county council's corporate priorities

In 2012, the council set out its Purpose and published a Vision for 2017, all underpinned by a set of Values that are embedded throughout the organisation.

The council's purpose is to ensure good quality public services for the residents of Surrey so that they remain healthy, safe and confident about the future.

Our vision looking forward to 2017 is to be the most effective council in England.

Many councils are responding to the challenges they face by reducing their capacity and capability. We are taking a different approach to build on our strengths and deliver better services.

The focus to achieve the vision is centred around six principal strands, telling a story of how we will transform the way we work with residents, businesses, partners, and staff to tackle the issues facing Surrey:

1) Residents – Individuals, families and communities will have more influence, control and responsibility
2) Value – we will create public value by improving outcomes for residents
3) Partnerships – we will work with partners in the interests of Surrey
4) Quality – we will ensure the highest quality and encourage innovation
5) People – we will develop and equip officers and members to provide excellent service
6) Stewardship – we will look after Surrey's resources responsibly.

At the heart of the council's desire to make a difference is a set of values that are embedded throughout the organisation:

Listen – we actively listen to others and expect to be listened to

Responsibility – we take responsibility in all that we do at work

Trust – we work to inspire trust and trust in others

Respect – we are supportive and inclusive and committed to learning from others

The purpose, vision and values are at the core of this Strategic Asset Management Plan and act as a reference point for all asset-related work undertaken by Property Services.

18

Business Services priorities

Property Services sits as one of the core functions in the Business Services Directorate and is inextricably linked with the other functions in the directorate, which are: Finance, HR and Organisational Development, Information Management and Technology, Procurement and Commissioning, Shared Services and Transformation.

The directorate's vision for 2017 reflects the residents' priorities and areas where investment is needed, for which assets play an important role.

The vision is to be the leading public service provider of innovative business solutions and transformational change by 2017. A number of the directorate's specific priorities have particular relevance to strategic asset management, including:

- helping the council to save £100m over five years
- supporting the local economy by driving 60% of spend through Surrey suppliers
- reducing CO_2 emissions and energy usage by 21% from the 2009/10 baseline by 2012/13
- identifying and developing opportunities to maximise the use of assets to support regeneration projects and the economic growth agenda in partnership with external organisations
- completing the co-location programme with the 11 district and borough councils
- supporting staff to work in a smarter way – 55% of the county council office-based staff will work in a more flexible way through the use of new technology
- continue to develop and deliver income and efficiencies through partnership working.

These priorities are by no means exhaustive and assets still have an indirect role to play in all the remaining priorities for the directorate.

Property Services' priorities

Property Services' priorities flow from the priorities of the directorate. They run right through and feature heavily in this Strategic Asset Management Plan, providing a reference and path back through the Business Services Directorate priorities and the corporate priorities.

Property Services' vision is "to be a catalyst for economic development and regeneration within the county, through investment in existing and new opportunities that will drive new income streams and enhance value for money from existing assets."

Stemming from the corporate vision, the six key areas for Property Services are:
Residents - In Property Services we will deliver excellent services by putting residents and customers at the heart of our delivery, listening to what they tell us and how we can improve.
Quality - In Property Services we will implement efficient and robust processes supported by governance to achieve best possible quality buildings and environments and striving to continuously improve the customer experience.
Value - In Property Services we will reduce the cost of managing the Surrey County Council portfolio and deliver income generating opportunities for delivering a service that is commercially competitive.

19

People - In Property Services we will create and continually enhance a service of a team of highly skilled people who respect one another and those around them, working as one team, taking responsibility, as experts, for identifying and delivering innovative solutions.

Partnerships - In Property Services we will nurture strong, sustainable links with current and future partner organisations to achieve benefits for all.

Stewardship - In Property Services we will provide a safe and healthy environment to all users of our assets, developing and implementing sustainable property solutions, reducing our impact on the environment.

To realise our vision we have prepared this Strategic Asset Management Plan, which focuses on income generation, economic regeneration and fit for purpose assets through:

- a targeted investment strategy, that creates income streams and will create a step change for the council to become less reliant on council tax / council tax increases to support service provision
- a clear strategy and approach to assessing fitness for purpose of the county council's assets to ensure a continual enhancement to both internal and external customer value, placing the customer at the heart of the property process. This will deliver financial, environmental and service benefits
- creating a motivated, focused and empowered team of professional property individuals that both public and private sector organisations want to engage and partner with. Through joint working we will create long term, mutually beneficial relationships that deliver an improved supply chain and access to opportunities.

Working through up to 2017, we will continue to develop and will have:

- set out the framework and structure to identify, improve and streamline the council's asset base to create a vision, direction and process for the next five years and beyond.
- delivered an income strategy through our current asset base and acquisitions, as part of the directorate income strategy
- reduced demand for responsive revenue expenditure by 25% by 2016 against a base year of 2011/12
- reduced the back log of repairs by 20% in those buildings to be retained over the current Medium term Financial Plan
- reduced the reliance on leasehold and tenanted properties and refocus the portfolio to a freehold asset base. Using the freehold and long leasehold assets to deliver income to the council
- created joint working projects with all 11 district authorities within the county
- delivered the Surrey First ambitions and objectives of partnership working, co-location and the principles and benefits of being joined up.

Property Services targets

The Property Services targets can be summarised as:

	Goal	Benefit	Owner	Strategic theme
1	Improve our responsive maintenance contractor performance	Our customers will receive a more efficient and effective service	Transformation and Delivery Manager	Quality, Residents, Value
2	Delivery of the Strategic Asset Management Plan	It will provide a framework and structure to identifying, improving and streamline SCC asset base to create a vision, direction and process for the next five years and beyond.	Asset Strategy and Planning Manager	Residents, Quality, Value
3	Reduce CO2 emissions and energy usage from council buildings by 30% from the 2009/10 baseline by 2013/14	We will reduce our energy consumption and carbon emissions, making better use of both environmental and financial resources	Energy Manager	Stewardship, Residents, Value, Partnership
4	Identify and develop opportunities to maximise the use of assets to support regeneration projects and the economic growth agenda in partnership with external organisations for the benefit of Surrey residents	A focus on partnerships and sharing space will deliver efficiencies across the public sector and provide fit for purpose assets.	Asset Strategy Partners	Partnership; Value

Public Value Review

During 2010 / 2011, the council carried out public value reviews (PVRs) of all its key activities. This included a review of the entire property function. The review looked in detail at the costs of delivering the function and the break down and value of activities. The review also looked to best practice and knowledge sharing externally to compare our own property function to that of other public and private sector bodies. Finally, the review engaged widely with customers and with staff to understand how the service was delivering on the ground.

20

21

Overall, the findings were that we were on par with property functions in other organisations in terms of process delivery. In fact we were ahead of the game in terms of our aspirations for a more strategic service that was customer-centric. In order to support our move to a best in class property function, the PVR made the following key recommendations:

- implement effective systems and processes to develop robust Key Performance Indicators (KPIs) and meet customer expectations
- develop and implement an improved customer service model
- restructure Property Services to improve efficiency and customer focus
- drive a more responsive and proactive team culture
- develop greater market, financial and commercial skills across the service.

These recommendations were signed off by the council's decision-making Cabinet at the end of 2011. Since that time, Property Services has restructured its skills and resources in two phases, restructuring the management team first to enable them to take the lead in the full team restructure. We have also taken key steps forward in the culture change work, particularly around our engagement with and empowerment of managers. Alongside all this, process improvement is ongoing, in particular the new Property Asset Management System has been procured and is now undergoing development with direct involvement from our team. The service has simultaneously been able to deliver efficiencies in terms of resourcing and procuring of services.

A detailed action plan from the PVR provides the basis for the Property Services improvement plan over the coming years. This will be integrated with the action plan resulting from this Strategic Asset Management Plan to provide a practical way forward for the service.

Surrey First

Surrey First is a shared services project that is improving joint working between the twelve Surrey councils and Surrey Police. Surrey First's mission is to bring as many Surrey-based public sector organisations together to promote collaboration on Procurement, Human Resources, Information Technology and Property Assets. The desired outputs are to create efficiencies, improve services for Surrey residents and businesses and ultimately produce savings for the combined public purse.

An asset workstream is in place that aims to improve the way that public sector assets are managed within Surrey. The public sector partners have expressed a common desire to share buildings and facilities across the county to improve services and reduce costs.

An ambitious public sector estates review was completed in 2011 which uncovered 18 significant opportunities for asset collaboration. Together these 18 totalled 153,000 sq m of space which, through collaboration, could be reduced by 21.5% to 120,000 sq m with estimated capital and revenue cost saving of £67m in Net Present Value terms over 25 years.

Over the next 10 years, Surrey First's collective asset strategy will be three-fold:
1) more joint projects and resources devoted to them, to unlock the potential savings
2) greater utilisation of the public sector buildings with a particular focus on offices which offer the greatest scope for space reduction
3) free up space and land for redevelopment and job creation for the benefit of Surrey's residents and businesses.

Capital and Asset Pathfinder

In 2011, Surrey First was selected as one of the second wave of pathfinders for the Government's Capital and Assets Pathfinder programme. The programme is sponsored by the Department for Communities and Local Government (DCLG) and tests a customer-centric and place-based approach to asset management and capital investment in the public estate.

Central to the Pathfinder approach is the principle of 'one public estate' - an examination of the greater efficiencies and improvements in service delivery that can be obtained through collaboration between the public sector partners in a place, when all publicly owned assets are considered as if they are a single portfolio.

Led by the county council, two business cases followed by a 10 year implementation plan were produced for DCLG and the Local Government Group. The business cases focused on two specific scenarios that had been identified in the Surrey-wide public sector estate review:
1) a public sector hub led by Spelthorne Borough Council at Knowle Green, Staines
2) a cultural and service hub led by Surrey Heath Borough Council in Knoll Road, Camberley.

Both projects are progressing. In particular, for Knowle Green a viability study has been completed and presented to the county council's Investment Panel. This identified potential for substantial savings across the public sector organisation. A joint working agreement is being prepared between parties, which will set out the protocols for sharing, financing and the apportionment of risks and benefits.

A 10 year implementation plan has been prepared, which sets out an approach that will:
- enable partners to come together locally to develop an area wide approach to service delivery and asset management over the next 10 years
- use Surrey First's two business cases for a public sector hub in Staines and a cultural and service hub in Camberley and the property rationalisation opportunities identified during late 2010 to demonstrate the space reductions and cost savings possible on 18 projects totalling 150,000 sq m of space
- identify land that the public sector could free up for housing and commercial uses from those projects
- indicate the potential difference in the number of property holdings now and in 2022, especially with regard to back office space
- demonstrate how the business cases and other schemes will be progressed.

Governance framework

Structure of Property Services

Property Services is part of the Business Services Directorate. The Chief Property Officer reports directly to the Business Services Director and forms an integral part of the Directorate Leadership Team.

The management team of Property Services has been restructured to pull asset strategy into the one property team and provide greater clarity on ownership of elements of the property lifecycle. This is already proving successful in the increased ownership felt by managers, the clarity that has been gained on roles and responsibilities and the greater understanding of how people need to work together.

We have developed the senior front line delivery role to include transformation as a recognition of the change the service needs to make in how it delivers services to its customers.

We have also recognised the importance of performance management to ensure that we achieve success and have defined a role within the senior management team that will oversee the service's performance.

Cultural change

We have already done a lot of work within Property Services about what culture we need against the culture we currently have. The team have identified actions and activities that can take place to start to shift culture and actions are underway.

Improvements already made include:

- creating a much stronger cross working environment within the management team with managers taking ownership for service strategy and direction
- engaging with a broad range of customers on how the customer relationship model will work. This has received very positive feedback
- engaging in detail with staff in the development of structure to ensure understanding and ownership of the new structure.

25

The below chart summarises the senior management structure.
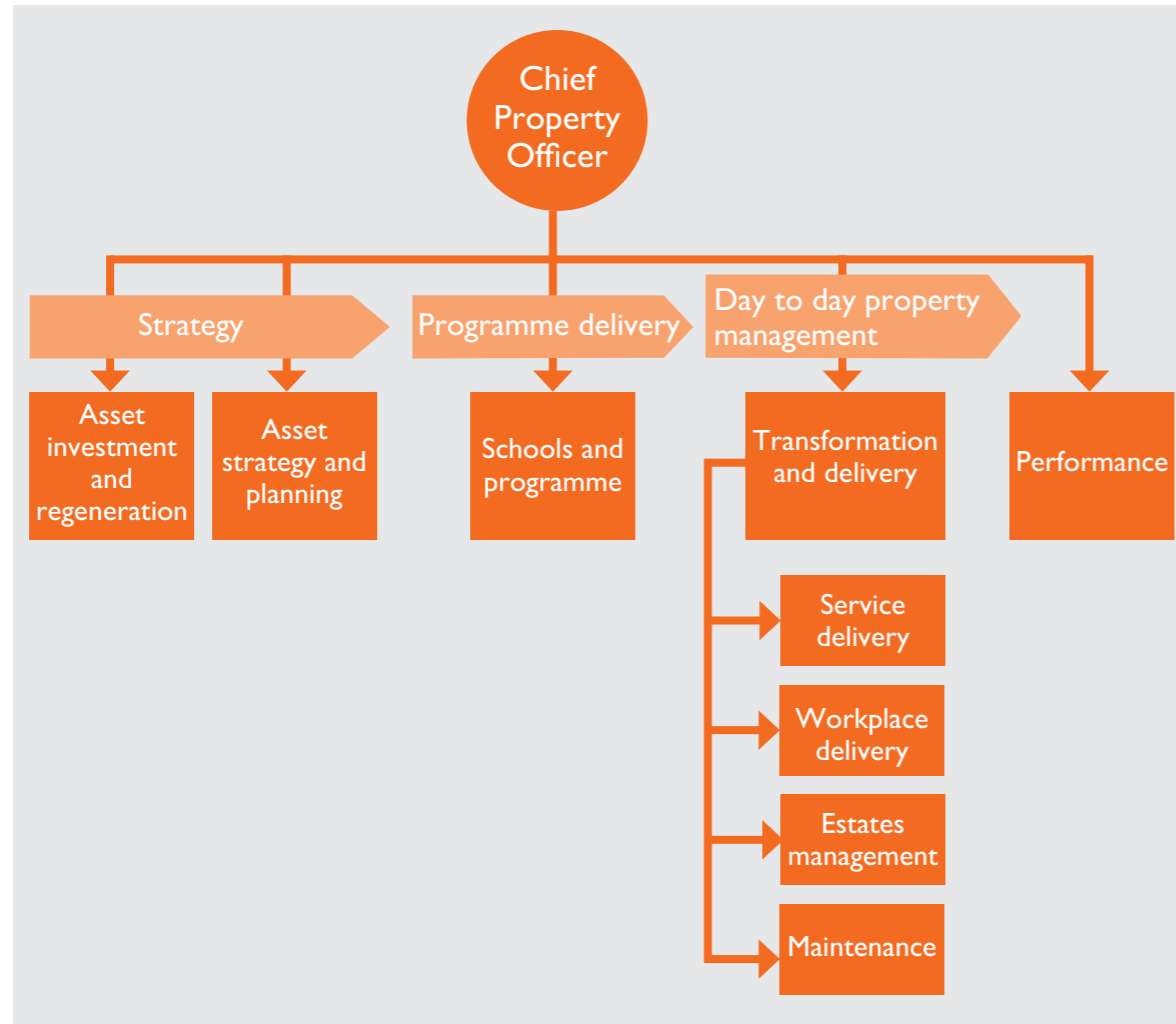
Alongside this formal structure, the Property Service operates virtual teams which enhance the cross-working across functions

Approvals and committees

Approval and governance processes are in place to balance the need to have scrutiny and financial control over decisions, with the ability to bring projects quickly to fruition and, in the case of strategic acquisitions for services, corporate and investment, take opportunities in the property market.

The approval process is illustrated as:

- All capital projects over £100k are reviewed by a senior officer group – the Investment Panel - to create continuity before spend is committed. The Investment Panel (made up of senior officers).
- All projects over £500k require approval of a Cabinet Member.
- Full Cabinet approve all projects over £1m. This requires the development of a Strategic Cabinet Report.
- Once go-ahead is approved, the project may require Procurement Review Group approval (single contract value in excess of £100k) for routes to market and subsequent award of contracts for consultants to develop detailed plans and designs.

- Further Cabinet approval must be sought once detailed planning and design is complete and again Procurement Review Group approval will be required to go to market and award contracts to contractors to deliver the project.
- The full capital budget is developed on a four-year rolling plan and monitored through monthly budget reporting. New requirements on the capital budget will be managed in an iterative process between Finance and Property.

The full capital project management process is currently the subject of a "Lean" review which will look at all aspects of the process to try and deliver efficiencies in time taken to deliver projects. This will include a review of the approvals and committees process in order to propose improvements where necessary. This will form part of the action plan.

Member engagement

As part of ensuring an effective engagement process, all members are invited to attend regular drop-in sessions to individually go through property matters in ward areas to ensure local issues and ideas are captured.

Members are also formally consulted on decisions being presented to Cabinet or Committees to ensure their views are known when property decisions are due to made within their ward and alongside this.

Local members are formally consulted on any disposals to ensure local views are known and taken into account and transactions are therefore being carried out in a transparent manner.

Budget governance

Team budgets, both revenue and capital, are monitored regularly with monthly liaison between Property Services Performance Management and the Property Services teams, with reporting feeding into the council's overall budget setting procedures, such as the council's five-year Medium Term Financial Plan and associated corporate plan processes.

Sometimes, in liaison with finance and service directorates, additional temporary funding streams can be identified and sourced through other budgets associated with Corporate/ Service Directorate /External Parties (such as government departments) which can supplement above property capital and revenue expenditure budgets of Property Services.

Integration with service directorates

Vision of service directorates

The visions for the service directorates are set out below. These visions tie into the five-year Corporate Plan objectives (2013 to 2018).

Childrens Schools and Families

"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"

Adult Social Care

"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"

Customer and Communities

"To enhance quality of life through supporting healthier, safer and more vibrant communities"

Environment and Infrastructure

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

Chief Executive's Office

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

Business Services

"To be a leading public service provider of innovative business solutions and transformational change by 2017"

These visions enable services to develop strategies and policies.

With these service strategies/policies in place, a strategic approach is taken as part of our strategic asset planning relationship with service directorates, ensuring better focused planning on short, medium and long term investment, rationalisation of operational assets, and asset partnering with other third parties.

Customer relationship management

Property Services has implemented the concept of virtual teams to delivery effective customer relationship management. Customers require the following from their property service:

- ease of contact – limited individual points of contact
- Property Services to understand their needs and specific issues
- a joined up property function
- a commercial property function that can be benchmarked with other providers.

The concept of the virtual teams pulls together relevant property personnel into formal account teams for each service. These account teams meet regularly and work together with the services across the strategic and operational spectrum to understand and meet their asset requirements. The below diagram shows who will make up the virtual teams:

Proposed structure for services

Property Services Account Team

Asset strategy and planning
- An Asset Strategy Partner will take the lead with services
- They will report back progress to an overall Services lead who will take a holistic view of council-wide projects

Programme delivery
- A Non-Schools Programme team will deliver all services related projects
- At any point in time, one to two Project Managers are likely to be delivering capital projects for services

Day to day property services
- An Account Manager for services will sit under the Services Delivery Manager
- This account manager will take overall responsibility for all services buildings, including developing an overarching property operations plan, planning budgets, delivering FM services and ensuring planned, reactive and cyclical maintenance is delivered effectively

Going forward, it is expected that the virtual teams within property will link to wider teams within Business Services to ensure that services receive a joined up service from the entire support function.

This method of customer relationship management will deliver the following improvements:

- service directorate and corporate goals focused and linked, whereby a balance is achieved in line with wider corporate objectives and the council's Medium Term Financial Plan
- greater transparency and understanding between the service directorates and Property Services of what can be achieved both strategically and operationally
- achievement of service-related efficiencies and objectives from their occupation of assets
- implement property cost efficiencies in terms of usage, co-usage, suitability, condition, available revenue budgets including environmental cost factors
- identify potential rationalisation and freeing up of surplus property so it can be used for other income generation sources including capital receipts
- resultant delivery and progression of a robust Strategic Asset Management Plan.

The inputs and outputs of the customer relationship are summarised below:
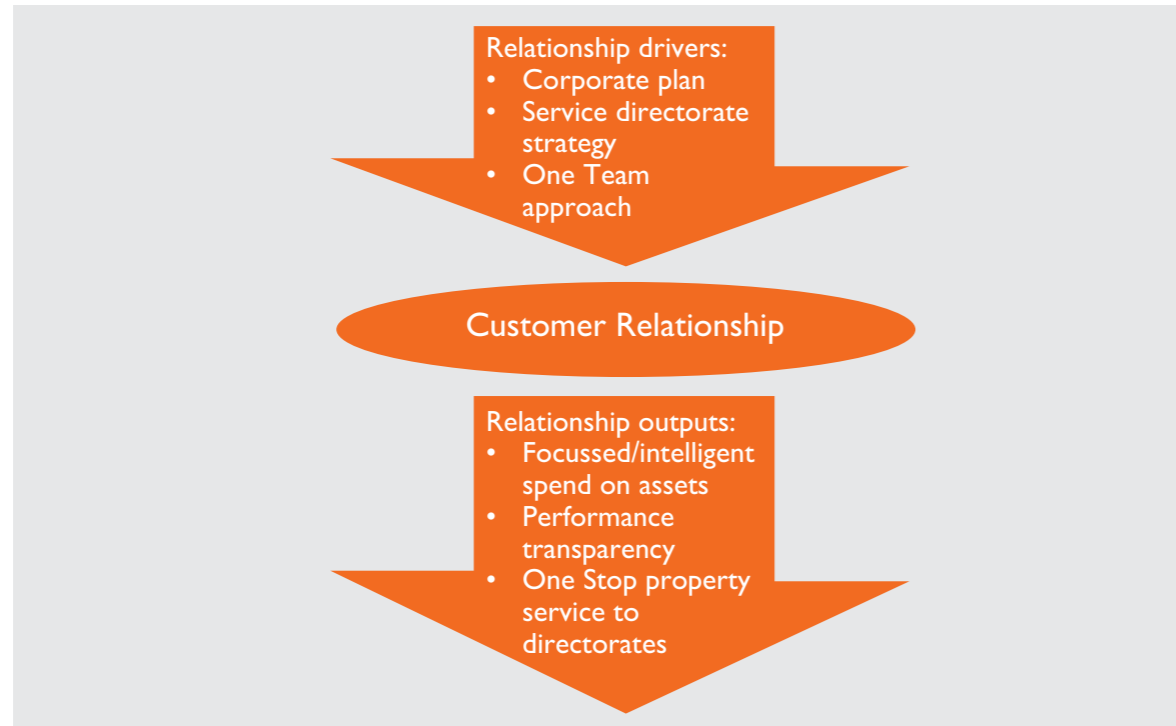
Property Services cluster

The cluster arrangement is a collaboration between Surrey County Council, Hampshire County Council and Reading Borough Council. It takes a co-ordinated approach to the procurement and delivery of large programmes of capital works through partnership working, and is the collective authorities' response to the challenging economic climate and recently published public sector thinking on delivering value to ratepayers through the public estate.

The cluster's objective is to be at the forefront of Government Construction Strategy thinking and become recognised as an exemplar delivery model across the public sector.

Background

In 2011 the government published two reports that it had commissioned with regards to capital and construction strategy - the Review of Education Capital April 2011 and the Government Construction Strategy May 2011. The reports highlighted a common theme for the need to improve value for money to taxpayers through the construction procurement and delivery process.

The findings informed and shaped the key objectives for the cluster, which are:
- combining public sector resources to deliver significant cost savings
- supporting each other in skills development
- engaging with private sector (contractors and consultants) in a joined-up and robust way to maximise performance
- acting as an exemplar of shared services to demonstrate best practice in local government.

The cluster directly supports the council's strategy to develop and grow partnership working between public bodies, and in doing so enables the sharing of professional capacity and economies of scale between the organisations. This is enhanced with the added engagement of private sector partners, who bring both expertise and capacity to the arrangement.

Surrey County Council's role

The work of the cluster is focused through a joint programme office that provides the central reporting and control for the projects being delivered. This programme office comprises a multi-functional team of varying professional disciplines and business support functions, importantly with resource being provided by the authorities involved and private sector support.

The county council's role within the office is threefold, comprising:
- procurement and supply chain leads
- representation on the various operational, project and steering groups; and
- overall governance through the Joint Property Board.

Cluster governance

The governance framework covers the end to end delivery and management processes required for developing, procuring and delivering programmes and their individual projects, from initial viability to handover of the completed facility for occupation and ongoing facilities management.

Joint Working Agreement (JWA)

The two lead authorities - Surrey County Council and Hampshire County Council - entered into a Joint Working Agreement in June 2011. This agreement established a Joint Property Board for the purpose of providing strategic direction and supervision of the JWA and a steering group to oversee the overall development of all major workstreams and programmes of work.

A high level governance structure is shown below.

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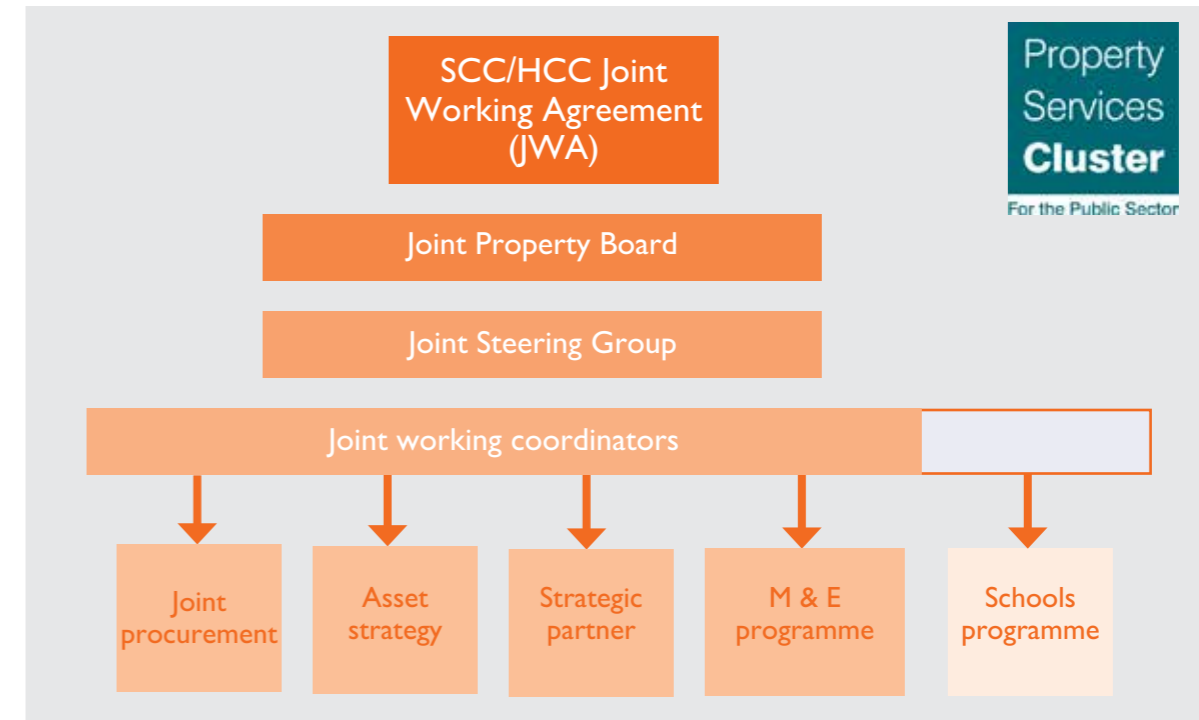
Policies and strategies

Carbon management and sustainability

Surrey County Council is committed to reducing its carbon emissions and effectively managing its energy consumption in its own estate including publicly funded schools and street lighting.

In 2009 our Cabinet approved a Carbon and Energy Policy 2010-14 that set out targets and policies to achieve this goal, including an overall target to reduce the council's carbon dioxide (CO2) emissions by 20% by 2014 and a stretch target of 30% reduction in CO2 emissions by 1 April 2014. Cabinet also endorsed the Surrey Climate Change Strategy detailed under the climate change section.

Delivering cost effective lower carbon solutions

Council and Cabinet have approved a carbon reduction programme of work for energy efficiency schemes valued at £13.1m over a four-year period 2010 - 2014. The business case for invest to save projects is driven by the ability to reduce carbon emissions at the same time as lowering costs and offset financial risk in the shortest payback period.

The Carbon Reduction Programme will focus on replacing old and inefficient heating boilers/ lighting and associated control systems. Automatic lighting controls and upgraded heating controls are to be included at high energy user sites. Fuel switching from oil to biomass or gas and the installation of Smart meters or automatic reading meters (AMR) for large electricity and gas supplies started in 2010/11. After two years into the programme a CO2 reduction of 12% has been achieved.

Management of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The Carbon Reduction Commitment is an obligatory UK-wide carbon trading scheme that includes all large public and private sector organisations. Complying with CRC is onerous in terms of complexity and knowledge to meet the legal requirements and to avoid fines. By way of example, the council's buildings emit over 90,000 tonnes of carbon dioxide into the atmosphere each year, representing carbon allowances to the value of around £1m per year.

Carbon Management Plan 2009-2017

Recognising that climate change is the largest environmental challenge facing the planet, the council has adopted a carbon management plan to control its buildings' energy use.

Property Services is committed to cut carbon emissions through the management of our estate, including schools, street lighting, building designs, investment programmes and procurement practices.

Carbon and energy

Property Services provides a professional service to a portfolio of over 650 sites such as schools, offices, care homes, fire stations, libraries, adult and children's centres. This is focused on delivering energy reductions and cost savings.

A whole range of services is undertaken, including:

- Energy Management database Monitoring and Targeting system – allows free access to bursars and Building Maintenance Officers to manage budgets and monitor energy usage and promotes energy efficiency and carbon reduction.
- Installation and management of Automatic Meter Reading (AMR) – 1200 meters supplied under the carbon reduction capital programme to identify energy waste.
- Energy and water management advice - top tips are published on bulletin notices.
- Constructing and managing energy saving projects.
- Programme of invest to save energy efficiency improvement works - £10m of investment during the past four years to target 20% to 30% energy reduction.
- Promotion of grants and incentive scheme to schools – promoted the take up of solar panels at over 20 schools as part of the Feed in Tariff.
- Options for low carbon technologies – plans to install 12 wood burning boilers in 2013 as replacements for oil or gas boilers.
- Energy procurement contracts – flexible energy contracts valued at £11m are arranged for the corporate properties and the majority of schools.
- Promotion of energy awareness and good house keeping – training and awareness sessions are provided for the corporate facility managers.

The Surrey Climate Change Strategy

The Surrey Climate Change Strategy was developed by the Surrey Climate Change Partnership (SCCP), a partnership between the county council, the 11 borough and district authorities, Surrey Police and the PCT, as part of a climate change project funded by the Surrey Improvement Partnership (SIP). The strategy has been designed to give strategic direction on climate change action and activity for local authorities within Surrey, whilst recognising the different levels of existing activity and support for this agenda. The strategy is endorsed by the Surrey Climate Change Members Group and the Surrey Strategic Partnership Leadership Group, and is seeking formal approval by all Surrey local authorities.

Common priorities for Surrey local authorities were agreed as:

- reducing carbon emissions in our own organisations
- engagement with Surrey schools
- maximising gains from the planning system to make new developments sustainable
- tackling emissions in the existing residential stock
- identifying opportunities for renewable and sustainable energy within Surrey
- the need to increase the profile and show leadership on climate change activities
- an increased focus on climate change adaptation.

Partnership working

The council already has a strong track record in working in partnership with other public bodies, including districts and borough councils, police, health and voluntary sector. This has crystallised as part of the work on the Capital and Asset Pathfinder and Surrey First, and the projects that have emerged are a true demonstration of how the public sector can work together.

Furthermore, the work under the cluster arrangement has seen Surrey work in partnership with both Hampshire County Council and Reading Borough Council, sharing resource, experience and driving economies of scale for the benefit of customers.

Though the work is still in its early stages – bearing in mind that these projects often span many years – good progress has been made in terms of sharing of data, use of joint systems and expanding the work of Property Services beyond Surrey.

The focus on partnership working will become ever more critical as future comprehensive spending reviews reduce available funding for projects and public bodies seek to look at more innovative solutions to work together.

Partnership working in practice

Implementation of the Capital and Assets Pathfinder and partnership working with other public sector partners in Surrey is an integral part of the County Council's strategic asset management direction.

Eight partnership projects are currently at feasibility or viability stages in six boroughs. Partners include Surrey Police, district and borough councils, voluntary and community sector organisations, the Probation Service, Surrey County Council services, and housing associations.

Based on the partnership work to date, the benefits of these schemes include:

- reduction in the number of public sector buildings in operational use through flexible working and intensification of use
- significant reductions in annual operating costs for the public sector property
- reduction in backlog maintenance liabilities
- providing commercial letting space for private sector income generation
- improved service delivery through joining up services in a single building solution
- improved working conditions for staff through modern buildings.

Other initiatives include the co-location of Adult Social Care locality teams in district and borough offices across the county.

Looking forward

As partnership schemes are generally multi-agency projects there are a number of challenges that need to be addressed. The partners may have to explore new and innovative approaches and ways of thinking in regard to public ownership of property; moving away from traditional structures of individual property ownerships in favour of shared co-location

arrangements where property sovereignty issues are less important to individual organisations than the overall benefit to the public.

A key part of partnership working is the sharing of capacity, where the authorities with larger resources are able to assist other authorities and keep skills and capability within the public sector.

Schools estate

Education provision is integral to the development of communities and their economic wellbeing. Correspondingly, the development of a robust strategy for the schools estate, which underpins the delivery of appropriate standards of accommodation, is essential.

Objectives:
To work together with the Schools Service and Planning to develop and deliver integrated Service and Asset Management Plans (AMP's) for the estate, which informs and provides medium term programmes and long term forecasts.

The Schools and Learning Service and Property Services are in the process of restructuring their departments and the objective is to develop a model, which drives asset and infrastructure planning through a carefully considered and planned process.

The outcomes will be to deliver:
- an Asset Management Plan for each local authority area
- a five-year schools programme and Medium Term Financial Plan; and
- a 15-year forecast to inform the county's, boroughs' and districts' infrastructure and resource planning.

School places projections

National and local perspective - The national pupil projections are produced within the Department for Education (DfE) at a national level only. They are based on the latest national population projections from the Office for National Statistics (ONS) and clearly identify an increase in birth and upwards trend in the medium term.

These projections are reflected in the service's own local forecasts for the period, which have been validated by the recent release of statistics from the latest government population census.

Children's, Schools and Families place planning protocols

Surrey is entering a phase of sustained pressure initially for primary school places and subsequently for secondary school places. The service wishes to develop a set of protocols that will help generate a more consistent approach to school place planning, provide schools with an opportunity to influence and shape proposals and provide a quicker and clearer route to decision-making.

Pupil place projections will be produced on a yearly basis by the School Commissioning team in February each year and published on the Surrey County Council website in April. The

School Organisation Plan (SOP) document summarises the county council's overall approach to school organisation and will respond to the projections on a borough and district basis and state any actions planned in future years to meet projected demand. This document will be updated and shared with all schools before being published on the county council's website in May each year. Projections will form the basis upon which officers talk to schools about place planning issues.

Property Services will play an integral part in assisting the service to develop their expansion strategy by providing asset management data to inform their decisions on the optimum sites, from a property estate perspective, that can be developed and working together as part of a multi-disciplinary team formed from the Service, Planning, Highways and Property to evaluate the options.

Special Education Needs (SEN) Strategy

Following a reorganisation within the Schools and Learning Division the SEN strategy is to be refreshed to:

- enhance further the development of mainstream school capacity to meet the needs of a wider range of pupils
- inform the development of the county council's Medium Term Financial Plan (MTFP) for the period 2013-18.

Objectives:

To meet the expected growth in the numbers of pupils with Statements of SEN and reduce the reliance on the non-maintained sector with the challenge of enhancing the offer within Surrey's own schools and centres to provide a further 300 places over the next five years. Property Services is working closely with the service to identify asset management plans and inform development of the service's options and strategies. The timescale for this review is to publish an agreed strategy by April 2013.

Asset Management Plan (AMP)

Central to the service's strategy development is the formation of a robust asset management plan (AMP) for the schools estate with a 15 year horizon. This will be an essential development step in 2013 for driving value through the end to end Schools Place Planning process. The benefits of medium and long term planning are:

- development of land acquisition strategy in the public and private estate
- to assist boroughs and districts to develop their strategic asset and infrastructure plans
- to enable the county, borough and district councils to optimise their Section 106 and Community Infrastructure Levy returns
- to provide essential information to the Planning and Highways teams, enabling development of operational and resource plans.

Building condition

The majority of the schools estate, some 90%, were built prior to 1980.

A new phased lifecycle cost survey will be undertaken for the schools estate in the 2013/15 period, matched to the services place planning forecasts. The surveys will be undertaken by the newly formed internal surveying team and surveys will be scheduled to match the schools and areas being considered for expansion.

This programme of surveys will provide an essential and accurate picture of the condition of the schools estate and inform the development of the asset management and maintenance investment plans for each area and school.

Building solutions

The approach to the type of accommodation provision in the Schools Estate to address expansion needs is currently going through a progressive decision process, which follows on from the Service's early forecasts and meetings, where place pressures are identified or anticipated.

The process considers expansion through:

1) the use of existing assets through organisational changes by the school to make use of accommodation with minor or no adaptation requirement
2) adaptation of existing accommodation
3) extension or new build within the existing school
4) a new school on new or existing land within the county's estate.

During 2013 a team comprising Property Services, Procurement, Client and the newly formed Cluster Programme Office will review build solutions with the objective of driving value through the estate and optimising efficiencies in the delivery process. The review will cover all aspects of build, including temporary, modular and traditional approaches.

36

37

Schools by category

A summary of the schools set out by category is below:

Community Schools		
Community schools are run by the Local Authority which employs school staff (though staff are funded by the school), owns the land and buildings, and sets the admissions criteria that decide which children are eligible for a place. The school is responsible for recurrent repairs and maintenance and statutory inspections. The Local Authority is responsible for all capital maintenance work.	• Nursery schools (under 5s) • Infant (Reception – Year 2) • Junior schools (Years 3 - 6) • Primary schools (Reception – Year 6) • Secondary schools (11-16) • Secondary schools (11-18) • Special schools (Students with special educational needs due to severe learning difficulties) **Total**	4 57 28 83 9 4 23 **208**

Foundation Schools		
Foundation schools are run by a governing body, which employs the staff and sets the admissions criteria. Land and buildings are owned by either the governing body or a charitable foundation. The governing body is responsible for all capital or maintenance works.	• Nursery schools (under 5s) • Infant (Reception – Year 2) • Junior schools (Years 3 - 6) • Primary schools (Reception – Year 6) • Secondary schools (11-16) • Secondary schools (11-18) **Total**	0 4 3 10 5 4 **26**

Voluntary Controlled Schools		
VC schools are generally religious or faith schools. They operate and are treated in the same way as community schools.	• Nursery schools (under 5s) • Infant (Reception – Year 2) • Junior schools (Years 3 - 6) • Primary schools (Reception – Year 6) • Secondary schools (11-16) • Secondary schools (11-18) **Total**	0 9 3 14 1 0 **27**

Voluntary Aided Schools		
The majority of voluntary-aided schools are religious or faith schools. In Surrey there are two schools that are voluntary aided in their own right. The governing body employs the staff and sets the admissions criteria. Buildings are owned by the Diocese/governing body but not always the land. The Local Authority is not responsible for any capital or maintenance works. The VA sector has it's own capital programme – LCVAP (Locally Co-ordinated Voluntary Aided Programme)	• Nursery schools (under 5s) • Infant (Reception – Year 2) • Junior schools (Years 3 - 6) • Primary schools (Reception – Year 6) • Secondary schools (11-16) • Secondary schools (11-18) **Total**	0 27 12 47 0 11 **97**

Academies		
Academies are publicly funded, independently managed schools, which operate outside of local authority control. Academies have more freedom than other state schools over their finances, the curriculum, and teachers' pay and conditions. Land and buildings are transferred on a 125-year lease from the Local Authority. The Local Authority is not responsible for any capital or maintenance works. However, if an academy needs to expand because the Local Authority has asked it to take more pupils capital works may be funded by the local authority.	• Nursery schools (under 5s) • Infant (Reception – Year 2) • Junior schools (Years 3 - 6) • Primary schools (Reception – Year 6) • Secondary schools (11-16) • Secondary schools (11-18) **Total**	0 0 1 3 7 12 **23**

Non-schools estate

Strategies for each service directorate

A high level overview of the strategies for each service directorate is set out below. This is not a static representation, rather one which will evolve as the strategic needs of the directorates adapt to the changing demands upon them.

Similar to the schools estate, the process of project reporting and control will be managed by the performance team and reported through the virtual teams that work with the service directorates.

Role of Property Services in service strategies

Property Services works collaboratively with the service directorates to assess the short, medium and long term impacts on the council's assets and future asset needs. The benefit of this approach is that it enables:

- focused planned expenditure on maintenance of assets
- horizon planning of future service directorates' changing strategic needs
- enhanced 'one team' working with individual service directorates and associated stakeholders
- improved service and corporate outcomes, including combined asset 'market- enabling' opportunities that enable service delivery for more than just one service directorate/ stakeholder.

To assist service directorates as their strategies evolve, Property Services provides supporting strategic advice to assist in the direction of travel and option setting of those emerging strategies which have property and asset implications.

Service directorate strategies

Children's, Schools and Families
Family support - increased support for families with complex needs and significant social disadvantage. The aim will be to provide improved outcomes for children by supporting the whole family.
Early help - providing services as soon as possible to prevent negative issues from escalating.
Disability services - Surrey County Council, NHS Surrey and Surrey clinical commissioning groups are developing an integrated approach to services across health, social care and education for children with complex needs, ensuring that families access these services through a clear single gateway.
Property Services is working with the Children's Service to ensure the development of an overarching property strategy which fully supports the service in delivering their key service strategies.

In respect of Services for Young People (SYP), the three key strategies are:
1) Externalisation of youth work through the Centre Based Youth Work (CBYW) programme - 32 youth centres to be used more intensively at evenings and weekends for the delivery of CBYW, delivered in partnership with one of three appointed community sector organisations.

2) Skills Centres - This is a new youth provision that will operate from 20 youth centres in the daytime, targeting young people who are not in employment, education and training (NEET) and offer them a programme to build their skills and motivation to participate in education, employment and training and to avoid crime.
3) Youth Support Service (YSS) - This is a new integrated multi-agency strategy to increase participation in education, training and employment and to reduce the number of young people in the youth justice system. This will involve moving 120 YSS staff out of leased area offices and into youth centres.

In addition, SYP are planning to set up social enterprises to operate the three outdoor activity centres (Surrey Outdoor Learning Centres, or SOLD). Property Services is working with SYP to ensure a clear understanding of the property implications at an early stage of the process and to plan ongoing Property Services involvement as the proposals evolve.

Adult Social Care
The current strategy for day centres is to move away from isolated buildings into smaller more community-focused premises offering greater interaction with the public. The People with Learning Disability strategy is being reviewed following the recent Public Value Review and, in line with the commissioning strategy, options are being considered to expand supported living to offer more comprehensive respite facilities and support. Older people's homes are currently subject to an extensive review, in line with commissioning intentions, exploring a range of options including new build care homes and outsourcing, to deliver the future service.

Customers and Communities

Cultural Services' mission is to enhance the quality of the life of Surrey's residents by providing its statutory service responsibilities efficiently and to deliver accessible, high quality, inspirational and enjoyable cultural and learning activities, and information for all people living in or visiting Surrey. Cultural Services provides highly visible frontline services, available to all the public and comprises of libraries, adult learning, surrey arts and registration of birth, deaths and marriages.

Surrey Fire and Rescue Services' (SFRS) aim is to make Surrey a safer place to live, work and do business. To do this and reduce the impact caused by fire and other emergencies, SFRS will focus more attention on education, prevention and support for our vulnerable residents, helping them to live safely in their homes. Consequently, the key to SFRS's success is a move from re-active to pro-active intervention, whilst still providing a first class emergency 999 service when required.

Environment and Infrastructure

The Environment and Infrastructure Directorate's strategic direction includes maximisation of waste recycling opportunities, and focused investment planning of its road infrastructure and traffic management network. To support this strategic direction, working with partners, there is a supporting property programme of upgrading the county's waste recycling centres and transfer waste stations and smarter working review of its highway depots and associated property assets.

Public Health

To have a place in every organisation at all levels evidence-led actions to effectively prevent ill-health and disability at source at all times.

Business Services

To be a leading public service provider of innovative business solutions and transformational change.

Chief Executive's Office

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

43

Office accommodation

The office accommodation strategy has developed from the Making a Difference programme. This strategy has evolved beyond the transformation agenda to look at how the office portfolio can be restructured to meet the developing needs of the services, executive and members over the course of the next 10 years and beyond.

Making a Difference

The council's Making a Difference programme arose principally out of a need to improve the utilisation of our buildings, support staff to modernise how they work, using new technology, and drive revenue costs out of the council's administrative office portfolio. The business case delivers gross savings of £6.5m per annum and a net benefit over the period of 10 years, of £39m.

44
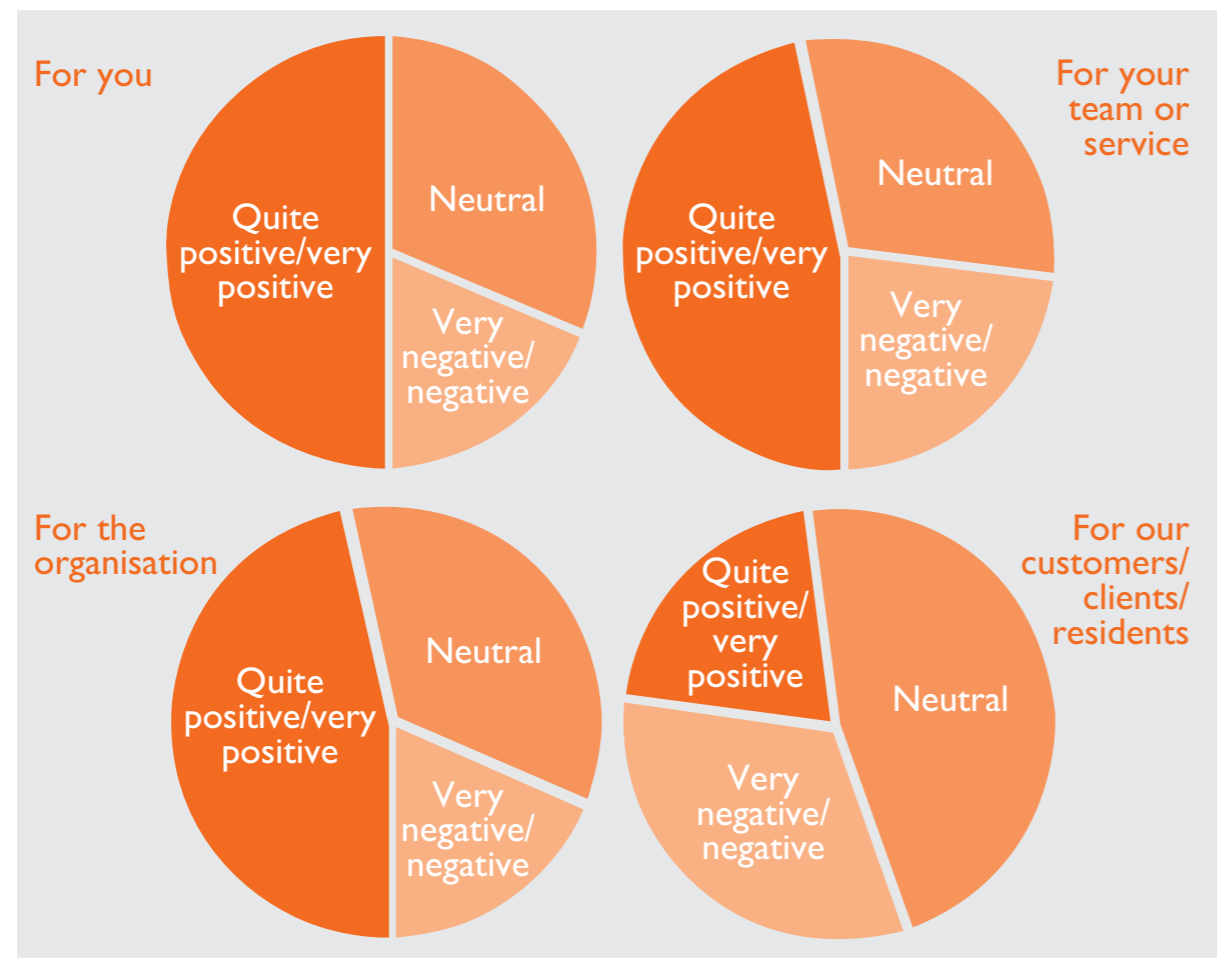
The programme provides modern office and meeting accommodation, creating a flexible working environment for staff. It was designed to support staff who will be working more efficiently and flexibly through the deployment of improved technology and a shift in culture.

Embedding best office utilisation practices, strengthening the use of technology, and changing the way we work will ensure that the council can improve its desk utilisation from 1:1 (1 desk per person) to 3:5 (3 desks per 5 people) by 2013/14. We plan to reduce this further by 2015/16 across the portfolio, whilst reflecting other opportunities to improve our office environment and meet the requirements of a more flexible workforce.

Surveys have been carried with staff to understand if the changes have had a positive or negative impact on the way that they work. The results in the diagram on the left show that over 50% of those surveyed felt that the programme had a positive effect.

Opportunities for further improvements to the office environment were identified where staff felt these would increase their productivity and the efficiency of the services they deliver. These included:

- changing office spaces to create different work zones that more reflected how staff work, eg quiet areas for report writing
- improving how we manage desks and room spaces
- facilitating the use of more local council accommodation for staff to work from
- more facilities for video/skype conferencing.

These developments would potentially provide further efficiencies for staff and cost savings for the council by reducing travel costs, facilitate an increased use of technology which is more commonly used by our residents, and create space for partnership working or income generation. Developing a response to these opportunities will form part of a reviewed business case that ensures that it delivers more benefits for the organisation and our residents.

Plan with service directorates

Service directorates have considered their future accommodation needs. This has enabled Property Services to take a strategic view across the estate, and consider staff locations, customer insight and optimal configuration for the supporting offices.

Next steps

This programme has defined new and evolving working practices, continuing to shape the office estate and the future needs of the council.

During the course of the 2013 financial year, Property Services will be concluding the following to inform the office accommodation strategy:

1) completing occupancy studies of the area office buildings
2) undertaking a study of the relationship between staff's home and work base
3) reviewing the outcome of discussions with services on their future accommodation needs
4) revalidating the number and location of permanent workstations across the county
5) reviewing the need, number and location of hotdesking opportunities across the county.

This will allow us to create a business case which draws together the elements set out above and connects up with the other services within Business Services to provide a supportive programme for the service directorates.

45

Rural estate

Overview
The rural estate currently extends to 1,223 hectares (3,022 acres) with approximately 100 tenants occupying a mixture of dairy farms, grassland farms, smallholdings (including horticultural units) and grazing, as well as cottages and rural businesses. At 31 March 2012 its capital value was about £44m. With a rent roll of almost £0.5m it produced a yield of 1.3%.

Property Services' priorities are "to optimise the financial, social and environmental returns from the rural estate, supporting and strengthening the rural economy through proactive management that promotes dynamic involvement with the local communities it serves".

These are underpinned by three objectives:

Objective1 - optimising revenue and returns
- **Financial performance** – develop systems for, and a culture of strong financial management, including planning, monitoring and control, particularly in respect of maintenance and repairs
- **Estate Management Planning** – develop a rolling three to five year business action plan for the estate, reviewed annually
- **Management information** - improve the quality of estate management information through improved IT systems and a dedicated rural estate administration resource
- **New income streams** - promote an investment programme to develop new income streams into the estate
- **Release latent value** - adopt management strategies that release locked-in value from redundant or inactive farms and buildings

Objective 2 – supporting rural communities and businesses
- **Business partnering** - establish an investment programme that helps tenants develop their existing businesses and encourages diversification
- **External focu**s - promote social and business co-operation and networking both within the estate and with external partners in the south east
- **Business planning** - provide tailored business training and advice through a series of seminars, workshops and one-to-one sessions
- **Apprenticeships** – link with agricultural and horticultural colleges to develop an on-going apprenticeship scheme on the estate
- **Local food and products** – establish a targeted business support programme (including funding) to support the production and marketing of local food and products (eg dairy products)

Objective 3 - supporting good environmental stewardship
- **Stewardship** - promote awareness and take-up of Entry Level and Higher Level Stewardship and other schemes
- **Environmental audit** – undertake a comprehensive audit across the estate to assess compliance with current legislation and identify those areas and assets requiring rectification.
- **Water** – support schemes which help minimize the use of water and production of dirty water and promote schemes for harvesting and storage of rainwater (eg off the roofs of farm buildings).
- **Energy** – support schemes to minimize use and develop on-farm renewable forms of energy production (eg photo-voltaics on the roofs of farm buildings). Assess estate potential for biomass production from existing woodlands and farms
- **Waste** – promote schemes which reduce waste and encourage re-use, recycling or responsible, compliant disposal

Housing management

Housing estate overview
The county council is not a housing authority and therefore does not have a statutory duty to provide housing within our area. We do however hold a portfolio of properties used for residential purposes, broadly categorised into 3 groups:

- **Tied housing** - property held for the occupation of county council-employed staff where this is a condition of their Contract of Employment. There are currently 175 tied houses with a rent of around £222,000 a year.
- **Private rented and vacant houses** - houses previously purchased and used as tied houses but subsequently declared surplus to operational requirements. We rent these on the open market where a return on investment can be demonstrated.
- **Gypsy sites** - we own 17 gypsy sites, of which two are held on long leases from the borough/district councils.

The properties forming the residential portfolio are located across the whole of the county. Unlike housing authorities where properties often form part of larger Registered Social Landlord estates or holdings, the properties in this portfolio are scattered.

Management of property
Tied Housing Agreements are issued by Property Services as well as dealing with the relevant Notices to obtain vacant possession. The rent paid by a tenant is a percentage of salary with these monies paid into the relevant budget. The majority of tied houses sit within the schools portfolio. The budget holder is responsible for fulfilling the landlord obligations including repairs, servicing and compliance issues.

Private housing is managed directly by Property Services. A steady programme of refurbishment has commenced following years of under investment to enhance asset value in the event of a future sale and prolong the income streams and steady returns to the organisation. Properties are inspected annually and services are provided from within the department (responsive, planned, cyclical maintenance, annual checks etc).

The management of the 17 gypsy sites is split between the county council and borough councils, with the county council managing 14 sites. A programme of capital and revenue investment is underway to safeguard the occupiers, fulfil landlord obligations and ensure longevity of the sites. The medium term aim is to reduce running costs and to bring the portfolio into a net positive financial position over the next five years.

Vacant Property Strategy
At any point in time the county council will own and manage a number of vacant properties, land and buildings, which are not in operational use or leased out to third parties. Property Services has a focused approach to managing these properties with a view to disposing, leasing or reusing as many assets as possible and aiming to keep vacancy rates to a minimum.

The revenue costs of holding vacant property are in the region of £500,000 a year in 2012. The top five most expensive properties account for about 48% of the expenditure. The most significant costs in holding vacant property are business rates or council tax, security (mobile security patrols) and building maintenance.

In managing vacant properties Property Services aims to:
1) have properties in vacant management for a minimal time prior to reuse, disposal or letting
2) tailor the management of a vacant property having regard to location, vulnerability, property type, future use, existing condition etc
3) ensure best value is obtained by sensibly procuring contracts
4) maximise income generating opportunities where possible and minimise liabilities.

Vacant Property Strategy
A specification is developed from the outset as to how a property will be managed, involving a number of activities focusing on security, maintenance, compliance, utilities, taxation and inspections.

Within Property Services, the teams agree properties earmarked for disposal; those to be let to generate income; those to be reused by the council or partner organisations (services); and those properties incapable of sale / long term management. Consideration is in the context of backlog maintenance and projected costs, estimated market rental or disposal values, opportunities to enhance and investment schemes and the costs of holding property.

Performance on management of the portfolio is measured though cost (reduction of management costs) and income (achieved through disposal and re-letting). These form part of the overall departmental reports.

Income strategy and investment portfolio

Acquisition of land or property is either planned, where a specific need has already been identified, or opportunistic where a property is offered for sale and the council can demonstrate a clear benefit in acquiring it.

For planned purchases, the council, within its budget, sets aside funding for projects in accordance with the Medium Term Financial Plan, termed the Capital Programme.

The council is under a statutory duty to provide schools and other facilities to enable the council's services to function effectively. Property Services actively supports the schools service and others in the acquisition of land and buildings, both at a strategic and individual project level throughout the county to meet the needs of the Capital Programme.

In both instances, the council is obliged to acquire land or property in accordance with the powers granted to it by statute.

Powers to acquire
The council acquires land or buildings under both general and specific powers. General powers to acquire land or buildings come from the Local Government Act 1972, and more latterly, the Local Government Act 2000.

Under the 1972 Act, local authorities were empowered to acquire property to enable them to fulfil their functions, or for the benefit, improvement or development of their area

(irrespective of whether that land was required for an immediate purpose). The 2000 Act introduced the concept of 'wellbeing' powers, under which an authority could undertake anything which they could demonstrate was required to promote or improve the economic, social or environmental wellbeing of their area, and these powers included the ability to acquire land or buildings for such a purpose.

In addition to planned acquisitions, which are undertaken in accordance with the Capital Programme, the council has set aside separate capital funding to enable it to acquire land or property where no specific provision has been made within the Capital Programme.

We are still developing our investment strategy, which will focus on five key areas generally categorised as:
- ongoing service needs
- service innovation
- commercial income opportunities
- strategic land acquisitions
- waste infrastructure.

The primary purpose of the strategy is to produce both new and enhanced revenue streams to contribute to the service costs of the council and to facilitate economic development and regeneration of towns and other areas within Surrey.

Opportunities for strategic acquisition might include:
- land purchases adjoining existing assets
- purchase of sites that might be required for service needs in the future, in particular school sites
- assets that form part of an identified regeneration project
- assets within growth areas such as Local Enterprise Partnership (LEP) that could be the catalyst for further investment and growth.

Disposals/transfer strategy

Historically it has been usual for the council to sell surplus assets as a result of changes in service provision. In light of the developing Investment and Income Strategy, a more rigorous approach is now undertaken to consider whether a property or land should be offered for sale. In particular, the following influencers will be considered when assessing a sale/investment:
- value of property for disposal
- potential for and values of alternative uses
- risk and timeline involved
- access to funding and other resources
- control over delivery of outcome
- procurement issues.

Statutory/regulatory requirements
Under Section 123 of the Local Government Act 1972 all local authorities are under a statutory requirement to achieve the best possible consideration obtainable on all disposals.

A disposal at less than a Section 123 (S123) value would require the Secretary of State's consent unless the local authority makes a decision in accordance with the General Consent Order 2003. In these circumstances a sale at below a S123 value would have to be in the economic, social or environmental wellbeing of the community it serves and the discount below the S123 value is less than £2M. Any decision using wellbeing powers has to be made by the Cabinet of the council and should clearly identify, and, if possible, quantify the financial benefits of using wellbeing powers.

Property Services' asset plan, along with the council's Capital Strategy:
- identifies potentially surplus properties, either through the process of identifying underperforming assets or as outcomes from strategic reviews of service provision
- identifies at least a five-year programme of assets for disposal in line with the county council's Medium Term Financial Plan (MTFP)
- Sets out the process and procedures by which a disposal programme is authorised and delivered.

Means of disposal
Whilst there is no requirement (statutory or otherwise) to sell property assets by any particular method, it is usual for the council to openly market properties for sale by private treaty, informal or formal tender or by auction. In the event an off-market sale is entered into, eg in selling a parcel of land to an adjoining owner, a supporting business case including a valuation report from a qualified Chartered Surveyor is required.

The council owns an extensive and varied property portfolio and consequently has a strong interface with a number of adjoining owners, leading to estate management enquiries and requests for the council to enter into off-market sales to private individuals. Whilst the council is sensitive to the desires of adjoining owners, the county is under no obligation to respond positively to such requests, and each case is dealt with on its individual merits, taking into account the council's obligation to secure the best consideration obtainable.

Community Asset Transfer

As part of the council's overall response to the Localism Act, we have adopted a formal 'Community Asset Transfer' policy, in order to give local voluntary and community organisations more opportunities to take ownership and control of vacant and underused buildings.

The need for a policy on asset transfers was brought into sharper focus by the significant spending cuts and reduced government funding for the council since 2010, emphasising the need for us to consider how we could deliver more cost effective and better services.

Asset ownership can provide a voluntary or community organisation with a sustainable, long-term local base, giving them the stability they need to grow and to provide more targeted and cost-effective services for their local residents.

As the need for targeted, more cost effective services delivered locally grows in line with continued reductions in central funding, so the importance of asset transfers to help achieve these objectives will increase.

Risk management

Risk management is embedded throughout the procedures in Property Services and is an integral function in all that we do. Categories of risk are not just limited to health and safety, rather it is much more wide-ranging for aspects such as programme risk, delivery risk and financial risk.

The county council's risk management strategy is part of the council's Constitution and is managed from the corporate level down through all directorates and to departments. The strategy acknowledges that 'risk management is an integral part of good management practice and a key part of corporate governance'.

Within Property Services there is an over-arching risk register that is maintained and reported at directorate level with a corresponding management action plan put in place.

Specific areas of risk that Property Services is attending include:

- asbestos, where many of the council's premises have asbestos containing materials within them
- water risk (eg legionella)
- cyclical maintenance of plant and equipment
- statutory inspections, eg fixed wiring testing, lift inspections, gas inspections
- fire risk assessment
- Equalities Act (eg access risk).

Insurance for the council is managed by Risk Management within Legal Services. The council self-insures up to £100,000. The council requires its consultants and contractors to hold appropriate insurance for the works being procured in line with the standard form of building contract in use for each project. The consultants and contractors are required to evidence this insurance and all works are insured in joint names. The level of insurance cover required is generally £10m.

53

Emergency planning and business continuity

Property Services is defined as one of the council's critical services for Emergency Planning and Business Continuity purposes. This is primarily in relation to some of its core operational support functions that it provides to other services through a combination of in-house teams and external term contractors. Most importantly these are:

- the 24 hour Property Help Desk and Compliance Team
- opening and keeping operational County Hall and the network of key county offices
- reviews with services' Building Recovery Plans for key county offices.

Property Services has developed, and keeps under review, a Business Continuity Plan and works with its key contractors to plan for a range of scenarios from planned events (eg Olympics) to seasonal concerns (eg snow or flu pandemic).

Property Services also needs to work closely in the future with the corporate Emergency Planning Team and critical front line services to understand better their expectations and our ability to support their business continuity and emergency plans within the wider operational portfolio, including health and safety policy.

Procurement

The council established a central strategic procurement function in 2007 and over the last four years we have developed a strategic and proactive team of professionals that are responsible for managing the council's annual external spend.

Our vision is to become a centre of excellence in commercial procurement through:

- providing professional sourcing to deliver the best commercial solution
- offering powerful insight into markets and suppliers throughout the life of our contracts
- to be a leading procurement team in the public sector.

Further detail on how we plan to do this can be found in our published strategy (2012-17).

What does this mean for Property Services?

- Professional sourcing means the implementation of a programme approach (the grouping of projects) to all our construction related projects. This will drive efficiencies throughout the supply chain. It also means ensuring the appropriate procurement routes are in place to support the strategy.
- Powerful Insight means building detailed supply chain knowledge to understand the opportunities for standardisation and rationalisation.
- Becoming a leading procurement team means leveraging our property spend, by collaborating with other authorities (as part of a cluster).

The procurement team works closely with Property Services to agree priorities that align with the needs of the service directorates.

The programme approach

The bundling of our construction related projects into large tranches of work will provide a number of key benefits:

a) Contractors will be able to plan and sequence works over a longer period thus avoiding peaks and troughs of sub-contractor and supplier workload. Smoother workflows will allow for consistent resourcing and thus lower administrative and management costs throughout the supply chain.

b) By grouping projects geographically volume discounts can be achieved. Again, this will apply across the supply chain.

c) The standardisation of materials and components will bring efficiencies and discounts as higher volumes of work are routed to individual sub-contractors.

d) Relationships with a smaller number of contractors can be developed and the benefits of early involvement realised.

Collaboration

The council entered into a collaborative arrangement with Hampshire County Council and Reading Borough Council for the Education Basic Needs (EBN) requirements with the prospect of this extending into a larger cluster over time as well as increasing the scope of activity.

A cost savings strategy is being implemented by using common approaches to design and standardisation of specification where appropriate. Savings for the first tranche through reduced professional time and common specifications have amounting to around £1.65m so far. As the programme approach is developed and lessons learnt are captured for future phases, the cost reductions will increase.

The aggregation of requirements at this level will lead to further cost reductions. The sharing of resources (and learning) will deliver additional efficiencies.

Procurement routes

The procurements routes adopted depend upon the spend category and size:

Low value projects across all categories will be tendered directly to a panel of local suppliers who are best placed to deliver such work directly.

Medium and higher value projects will primarily be procured through frameworks via mini-competition to ensure value for money is attained. A number of such frameworks exist, split into specialisms and, where appropriate, by value. This ensures the most appropriate supply base is competing for the council's requirements.

The immediate strategic focus is on our construction related activities.

However, a review will commence in 2013 to define the long term objectives across the soft facilities management category and the recommended appropriate future procurement strategy to realise these.

What are our key goals and measures of success?

Goal	Benefit measure
Collaborative procurement of bundled basic needs projects through competitive frameworks	8% upfront procurement savings against original benchmarked cost plans
Early supply chain involvement and rationalisation for these projects. Alongside standardised designs/materials	Additional 9% supply chain savings against original benchmarked cost plans
Engagement of local supply base directly on low value projects and at sub-contractor level on larger projects.	70% of annual construction related expenditure to be routed through local suppliers

Maintenance

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

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

We work within the framework of the council's strategies and corporate and service department targets to improve our performance terms of maintenance management. The delivery of the above is founded on the following principles:

Backlog maintenance

The backlog repair liability of the estate is estimated to be around £105m, £80m of which is the schools estate and £25m the non-schools estate, covering a variety of areas. Property Services is undertaking an exercise to validate this figure, expected to be complete during 2013.

Refenestration 25%

Roofs 21%

Mechanical 23%

Floors and staircases 6%

Electrical Services 7%

Sanitary Services 6%

External Services 6%

Redecoration 3%

Internal doors 2%

Ceilings 1%
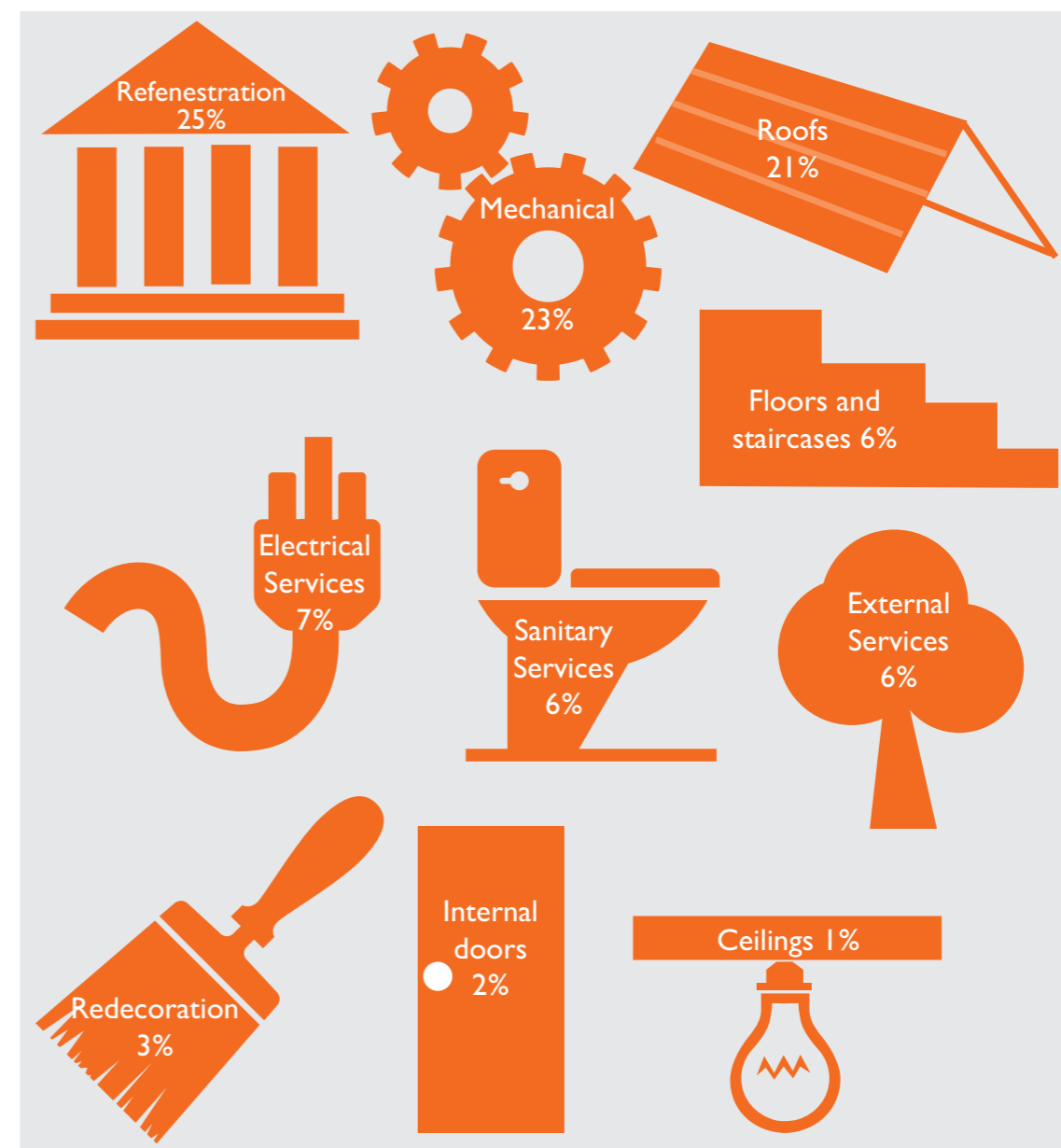
One of the key issues is the management of the maintenance backlog and the ability to reduce it with a limited budget. It is our aim to provide a maintenance service that is proactive but still provides the capability to be reactive when the need arises. This approach will provide better value for money and increase customer satisfaction

Building performance data sets provide the platform to direct available funds to areas of greatest need by reference to the following:
- asset schedule, reflecting both future services plans and strategic opportunities
- energy usage to pinpoint poor performing assets and buildings
- analysis of trends for responsive calls to "hot spot" properties within the portfolio
- condition surveys.

We are preparing and will maintain a rolling 5-year planned maintenance programme that will incorporate 25 year life cycle costing and the council's Carbon Reduction Commitment agenda and service strategies

The formulation of programmes will prioritise works to meet statutory obligations, improve efficiency and minimize the risks of health and safety, building closure and any impact on service delivery.

Maintenance regimes
The council makes use of the following maintenance regimes:
- **Cyclical maintenance** – this is the servicing and inspection of plant and equipment, its purpose to meet our statutory requirements and as asset protection
- **Responsive Maintenance** – low value day to day repairs in order to maintain an asset or comply with health and safety legislation
- **Planned Maintenance** – higher value repairs in order to maintain an asset or remedy a breach of health and safety legislation.

Best value procurement
Following the re-procurement of contracts, new maintenance arrangements will be in place from 2012 that will reshape how this is delivered for the council. This includes:
- responsive and Cyclical Maintenance provided by two five-year term contracts, which covers works up to the value of £7,500
- establishing a Surrey Local Contractor Panel, which will generally cover works in the range of £7,501 to £75,000
- putting in place specialist contractor frameworks for programmes/projects works with contract values in the range of £75,000 to £500,000.

Key to this will be developing strategic relationships with suppliers driving faster development, more accurate costing, reduced defects and ultimately lower cost.

Performance management
Detailed performance indicators are used to cover the range of services delivered. These provide a benchmark for measuring current service delivery and feedback on issues highlighting areas and priorities for improvement. Satisfaction surveys are undertaken to gather data on the perception of the service received by end-users and key stakeholders.

Effective communications
We recognise the need to reflect client and stakeholder needs in the provision of the maintenance service. As part of Property Services' wider engagement and customer services model, maintenance staff will form part of the virtual teams.

A web based Property Asset Management system will allow service directorates to view and track maintenance activities.

Property Maintenance Buyback agreement with schools

Property Services has an arrangement for schools to purchase building maintenance services via the Buyback agreement. Schools pass a proportion of their central revenue funding back to the council and then receive services under a service level agreement

The scheme is arranged into two parts; Buyback Works and Buyback Inspections.

- **Buyback Works** operates as an insurance scheme whereby the subscriptions are held by Property Services and responsive repairs are carried out from the pool of monies.
- **Buyback Inspections** is where Property Services offer a basket of services which schools can buyback any number of (eg boiler servicing, 5 year fixed wiring, fire alarm servicing, display energy certificates (DECs) etc). Inspections are also open to Academies.

Presently up to 75% of schools buyback a service of some kind. A new Buyback Scheme launched in April 2013 when the current scheme expires. Property Services is currently working with school representatives to develop the scheme.

Facilities management

The facilities team plays a significant role in providing the operational aspects of Property Services. It represents the service's 'first-line' contact with building users; understands the needs of occupying services and is the conduit into the wider delivery side of the service including delivery of soft facilities management contracts; and plays a key part in allowing Property to deliver an effective customer service.

Facilities Management is responsible for the day-to-day management of the corporate portfolio of non-school premises. Property Services operates two approaches to facilities management:

- Fully Serviced Accommodation (FSA)
- Integrated Facilities Management (IFM).

Fully serviced accommodation

The fully serviced accommodation approach ensures that the council's office workspace delivers a working environment that meets the needs of our staff, members and public visitors and is 'fit for the future'. FSA is a long-established and well regarded service and its vision is to provide a full facilities service (from 'paper clip to big ticket maintenance'). Delivery of FSA services at all key county offices means a full range of both 'hard' and 'soft' day-to-day FM services at a relatively small number of sites. These include statutory services (building compliance and business continuity); protecting the asset (maintenance and servicing) as well as providing a raft of contractual and 'soft' services to building users (cleaning, post, car park management, reception, etc) that give added value and take away the burden of day to day building management from front line teams to allow them to concentrate on their core business of delivering services to the people of Surrey.

FSA is delivered at 5 key county offices:

- Corporate HQ, County Hall, Kingston
- Consort House, Redhill
- Fairmount House, Leatherhead
- Quadrant Court, Woking
- Runnymede Centre, Chertsey.

Support is also provided to the primary and secondary data centre operations and a small number of satellite local offices, mainly located in partner premises at district councils. FSA service provision needs to be aligned to the office accommodation strategy. It needs to continue to deliver excellent customer service, provide quality office accommodation and adapt to support a more agile working environment.

Integrated facilities management

Property Services take responsibility for day to day property management issues throughout key services across over 240 non school sites across 11 districts. The IFM service is not staffed to provide a physical FM presence at each site and its primary focus as a result is on compliance and building management issues. All of the following buildings receive the benefit of the IFM service, with the numbers of buildings shown in (brackets):

- libraries including Surrey Arts (57)
- fire stations (24)
- youth centres (38)
- adult education centres (8)
- heritage Centre (1)
- children's residential homes (9)
- adult residential homes (6)
- adults day and resource centres (18)
- short stay schools (11)
- highway depots (9)
- vacant properties (100)
- people with learning disabilities residential homes (5)
- family centres (4).

There are three main ways which the IFM service is looking to develop its service:

- **Development of its compliance role**

  Its current role to complete annual fire risk assessment which is a statutory requirements means it is well placed to expand this compliance service. Areas which have recently been identified are general health and safety and building inspections, access audits and building security risk assessments. By working closely with key services at sites these compliance areas can be developed to ensure a consistent use of the agreed approach and as such, ensure that the council's buildings across all portfolios are complaint with statutory compliance requirements and that they are safe places to work and visit.
- **Extending the scope of the building management role**

  One area where IFM needs to develop a more structured approach is in the area of inspection programmes in the vacant property portfolio (such as vacant housing), in addition to undertaking our duty as Corporate Landlord, fulfilling our obligation of on-going inspection regimes at our contracted out sites, particularly with regards to Homes

60

61

for the Elderly. Three recent pilot inspections at Homes have been conducted and initial feedback has been very positive.

One area IFM wishes to explore further is to review the offer of conducting fire risk assessments within the schools sector. With a number of Surrey schools now electing to turn Academy the IFM offer has to develop to continue to support these schools and those who remain.

- **Working on implementation of Property Operational Plans**
  These plans offer a huge challenge for the IFM service as they will need to be conducted per building per service and are there to identify opportunities to generate efficiencies, allowing us to target limited resources to improve the overall corporate performance of each site and hopefully, through all these areas, provide a much better service to the customers and users of each site.

Helpdesk

Rationale and vision

The helpdesk was reintroduced into council in April 2010. It is the focal point for all building users to log responsive service calls. The helpdesk is committed to providing the highest levels of customer service whilst being sensitive to the individual customer operating needs and meeting the set priority response times. This strong commitment to high quality and timely response will allow our customers to have a safe, useable environment which will allow them to concentrate on their core business.

Much has been achieved over the last two years including much tighter control of the responsive budget, greater collaboration between technical and professional staff with the benefit that accurate data can be fed into the cyclical and planned maintenance regimes. In addition analysing the types of calls received and working closely with the term contractors, the helpdesk has been able to identify "building hot spots" and so target responsive and planned maintenance in an improved way.

Scope

Last year the helpdesk received 18,000 calls for responsive work in addition to 6,500 emails for non urgent requests for work. The helpdesk has consistently received high customer satisfaction ratings averaging 74.2% for 2011. The helpdesk provides a 24 hour a day, seven day a week 365 day per year service. The current priority rating for jobs into the helpdesk rate from a level 1 (urgent and severe hazard to health) through to a level 4 (non urgent remedy to defects)

Developments

Property Services along with key services is reviewing the scope of what the helpdesk can offer and how this offer is made. There are six main ways which the helpdesk is looking to develop its services over the next two years:

- better data capture through the new Property and Asset Management (PAMs) system
- reducing the average speed of answer and developing ways to increase self service and reduce avoidable contact
- building relationships with building users and increasing the services' reputation
- trialling of instant messaging as a new contact method
- creating Twitter accounts to broadcast key messages or updates to reduce avoidable contact
- forging closer links with My Helpdesk to develop a joint approach and shared practice
- developing an overarching customer standard and KPI's.

Extending the role of the Property Helpdesk function

Work is underway to extend the scope of the helpdesk and transform it from a responsive maintenance helpdesk to an all encompassing Property Helpdesk. This will enhance the flexibility of the Helpdesk function and enable it to become a one stop shop of customer queries. This should lead to greater flexibility and address the requirement for increased customer service and contact.

Action plan and implementation

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

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

Action 1

Link with corporate strategy: Quality

Outcome:	strong financial management and accountability
Measure:	central finance monitoring and internal audit checks on process
Timeline:	Q4 2013

Action 2

Link with corporate strategy: Value

Outcome:	dynamic Property Services with the ability to invest in new portfolios to drive greater value for the authority
Measure:	clear policy and strategy with demonstrable value delivered
Timeline:	Q2 2013

Action 3

Link with corporate strategy: Residents

Outcome:	closer working with services to provide a better delivery
Measure:	positive customer/service feedback from directorates
Timeline:	Q3 2013

Action 4

Link with corporate strategy: People

Outcome:	highly competent workforce who feel supported and motivated to move forward with us
Measure:	positive feedback via annual staff survey and staff numbers who attained additional professional skills
Timeline:	Q3 2013

65

Action 5

Link with corporate strategy: Quality

Outcome: Property Services working from a single repository of high quality data enabling a slicker and more informed service

Measure: delivery of the system to budget, time, quality and its use across Property Services

Timeline: Q3 2013

Action 6

Link with corporate strategy: Stewardship

Outcome: becoming a more energy efficient authority and raising the profile of energy management across the County

Measure: paper summarising research in this area, performance against like organisations and new innovations and next steps

Timeline: Q4 2013

Action 7

Link with corporate strategy: Quality

Outcome: more effective management of large capital projects and their successful delivery

Measure: agreed process internally and with Hampshire County Council through the cluster programme office

Timeline: Q3 2013

Action 8

Link with corporate strategy: People

Outcome: an enthused body of staff who understand why change is important and continuous for our service into the future

Measure: greater throughput of cases/projects in Delivery Teams/Project Teams

Timeline: Q1 2014

Action 9

Link with corporate strategy: Policy

Outcome: plans which are seen as living documents, moving and changing as we change

Measure: scheduled review points going forward and strong management through a dedicated Risk and Business Continuity Officer post

Timeline: Q1 2013

Action 10

Link with corporate strategy: Quality

Outcome: effective and clear reporting from Property Services providing at-a-glance visual management of key areas

Measure: new dashboard in place and proving effective

Timeline: Q3 2013

Action 11

Link with corporate strategy: Partnerships

Outcome: a shared vision across Surrey and best use of what we (and our partners) hold in terms of property

Measure: creation of a single register

Timeline: Q3 2014

Action 12

Link with corporate strategy: Residents

Outcome: consistent and clear communications with our customers, both internally and externally

Measure: positive feedback for Property Services in the staff and partner survey for this element

Timeline: Q2 2013

Action 13

Link with corporate strategy: Policy

Outcome: understanding of what corporate landlord means across the whole organisation

Measure: service areas incorporating the vision of corporate landlord into their own service strategies going forward

Timeline: Q3 2014

Action 14

Link with corporate strategy: Partnerships

Outcome: clear position for the authority with regards to what the Localism Act means for assets

Measure: a policy and guidance for officers to refer to

Timeline: Q3 2013

Action 15

Link with corporate strategy: Partnerships

Outcome: more joint projects with other local authorities, sharing both expertise and capacity

Measure: shared outcomes, goals and costs, exemplar projects like PAMS with Hampshire County Council

Timeline: Q3 2014

Action 16

Link with corporate strategy: Partnerships

Outcome: a more joined up approach for Surrey using innovative new vehicles to drive change

Measure: partner working across more areas of council provision

Timeline: Q4 2014

Action 17

Link with corporate strategy: Stewardship

Outcome: a clear approach to management of the rural estate and increased benefits overall

Measure: more opportunities around start-up rural opportunities and diversification and greater commercial return

Timeline: Q4 2013

Action 18

Link with corporate strategy: Value

Outcome: clear spend profiled over the medium term enabling more of a life-cycle view

Measure: a plan in place to show planned maintenance activities against reactive maintenance activity

Timeline: Q2 2013

Action 19

Link with corporate strategy: Value

Outcome: a more varied menu of options that schools can buy-into from a property perspective

Measure: this flexibility being available, the reaction of schools measured through schools survey and the uptake of these services in the future

Timeline: Q3 2014

68

Action 20

Link with corporate strategy: Residents

Outcome: a one-stop shop for fast and effective contact into Property Services

Measure: customer feedback and time taken to log and resolve issues and concerns

Timeline: Q2 2014

Supporting pillars

Performance management

The performance management framework

Property Services is developing a framework to ensure performance is consistently monitored across all areas of the service using a series of tools that will indicate success. The framework will be informed by, and will work in parallel with the Property Improvement Plan, which has been developed based on past performance and changing service delivery requirements.

Key Performance Indicators (KPIs) and targets

KPIs are measures of performance associated with all business areas in Property Services. These measures form a core component of management reporting through the directorate and on to members, for example energy performance and partnership projects.

KPIs are categorised into three main areas: currently, KPI reporting to members is limited to energy and the number of active partnership projects. Going forward, a selection of high level KPIs from the three areas below need to be collated for members.

1) Property Asset Performance
2) Supplier Contract Performance
3) In-house Property Service Performance.

Property Asset Performance is monitored at individual asset level, service portfolio level (eg libraries) or overall operational portfolio level.

There are five key areas of asset performance that are monitored. These are:

1) Operational Costs (excluding maintenance) £/m^2 (Gross Internal Area – GIA)
2) Maintenance Costs £/m^2 GIA
3) Maintenance Backlog £/m^2
4) Energy Consumption £/kwh
5) Building Suitability (Service Perspective).

69

The cost per metre squared is based on the running cost of the building divided by the gross internal area of the building. The running costs are from the corporate financial system, SAP, and breakdown between types of spend is based on general ledger (GL) codes recorded against the expenditure.

The median figure for the council's portfolio is calculated based on the overall cost recorded against all the properties in the chart. The CIPFA median is taken from CIPFA cost figures from 12 other county councils and therefore gives a good indication of how the Surrey County Council's property assets are performing against other similar organisations.

Supplier Contract Performance is measured through a series of KPIs linked to the type of service being delivered. The achievement of appropriate KPI's demonstrates efficiency in the completion of individual tasks and management of the contract as a whole for the benefit of the county council. The contractor's performance is based on individual key performance indicators against specific targets.

KPIs are reviewed on a regular basis agreed with the suppliers. Reports are produced showing actual performance against targets and are often the responsibility of the supplier to produce, with the council carrying out an auditing/checking role. Future opportunities for contractors is based on performance measure through the KPIs.

In-house Property Service Performance is measured through a series of KPIs linked to the Property Services business area. KPIs are reviewed on a regular basis agreed with the Chief Property Officer and Performance Manager. Reports are produced showing actual performance against targets. In addition to these quantitative measures, Property Services aims to develop external relationships to assess overall performance against market leaders in the property field. A central government benchmarking tool is also used annually to assess the performance of the department across areas such as policy development and customer relationship. Building in these more qualitative measures enables us to have a balanced view of overall performance.

Customer feedback through surveys is also analysed to determine satisfaction with the service provided by in-house teams and external providers.

Benchmarking

Many KPIs are established locally for Property Services but some are nationally recognised which enables benchmarking with other comparable public sector organisations.

The National Property Performance Management Initiative (NaPPMI) performance indicators are now accepted as 'industry standard' for asset management in both England and Wales and are further recommended by the Department of Communities and Local Government.

Property Services subscribes to the CIPFA Benchmarking club which enables NaPPMI indicators to be reported and compared with other public sector members.

Financial management

Background and structure

The Property Finance function is part of the Performance Team in Property Services. The transactional tasks are carried out by the Business Support team which are structured to ensure an efficient service is provided to the Property teams.

The Corporate Finance team works closely with the Property Finance team and provides professional financial information, analysis, advice and support, produces all external financial reporting on county council activities and lead on the council's annual budget setting and in year monitoring arrangements. The finance team also set the financial framework for the council, covering the regulations, instructions and guidance on all financial activities.

The challenge for the Property Finance team is to continue to develop and implement a range of tools and processes to support and improve overall budget and financial control in line with the recommendations provided by the Property Improvement Plan.

Property Financial and Budgetary Management - Financial Systems, Reporting and Budget setting

The council's main financial system is the corporate SAP system. Specific modules for SAP are in place to manage both the revenue and capital budgets, which are being supplemented by the addition of dashboard reporting as part of the wider management reporting process.

Revenue

Property budget holders manage their revenue budget reports on a monthly cycle in conjunction with the Finance Control Manager, where any variances are discussed and management actions identified to ensure it is covered in the monthly reporting. The Senior Management Team receives a consolidated monthly report for review. A final report is submitted by the Finance Control Manager with all appropriate comments to Corporate Finance for consolidation, including a summary of the capital position below.

Capital

Property holds and manages a significant part of the overall county council's capital budget, typically around £93m. New systems have been implemented to improve the management of capital budgets, which are part of a wider improvement programme of the financial reporting systems. A risk-based approach to managing budgets is being adopted by Property Services.

Budget setting

The Medium Term Financial Plan (MTFP) is the "budget book" and forms part of the county council's corporate planning processes. The purpose of the MTFP is to provide a comprehensive review of the council's overall financial position for the current year and an overview of the prospects for the following four years.

Property Services bases its annual budget setting on the detailed budgets agreed in the MTFP and uses this information to assign appropriate budget amounts to the various headings they are responsible for. The budget setting process is a joint effort between Corporate Finance and Property Finance where the latter is responsible for providing agreed amounts and guidelines for the Financial Year

Challenges and looking forward

The key messages to the property budget holders are to take ownership of their budgets, manage, control and report efficiently as well as ensuring that management actions are set, agreed and acted upon in order to meet the overall financial targets for the council. This process will be supported by the senior management team and appropriate training provided by Finance to provide budget holders with the right tools to deliver.

Data management

Property data is recognised as a key tool in driving value from the county council's property assets. It is used for the day to day management of assets, measuring their performance, and providing information to support asset strategy.

The following diagram shows property systems at November 2012:
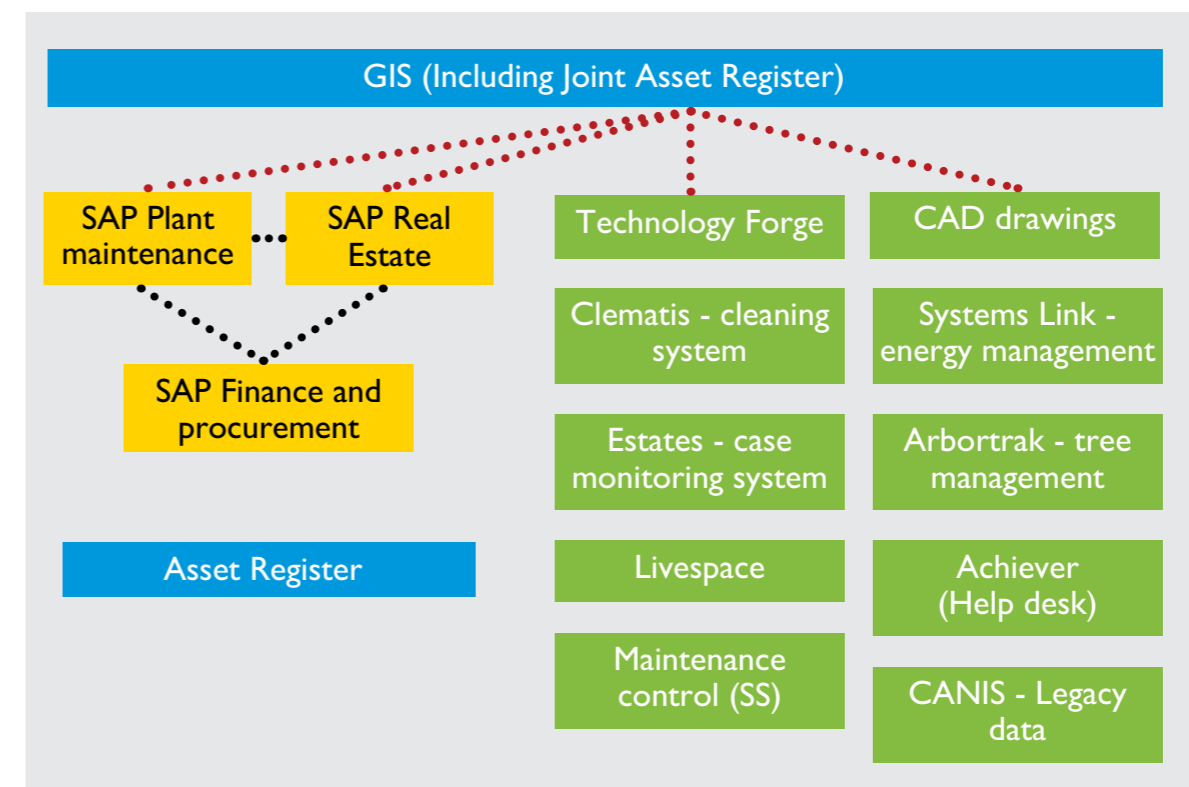
The GIS (Geographic Information System) holds a graphical representation of land and buildings owned by the county council. It also holds limited information on property owned and leased by public sector partners in Surrey.

The yellow boxes show the corporate SAP system used to record all county council property interests, manage building projects, and record collection and payment of rent and business rates.

72

73

The Asset Register is a standalone summary of information held in SAP.

The green boxes show the standalone systems that are needed to manage property business that are not supported by the corporate SAP system.

Due to the number of gaps in corporate system functionality, limited integration between systems and difficulty in sharing information with partners, the county council initiated the joint procurement of a new Property Asset Management System (PAMS) with Hampshire County Council. It will provide the functionality for managing assets through the whole property lifecycle, from acquisition to disposal.

A framework contract was set up naming in excess of 50 other public sector organisations in the south east, including the South East 7 group, who could "call-off" the contract. This will promote the sharing of information between organisations in the public sector and support the county council's strategy and government policy for partnership working across the public sector.

PAMS is defined as:
"A fully integrated property information system that will facilitate partnership working, bringing together property asset data, financial information, maps, spatial information from CAD plans, and document management."

PAMS will also incorporate procurement and financial management processes and functionality. This will enable the county council to have systems in place that are fit for the management and delivery of Property Services and are ready for partnering with other public sector bodies.

Consultants and contractors employed by the council will be encouraged to use the PAMS in the delivery of any service commissioned, helping improve the quality and integrity of the management information on the system and give a holistic view of property assets.

Some of the Key Benefits of PAMS are as follows:
- a single source of accurate property information with potential for shared use of property data with partners
- cash benefits from lower system maintenance costs, smarter procurement, process efficiencies
- more efficient customer call handing (reactive maintenance) and access to information by customers and contractors
- improved project and budget management
- better assessment of property performance to support asset management planning
- improved space management and tracking of vacant space
- wider access to property information across the council, including schools, and externally, with partners, consultants and contractors
- greater integration with Geographic Information System (GIS)
- more efficient collection of asset condition data
- reduction in the need for spreadsheets with locally held data.

The following diagram illustrates the functionality of the new system, the information owners and its users inside and outside the county council:
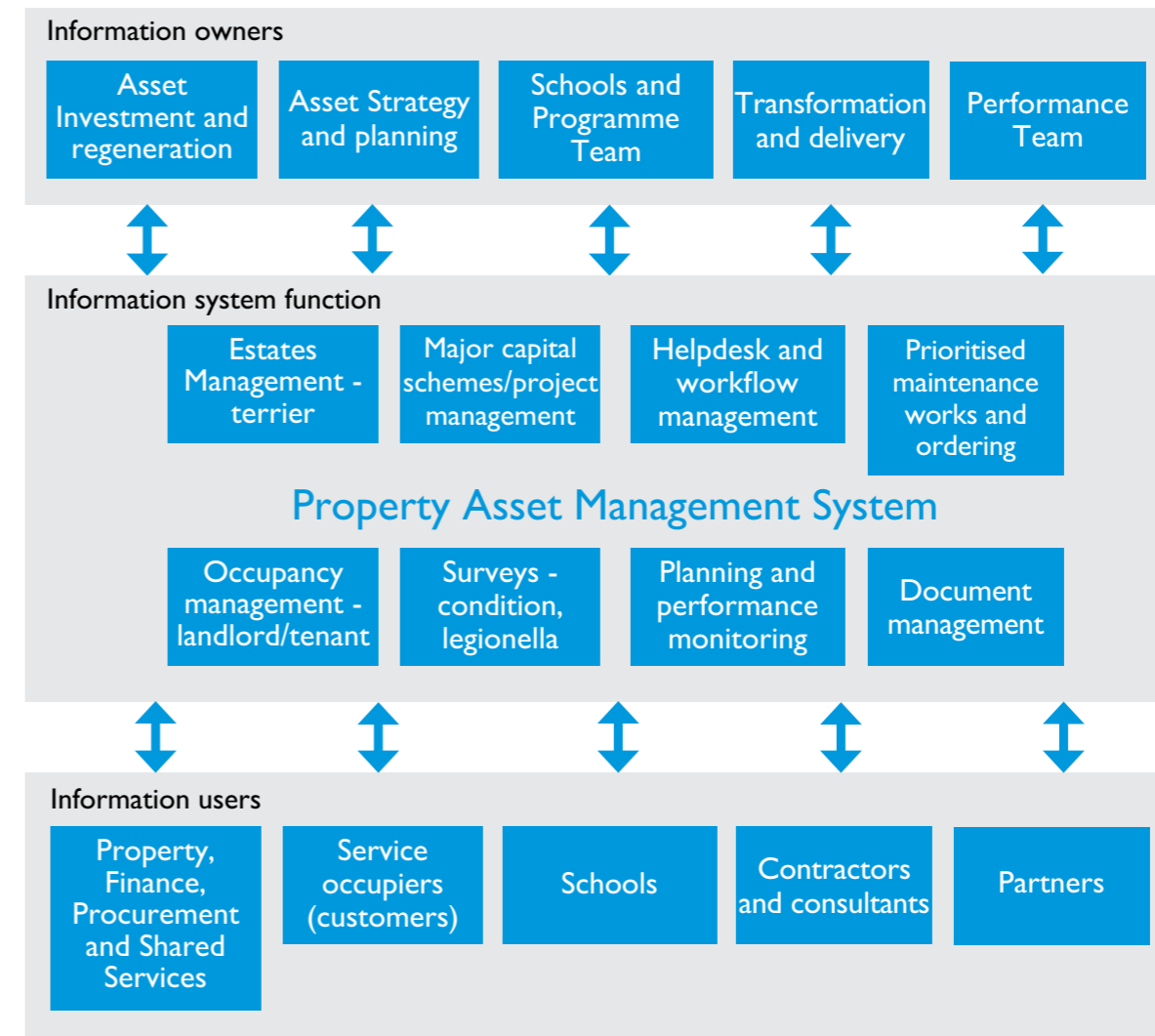
Alongside PAMS, GIS is a key tool for handling geographic information. It will integrate with PAMS and make data available visually on maps, though the council's GIS capability and the link with partners is an improving area.

AutoCAD will provide the tool for managing spatial information such as floor and site plans. CAD will be the master source of all spatial data where possible. Accurate spatial data is key to measuring the performance of assets as well as being an integral part of the day to day business of the property service.

The following diagram illustrates the relationships between the systems going forward:
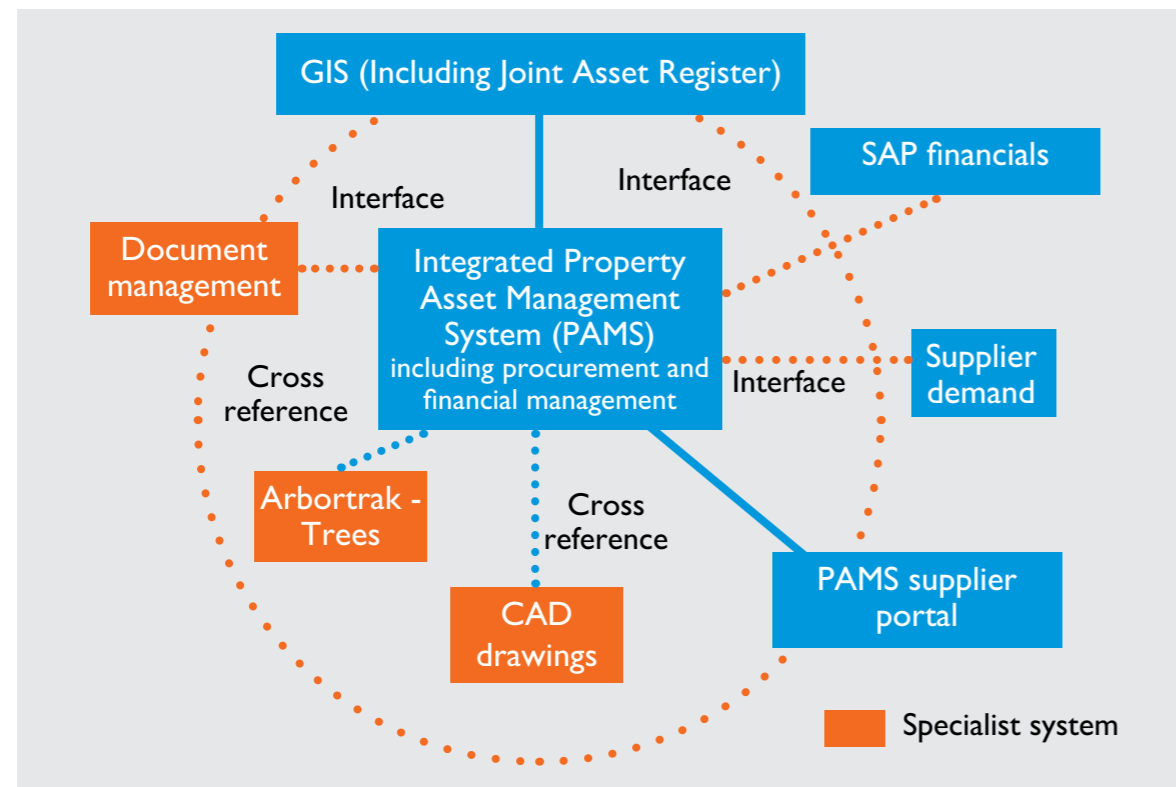
Moving forward, Property Services will work in partnership with Hampshire County Council to deliver new improved property information systems and processes in order to deliver an improved level of service to customers.

Data sharing with partners
The principal public sector partners in Surrey have expressed a common desire to share buildings and facilities across the county. This resulted in a review of the Surrey public sector estate including assets of Surrey district and borough councils.

A Joint Asset Register (JAR) was created with partners in Surrey, containing financial information (building running costs) about the property assets as well as core information such as location, size and use. The JAR holds data for the public sector estate consisting of 8,000 property interests spread over approximately 2,800 sites. The data can be shown on the map base of Surrey and can be broken down by area (district/borough, town etc), showing the ownership of the assets.

Document management
Although most new documents are electronic, many documents are still filed in hard copy filing systems and also include a large amount of historical records on property assets. The information is therefore difficult to access and this is compounded by the use of different file references across the service.

Property Services is developing a strategy for improving access to electronic documents and developing a business case for implementing an Electronic Document Management System (EDMS).

In the short term, the document library is in place and will be expanded to incorporate other relevant documents. The documents will be linked to the new Property Asset Management System (PAMS).

Data transparency
As part of the PAMS project (implementation of a new property asset management system) it is the intention to make property information more accessible and transparent. It is presumed that all property information will be made generally available unless there is good reason for not doing so such as commercial sensitivity.

Property data will be provided on appropriate platforms to ensure ease of access to users. It will enable user access irrespective of their location. Platforms include the internet, intranet, and supplier hosted cloud computing.

Information has also been made available on central government web sites as part of the national demonstrator map.

For internal customers, technology will allow access to property information that was not previously available such as information on Helpdesk calls linked to reactive building maintenance. This will provide customers with improved visibility of the status of works and cut down the number of direct interactions between the helpdesk and the customer.

Moving forward, the property service is striving to make information available to all stakeholders in a clear and transparent way on platforms that will enable the widest possible access to information in order to improve services delivered.

Reporting

Reporting is key to decision making in the property service and supports the governance process and general management of day to day property business. It is broken down into three categories:
- decision making – at departmental, directorate and Cabinet level
- performance - regular reporting of key performance indicators at departmental and directorate level
- business planning and improvement – regular reporting of progress against plans and targets at departmental and directorate level.

As part of the Property and Asset Management System (PAMS) implementation, all reporting in the service will be reviewed and new reports designed where necessary. Process reviews will analyse the use and required frequency of reports.

PAMS will enable the development of Dashboard reporting to support financial control, progress tracking of projects, and estate management tasks such as acquisitions, disposals and rent reviews. Information from PAMS will be incorporated into corporate reporting systems such as the Finance Dashboard, which will go live in April 2013.

Property Services aims to provide a versatile reporting mechanism enabling access to property information to those who require it.

Page 183

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Item 12

Council Overview Board
1 October 2015

Carbon and Energy Policy: Yr 1 Progress Report

Purpose of the report: Performance Management

The Carbon and Energy Policy 2015-19 sets out the council's strategy to manage its long term energy costs and reduce carbon emissions. The policy was approved by Cabinet in March 2015. This report provides an update on the activities and outcomes since the policy's baseline year of 2013/14.

Members are asked to consider the report and provide comments in order to steer the future strategy for implementation of the policy.

Executive Summary

- The council adopted a new Carbon and Energy Policy in 2015 which includes a target of reducing carbon emissions from its own estate and operations, by 10% by 2019 against a baseline year of 2013/14
- It was agreed that Overview and Scrutiny Committee would review progress towards this target on an annual basis.
- The main sources of emissions are from energy used in the estate, including corporate buildings and maintained schools and electricity used for streetlighting. Staff business travel mileage and the council's vehicle fleet, including Fire and Rescue vehicles and Highways vans are also within the scope of the council's emissions from its operations.
- Energy used in corporate buildings showed a saving against 2013/14 and electricity used for street lighting fell again for the fourth consecutive year.
- Various activities have been implemented across the estate and operations, which are described in the report.
- Overall emissions increased in 2014/15, due to a change in the factor which the council is required to use, to calculate the carbon footprint of electricity consumption in a given period. Had this carbon intensity factor remained constant, emissions would have decreased by 2.3%, but due to the grid generation change, which is beyond our control, the council's emissions increased by 4.3%.
- Based on carbon emissions change in this first year since the baseline, the council is not yet on track to achieve a 10% reduction in its carbon emissions by 2019. However, it is expected that the external factor that caused the increase in emissions is a short term anomaly, and with a continued investment and management programme focusing on factors within the council's control, a 10% reduction remains an achievable and appropriate target.

Background

1. Improving the energy and carbon efficiency of the council's operations and buildings is a core element its programme for financial and environmental sustainability. Through its Carbon and Energy Policy, the council has set itself a 10% reduction target to cut carbon emissions arising from its operations by 2019 compared to a baseline year of 13/14. This includes from buildings, street lighting and travel activities within its direct control.

2. The objectives of the policy are to:
   a. Meet the council's statutory obligations
   b. Be joined up in our decision making
   c. Achieve efficiency and wider benefits through procurement
   d. Engage staff to be active in saving energy
   e. Optimise the asset performance of our corporate estate
   f. Reduce emissions from fleet vehicles and business travel
   g. Support schools to reduce energy costs and emissions
   h. Monitor and report our progress

3. Governance of carbon and energy management is integrated into the council's core business processes, including member scrutiny, as exemplified by this report.

Consumption and carbon emissions in 14/15

4. Overall carbon emissions in 14/15 compared to the baseline year increased by 4.3%, after adjusting for the impact of Academy school conversions and the milder winter weather in 14/15. This emissions increase was despite achieving reductions in consumption across many sectors of the estate and was primarily due to a significant increase in the carbon emissions intensity of electricity from the national grid[1]. The methodology and data for the consumption changes and emissions arising are set out in **Annex A**. Had the grid electricity factor remained constant, emissions would have reduced by 2.3%.

5. On the corporate estate, before correcting for weather differences, there was a 4.5% reduction in heating fuels (oil and gas) and after accounting for weather this was a smaller 0.7% reduction. Electricity consumption, which is not significantly affected by weather variations, saw a reduction of 3%. However, changes in the carbon conversion factor for electricity resulted in a 7.9% increase in emissions.

6. The maintained schools sector recorded a 6.8% reduction in absolute consumption of heating fuels, but this drop lessened to no net change, once those Academies that converted during 14/15 were removed from the 13/14 baseline and weather impacts were accounted for. Electricity consumption marginally increased (+0.4%), after accounting for Academy changes. No allowance has been made for the increasing number of school places which

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[1] The level of carbon emissions arising from the consumption of electricity is determined by the sources of generation which are used. In 2014-15 (which uses 2012 generation mix data) the electricity emissions factor increased by 11% compared to 2013-14 (which uses 2011 activity data). The main influencing factors leading to this increase were quoted as being the decommissioning of nuclear power and greater use of coal in place of gas. This has had a negative impact on emissions arising from our electricity consumption.

creates an upward pressure on energy demand as this is difficult to quantify accurately. An additional 4,170 primary school places were created in time for Sept 2014, following an increase of 2,862 the previous year.

7. Street lighting and other highways electricity consumption reduced by 2.6% in absolute terms and was not subject to any adjustments. The reduction shows the effects of the final phases of the streetlighting renewal PFI programme and is further to a 15% reduction in electricity consumption over the previous four years.

8. Fuel consumed by vehicles which are owned or leased by the council reduced by 21% in 2014/15, representing the largest reduction in a single sector. This is largely due to an exceptionally high consumption of diesel fuel in the previous year, due to the response to flooding in winter 2013/14, rather than a planned reduction this year. No adjustments to consumption have been made and carbon emissions from this area are, in general, directly coupled to consumption and thus emissions reduced by a similar extent.

9. Business travel mileage claims reduced in 2014/15 although it is not certain whether this resulted from an equal reduction in actual mileage travelled or due to a change in the eligibility rules[2]. This reduction reverses the previous trend of year-on-year increases in mileage claimed.

Benchmarking change with other county councils

10. Comparing the county council's change in carbon emissions with neighbouring South East 7 councils suggests that both East Sussex and Hampshire achieved reductions in emissions, despite the significant counter factor of the carbon intensity of gird electricity. Figures for West Sussex or Kent County Council for 14/15 were not available for comparison within time constraints of this report. Further discussions with officers in neighbouring councils will be conducted, in order to better understand what measures and levels of investment have been deployed, in order to achieve carbon reductions at the levels indicated.

Costs of energy consumption in 2014/15

11. Spend on corporate premises energy (oil, gas and electricity) amounted to £3.364m and a further £3.366m on streetlighting, both through the LASER contract. This was a 1.9% reduction in costs compared to the previous year. Weather adjustment has not been applied to cost figures.

12. The 'hedging strategy' implemented by LASER on behalf of the council allows forward purchases to be made on the wholesale energy markets as prices change. It aims to strike a balance between protecting the council against the risk of excessive price rises while still retaining some ability to take advantage of falling prices.

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[2] Since January 2014 staff must only claim business mileage for the any additional miles travelled over and above their typical home to contractual workbase commute. The previous rule allowed staff travelling to a location away from their contractual workbase, to claim either the actual return trip mileage from their home to destination, or their standard workbase to destination return trip mileage, which ever was less. Overall, the historic rule meant more miles were eligible to be claimed, compared to under the new rule.

13. In April 2015, Cabinet agreed to continue with LASER as a Central Purchasing Body for gas and electricity from 2016 on a rolling 2 year basis. LASER were also appointed to negotiate a 2 year oil supply contract on behalf of the council for 2015 to 2017. This will ensure the council continues to achieve value for money in energy procurement.

14. Spend by schools, including voluntary aided status schools but not Academies[3] was £7.093m.

15. Spend on business travel mileage claims reduced by 11.6%, equating to a £0.5M saving, arising from the reduction in mileage claimed, as described earlier. There was a slight increase in lump sum payments.

Statutory obligations

16. The council ensured ongoing compliance with the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. In line with the declared level of energy consumption and associated carbon emissions, £493k worth of allowances were purchased. This was a considerable reduction in the cost to the council compared to the previous year, as schools are now excluded from the scheme. Carbon emissions from council operations were also reported to the Department of Energy and Climate Change, as required by the Single data list.

17. Display Energy Certificates describing a building's energy efficiency on a rating scale from A to G are commissioned and displayed in reception areas for all required buildings. This is part of a government initiative to improve transparency in energy efficiency in the public sector.

18. The council has complied with the requirement that all air conditioning systems with an effective rated output of more than 12kW require regular inspection by an appropriately accredited energy assessor. The inspections must be no more than five years apart and result in recommendations for improved efficiency and reductions in energy consumption, operating costs and carbon emissions.

Activities affecting consumption and emissions

19. Various energy efficiency improvements were installed in corporate buildings during 14/15 which are part of an ongoing programme of work comprising 100 individual projects. Projects delivered in 14/15 and to date in 15/16 included the installation of new technology to optimise the voltage of incoming electricity for high consumption buildings and the design, installation and commissioning of the council's second biomass pellet boiler, which is at Merrow Highways Depot. Further details of the ongoing capital programme are described later in this report and in **Annex B.**

20. The final major phase of the Skanska PFI streetlighting programme for lighting replacement and lighting management (dimming) was completed in August 2014, with effects observed in the reduced energy demand in 14/15. A small further benefit of the full year effect of the completed programme is expected in 2015/16.

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[3] Scope is greater than for consumption and emissions data, as this is collated for the purpose of the council's annual budget reporting.

21. Other significant asset related activities contributing to a net energy efficiency improvement were increased use of the Primary data centre in place of local server facilities at Quadrant Court and County Hall and the closure of the Runnymede Centre and staff relocation in to other buildings across the estate, in December 2014. The Runnymede Centre impact will also contribute towards efficiency savings in 15/16, as its full year impact is felt.

22. The LESSCO$_2$ project supported 20 schools, of all statuses, to implement low and no cost measures to reduce their energy bills, resulting in between £500 to £3,000 annual energy savings per school, equating to £34k savings in total and a carbon emissions reduction of 130 tonnes. These benefits were achieved through a range of activities, from awareness raising amongst pupils and teachers to switch off equipment when not needed and optimising heating times, through to small scale lighting efficiency projects.

23. An Ecoschools summit was held in March 2015 contributing to schools progressing through the Ecoschools award framework, with six new Bronze awards schools and 11 new Silver awards. There are now a total of 50 schools that have achieved the highest award of Green Flag in Surrey.

24. Travel plans have been developed with 62 schools, with a primary focus on expanding schools. Whilst vehicle emissions from school travel is not within the measured scope of carbon emissions reporting for the council, this area makes a key contribution to community-level sustainability, the health and well being of children and helps to mitigate the negative impacts on local residents, of additional traffic arising from expanding schools.

25. Electric vehicle charging points were installed at County Hall, Merrow Highways depot, Quadrant Court, Consort House and Bagshot depot using DfT grant funding. These points are available for use by staff owning electric vehicles and hybrid electric car club vehicles.

National policy change overview

26. This year has seen a number of changes in national policy which potentially affect energy and carbon matters, either in the short or longer term.

27. In the July 2015 budget, the Chancellor announced that the Climate Change Levy exemption on energy generated from renewable sources will be removed as early as August 2015. This has been estimated to add approximately £180k to the council's energy bill, not accounting for other energy inflation pressures.

28. Also in the budget, it was announced that commitment to the Zero Carbon buildings policy has been withdrawn, which will mean less stringent future carbon emissions obligations in relation to new builds including schools, than was due to be the case. This policy would have required a financial contribution to an off-site solutions fund to offset unavoidable on-site emissions. The government has not yet indicated if an amended approach is to be proposed.

29. Feed in Tariff rates for solar PV have continued to reduce steadily since the schemes launch, under the cost control mechanism for the subsidy of renewable generation. In August 15, government published proposals for a further reduction with cuts of over 80%. Depending on the outcome of the consultation, this may affect business cases and irrespective of the final decision, the climate of ongoing revisions creates an uncertain landscape for

investment decisions. If the level of cuts proposed is implemented, the council's current facilitation through third party investors for solar at schools would cease to be viable, since the consultation claims that the target return on investment is only 4%, over 20 years which is not sufficiently attractive to third party investors.

30. The government recently proposed a number of options for simplifying the current Display Energy Certificates regime to reduce the burden of compliance. Responses to the consultation are being analysed and the outcome will be published in due course though no date or timescale has been announced.

Looking forward

31. The council is committed to continuing to work to reduce its carbon emissions in the most cost effective way and in line with the wider priorities of the council. This includes strategic decision making across the council and delivering specific energy and carbon projects.

Statutory obligations

32. We will continue to keep up to date with changes in statutory requirements and seek to ensure the council meets all of its obligations.

33. In our role as a Planning Authority, we will ensure the implementation of policies setting BREEAM standards for new builds and large extensions contained in adopted development plan documents. Many school projects within the Basic Need program are of a scale which engage those policies, although not all boroughs and districts have planning policies which require a minimum BREEAM standard.

34. Furthermore, as the Transport Authority, we will continue to work with all expanding schools to develop travel plans, in support of the schools Basic Need programme to provide sufficient schools places in the most sustainable way possible.

Joined up decision making

35. An appraisal of carbon impact appraisals for Cabinet papers has been conducted and further guidance to officers will be developed, in order to further support opportunities for energy and carbon reductions to be considered.

Procurement opportunities

36. Opportunities to achieve cost reductions, through exploring energy efficiency opportunities in the supply chain in conjunction with suppliers are being investigated in some contract areas. For example, the opportunity to introduce electric hybrid buses within the subsidised bus network, in conjunction with local bus operators and a Surrey-based bus manufacturer. This would be subject to securing funding from a national £30M funding allocation from the Office for Low Emissions Vehicles. Residential care homes in the Adult Social Care sector have also been identified as an energy intensive sector, with potential opportunities for energy efficiency improvements.

37. The joint Surrey and East Sussex Business Services collaboration (Orbis) presents opportunities for joint energy projects, in relation to procurement and project delivery and this area is now managed as a single unit across Surrey and East Sussex. Opportunities in this area will be investigated in due course following the establishment of the partnership.

Optimising corporate estate asset performance including staff engagement

38. An energy management investment budget for corporate buildings is in place to support an ongoing programme of efficiency improvements. Over the remaining policy period, this includes £5.0m for capital projects and a target of £800k in revenue savings has been set for 2015/16.

Figure 1: Corporate buildings projected energy costs, investment and savings

	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000
Energy spend (business as usual)	4,496	5,170	5,946	6,838
Energy efficiency capital projects	1,212	1,239	1,264	1,289
Savings target	- 800[4]	*	*	*

* Savings targets for 2016/17 onwards will depend on future energy price inflation

39. The energy management programme for corporate buildings being delivered over 14/15, 15/16 and 16/17 includes the following:
    a. Replacing older boilers with new and highly efficient gas fired plant or installing biomass boilers such as at Merrow Depot
    b. Lighting upgrades incorporating LEDs and automatic controls
    c. Improved insulation to walls, roofs and pipework
    d. Installation of Voltage Optimisers
    e. Incorporation of Solar PVs into new roofs such as at Cobham Library and Guildford Fire Station (subject to Feed in Tariff policy review)
    Annex C provides a breakdown between different types of project within the current programme schedule.

40. Streetlighting accounts for half of the council's corporate energy cost and emissions. There are two main options to further reduce emissions and manage costs in this area. The lower cost and lower return option is to further dim lights in addition to the current regime, subject to further consultation. This would deliver a small saving, but since this would not reduce consumption during the early evening peak hour period, the financial savings would be proportionately less than the energy consumption reduction. The second option is a capital project to convert lamps to LEDs, maintaining the current dimming profile. An outline business case has been assessed using a national model from Department for Transport. This found a positive return on investment in the region of £60m of savings over 20 years resulting from a £16m investment programme. However there is long payback period, of 9 to 11 years, increasing to up to 15 years after allowing for the cost of borrowing. This opportunity is being further considered within Highways Service and Finance to determine whether it would be in the best interest for the council to pursue this further.

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[4] £800k savings target against budget, comprises £270k in savings arising from energy efficiency projects and a further £530k in adjustments to previous assumptions, including energy price inflation and weather-related energy demand pressures.

41. At the time of policy development, Overview and Scrutiny Committee specifically requested that energy efficiency messages are communicated to staff. As a result, a 'switch the lights off' energy saving message has been included as part of the corporate communications culture change campaign in County Hall over summer 2015. Appropriate messages for other major buildings will be identified and included if the campaign is rolled out to other sites.

42. The development of a large solar PV array at the closed landfill site of Trumps Farm is not being taken forward, due to an inadequate business case. This applies to both council investment and leasing the site to a development partner. A business case was reviewed by the Investment Panel, which concluded that a council led investment case offered insufficient return on investment, once contingency price factors were included. The alternative site leasing option provided insufficient rental income to justify locking up the site for this purpose for the necessary 30 year period. The scheme was decided overall not to be in the best interests of the council.

43. The planned closure of council operated care homes between 2015 and 2017 is expected to result in a reduction in energy consumption within the scope of monitoring, however due to a reduction in the level of service, an allowance for this change will accounted for, on a similar basis to schools converting to Academy status.

Fleet and business travel

44. Vans used by Community Highways Officer are being replaced with more efficient vehicles over a three year renewal cycle. These will deliver a 6% improvement in fuel efficiency and are fitted with Sat-Nav and on-board equipment to record speed and other driver behaviour information, which will be used to ensure the highest standards of safety and efficiency in driving. Electric vans were considered, but were not taken up following a disappointing trial experience. Further trials of ultra-low emissions vehicles will be considered, in order to inform future fleet replacements.

45. Surrey Fire and Rescue have upgraded their vehicles for improved service delivery capability, whilst reducing emissions in a number of areas. In the emergency response fleet, Fire Officer Response vehicles have been upgraded to more capable all terrain 4-wheel drive vehicles, which have lower emissions than the previous vehicles. In the operational fleet the service has procured two new height access appliances (an Aerial Ladder Platform and a Turn Table Ladder) and three new water tankers have been ordered, which all meet the latest Euro VI standard. This is the highest standard for control of particulate matter pollution for diesel vehicles. In the non-emergency response fleet, the latest ultra low emissions options (including innovative fuel cell vehicles which are potentially compatible and may meet operational needs) are being investigated.

46. In support of efficient business travel, a range of travel support offers will be continued, including public transport discount offers for some routes, cycle parking and challenge events to raise awareness and participation. The car club offering short-term car hire at key offices will be expanded to new areas within Surrey communities and staff will be encouraged to use these vehicles where this offers a cost effective option for business travel.

47. The Modern Worker programme of IT changes to equipment, printing, communications software, security and WiFi networks is designed to ensure

that staff are equipped with an effective IT working environment. Several elements of the programme may support energy and travel efficiency. These include:

- Managed Print service - projected to reduce wasteful printing
- 5 Video Conferencing rooms (in County Hall, Redhill Data Centre, Uckfield Shared Services Centre and ESCC County Hall in Lewes). This enables us to contact our partners and other customers, which has helped to reduce travel.
- A new provision for screen-sharing conferencing, via Skype for Business. Moving to this industry standard method of communication gives the authority the potential to reduce travel demand if take-up increases and should prove more popular with staff than some current working practices.

48. Orbis presents additional challenges in relation to increased pressures for staff in Business Services to work across a larger geographic area of Surrey and East Sussex. Sustainable travel initiatives and the above new IT facilities will be promoted in order to mitigate this.

49. Lease car scheme includes the option of hybrid electric and fully electric vehicles.. Lease car mileage rates are lower than standard business mileage rates, so a cost saving is anticipated, the scale of which is dependent on take up on lease car scheme.

Support schools to reduce energy costs and emissions

50. Schools will be supported increase their understanding of the 0% interest SALIX funding available to them and to bring forward eligible energy efficiency projects. Opportunities in a variety of situations will be considered, including the expanding schools within the Basic Need programme.

51. The current approach to supporting schools to install solar PV through third party finance and long term electricity purchasing agreements will be continued for as long as there remains a mutually attractive case for investors and schools.

52. The LESSCO$_2$ project and the council's support for the EcoSchools award scheme through EcoSchools summits will be continued in 2015/16, with a further 12 schools already sign-up to participate in the LESSCO$_2$ project in September and the annual EcoSchools conference is planned for Spring 2016. Officers in the Place and Sustainability team and the Assistant Director for Schools and Learning are working in partnership to encourage take up, so more schools may benefit from these opportunities.

Recommendations

- The Overview Board is recommended to scrutinise the commentary presented in this report and provide any feedback to officers as appropriate.

Next steps

- Officers will continue to identify and deliver project and monitor performance in support of the multiple objectives of managing long term costs, supporting service delivery and reducing carbon emissions.

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Sources/background papers:
- Carbon and Energy Policy 2015 to 2019
- Report of Greenhouse Gas emissions from Surrey County Council estate and own operations in 2014/15

Annex A: Consumption of energy resources and carbon emissions arising (2014/15 vs 2013/14 baseline)

The data contained in this report to Overview Board aims the present a transparent and fair comparison between the baseline year of 13/14 and the year for which performance is being considered i.e. 14/15. The process for establishing this 'reasonable' comparison makes a number of adjustments to remove distorting factors, which is set out in Figure 1. We do this because we do not wish to take undue credit, in terms of energy consumption or carbon emissions reductions, for changes which arise from either schools leaving our scope of reporting (as in the case of converting to Academies) or from experiencing less demand for heating due to a warmer than average winter. Nor would we want to accept responsibility for any increased demand due to a colder than average winter.

Figure 1: Process for adjusting consumption to present comparable results

Absolute consumption
- Apply standard reporting scope i.e. all corporate estate, street lighting, owned and leased fleet, business travel and maintained schools

Like for like: Schools
- Adjustment 1 - remove schools which become non-maintained (Academy) in 14/15, from 13/14 baseline

Like for like: Weather
- Adjustment 2 - adjust consumption of heating fuels i.e. oil and gas consumption using 'degree days'

The carbon emissions arising from consumption are then calculated by applying the relevant 'carbon factor' for each consumption area e.g. diesel for vehicles, gas for heating, electricity or an average figure per mile driven in a car. This enables a unified measure of the environmental impact of the council's operations in terms of greenhouse gases, which is expressed in tonnes of carbon dioxide equivalent.

Figure 2: Process for calculating carbon emissions arising from operations

- Absolute consumption
- 'Like for like' scope for schools
- Weather adjustment

CONSUMPTION RESULTS

Multiply by carbon emissions intensity factors, for relevant year

CARBON EMISSIONS RESULTS
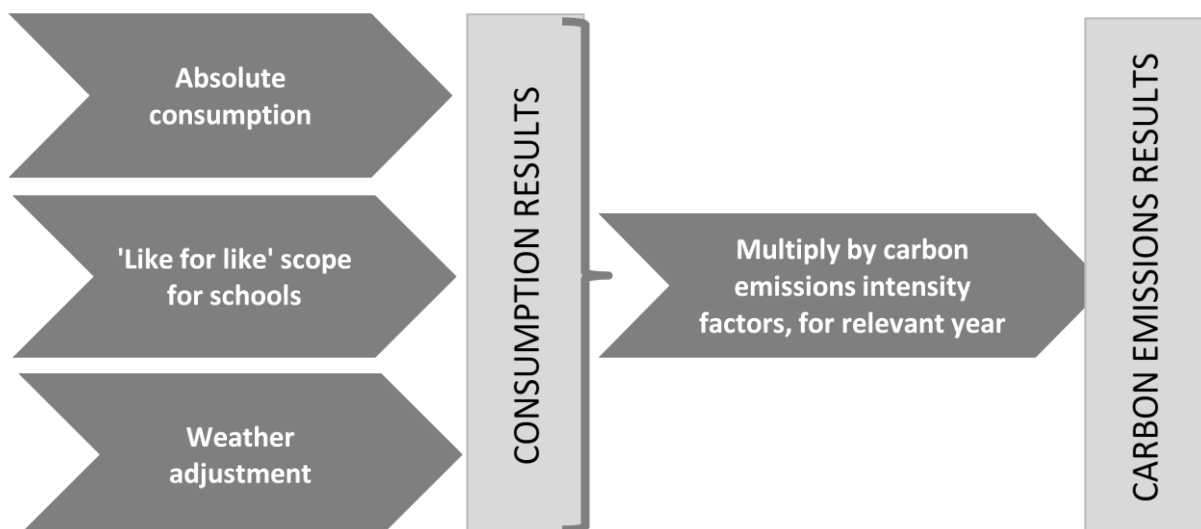
Other factors which influence consumption but are not adjusted for:

Finally, even though two variables are adjusted for i.e. schools leaving our reporting scope and variation in heating demand due to weather variations, there are a large number of further factors which influence energy consumption but for which no adjustment is made, because to do so would be an excessively time consuming and inaccurate endeavour. Therefore these factors remain as an influencing factor in the consumption of energy resources.

These factors include, but are not limited to:

Number of schools places

Number of staff in corporate buildings

Operational hours of schools or corporate buildings

Acquisitions and disposals in estate where level of service is maintained

Influence of weather on consumption of electricity e.g. In buildings with electric heating

Variations in demand for services e.g. Fire and Rescue Service response to events such as flooding, which occur more severely in some years than others.

Annex A continued: Data

ABSOLUTE CONSUMPTION	Units	13/14	14/15	Change since 13/14
Corporate Oil and Gas	kwh	32,733,022	31,249,317	**-4.5%**
Corporate Electricity	kwh	18,610,986	18,060,449	**-3.0%**
Maintained schools Oil and Gas	kwh	73,168,447	68,198,257	**-6.8%**
Maintained schools Electricity	kwh	25,915,736	24,989,926	**-3.6%**
Street lighting	kwh	33,219,254	32,340,484	**-2.6%**
Fuel for vehicles	litres	589,229	465,697	**-21.0%**
Business travel	miles	10,057,673	9,016,001	**-10.4%**
OVERALL	n/a	n/a	n/a	n/a

ADJUSTED CONSUMPTION	Change since 13/14		
	Change since 13/14	Like for like schools*	Weather correction
Corporate Oil and Gas	-4.5%	-4.5%	**-0.7%**
Corporate Electricity	-3.0%	-3.0%	**-3.0%**
Maintained schools Oil and Gas	-6.8%	-3.9%	0.0%
Maintained schools Electricity	-3.6%	0.4%	0.4%
Street lighting	-2.6%	-2.6%	**-2.6%**
Fuel for vehicles	-21.0%	-21.0%	**-21.0%**
Business travel	-10.4%	-10.4%	**-10.4%**
OVERALL	n/a	n/a	n/a

CARBON EMISSIONS FACTORS	Units	13/14 factor	14/15 factor	Change since 13/14
Oil	kg CO_2e/kwh	0.2718	0.2721	**0.1%**
Gas	kg CO_2e/kwh	0.1840	0.1850	**0.5%**
Electricity (see Note 1)	kg CO_2e/kwh	0.4836	0.5375	**11.1%**
Diesel	kg CO_2e/litre	2.6008	2.6024	**0.1%**
Petrol	kg CO_2e/litre	2.2144	2.1914	-1.0%
Mileage, average car	kg CO_2e/mile	0.3061	0.3049	-0.4%

Note 1: Electricity factors are determined by the fuel mix used in the national grid, in any given year. The 14/15 coefficient increasing (i.e. worsening by 11% compared to 13/14) is due to a number of factors; principally some nuclear generation went offline and more coal was consumed due to global fuel price fluctuations linked to US shale gas activity. There is a time lag in data between the actual grid activity, so factors for 14/15 are in fact calculated from actual market conditions and grid generation in 2012. The grid factor published for 15/16 shows a reduction of 6% compared to 14/15.

Annex A continued: Data

ABSOLUTE CARBON EMISSIONS	Units	13/14	14/15	Change since 13/14
Corporate Oil and Gas	tonnes CO_2e	6,125	5,837	-4.7%
Corporate Electricity	tonnes CO_2e	9,000	9,707	7.9%
Maintained schools Oil and Gas	tonnes CO_2e	26,665	26,575	-0.3%
Maintained schools Electricity	tonnes CO_2e	12,532	13,432	7.2%
Street lighting	tonnes CO_2e	16,064	17,382	8.2%
Fuel for vehicles	tonnes CO_2e	1,526	1,203	-21.2%
Business travel	tonnes CO_2e	3,057	2,744	-10.2%
OVERALL	tonnes CO_2e	62,436	63,450	1.6%

ADJUSTED CARBON EMISSIONS	Change since 13/14		
	Absolute	Like for like schools*	Weather correction
Corporate Oil and Gas	-4.7%	-4.7%	-1.4%
Corporate Electricity	7.9%	7.9%	7.9%
Maintained schools Oil and Gas	-0.3%	-4.2%	-0.4%
Maintained schools Electricity	7.2%	11.6%	11.6%
Street lighting	8.2%	8.2%	8.2%
Fuel for vehicles	-21.2%	-21.2%	-21.2%
Business travel	-10.2%	-10.2%	-10.2%
OVERALL	1.6%	3.1%	4.3%

> **Overall adjusted change in carbon emissions in 14/15 compared to baseline year: 4.3% increase.**

Annex B: Energy Efficiency Capital Programme for Corporate Estate

Table 2: Matrix of projects by type and by site

Period of delivery spans 2014/15 to 2016/17

Sites	Boilers	Heating	Hot water	Building Insulation	Pipework Insulation	LED lighting	Lighting controls	Lighting upgrades	Solar PV	Solar Thermal	Time switches	Voltage management
Artington House	X		X	X								
Arundel House	X		X	X					X			
Ash Library							X					
Ash Youth Centre	X											
Ashford Youth Centre		X				X						
Ashstead Library				X								
Bagshot Depot		X										
Brickfield Centre			X			X						
Burbank Community Home				X								
Camberley Adult Training Centre				X								
Chertsey Fire Station		X										
Claygate Youth Club	X			X								
Cobham Library								X				
Consort House											X	
County Hall											X	
Cranstock Day Centre	X											
Dunsfold Fire Station							X					
Egham Library	X											
Fairmount House						X					X	
Fernleigh Day Centre	X											
Godalming Fire Station				X								
Godalming Library And Social Services Centre		X										
Gomshall Retained Fire Station		X										
Guildford Central Centre (Alc)					X							
Guildford Library		X										
Haslemere Fire Station							X					
Haslemere Youth Centre				X								
Hays Bridge Business Centre							X					
Henrietta Parker Centre		X		X					X			
Hersham Library				X								
Hillside	X						X					
Karibu Community Home - Was Wells House							X					
Leatherhead Fire Station		X	X									
Libertas Community Home	X					X						
Mallow Crescent	X	X	X									
Mayford Business Centre		X					X					
Quadrant Court						X					X	
Redhill Centre							X					
Shepperton Library							X					
Shepperton Youth Development Centre				X			X					
Staines Social Services Centre	X						X					
Stanwell Youth Centre							X					
Surrey Fire And Rescue HQ	X	X	X								X	
Surrey History Centre											X	
Thames Young Mariners Oec				X								
The Bridge				X								
The Shaw Family Centre							X					
Walton Fire Station							X					
Walton Leigh School				X								
Walton Youth Centre							X					
Woking Disability Resources Centre							X					
Woking Library				X								

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SURREY
COUNTY COUNCIL

Overview & Scrutiny Board

1 October 2015

Budget Monitoring

August 2015 – Period 5

Purpose of the report:

This report provides the budget monitoring of the council's capital and revenue budgets for the 2015/16 financial year to 31 August 2015. There are two annexes attached: the first being the council's budget monitoring report that was presented to the cabinet on 22 September; and the second being a supplementary detailed budget monitoring information for Business Services, Chief Executive's Office and Central Income and Expenditure.

Background:

1. The council set its revenue and capital budgets at their meeting in February 2015. The cabinet monitor these budgets on a monthly basis, with the first report being in June 2015 for the year to the end of May. The Council Overview Board will receive the budget monitoring on a quarterly basis, with the first report being for the year to the end of August. The Cabinet considered this report on 22 September, and is attached as annex 1.

2. In addition, annex 2 provides further details to the Board on the budget monitoring of the three areas for which it provides scrutiny; these are Business Services, Chief Executive's, and Central Income & Expenditure.

Council budget monitoring

3. Surrey County Council set its gross expenditure budget for the 2015/16 financial year at £1,671m. A key objective of MTFP 2015-20 is to increase the council's overall financial resilience. As part of this, the council plans to make efficiencies totalling £67.4.

4. As at 31 August 2015, services forecast to overspend by +£3.4m and achieve £66.3m efficiencies at year end. The overspend is due to several offsetting variances among services, including: +£2.8m additional demand for Adult Social Care services; +£1.8m children's services' costs due to higher volumes of children in need; offset by -£1.7m more income from business rates than expected. Service managers are taking and agreeing actions to manage this to an overall balanced budget. Nearly all services forecast to achieve their planned efficiencies.

5. As at 31 August 2015, services forecast £169.3m capital spending against the current 2015/16 budget of £174.1m and total forecast capital expenditure including long term investments is £188.4m (paragraphs **Error! Reference source not found.** to **Error! Reference source not found.**). As part of increasing the council's overall financial resilience, it plans to invest £19m in long term capital investment assets in 2015/16 to add to the £48m invested up to March 2015.

6. Annex 1 provides the full report with further details on the significant budget variances.

Service budget monitoring

7. The Council Overview Board provides scrutiny for three budget areas. These are Business Services, Chief Executive's Office and Central Income & Expenditure.

8. Within Business Services the forecast is for a revenue budget underspending of £630,000. This is largely due to underspendings in staffing and vacancies being held in Finance and HR&OD.

9. For the Chief Executive's Office, there is an underspending forecast of £422,000. This underspending is across most budget areas.

10. The Central Income & Expenditure budget provides for items of income and expenditure that are not directly related to service provision, or as a result of past decisions. This budget includes the income from council tax, business rates and government grants. For the current year, the business rates income is likely to be £1.6m more than was originally forecast.

11. Annex 2 provides further details on these three budget areas.

Report contact: Susan Smyth, Strategic Finance Manager

Kevin Kilburn, Deputy Head of Finance

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Budget monitoring period 5 2015/16 (August 2015)

Summary recommendations

Cabinet is asked to:

1. require service managers to confirm actions to manage to an overall balanced budget;

2. note as at 31 August 2015, services forecast a +£3.4m revenue budget variance (paragraph 1);

3. note services forecast efficiencies and service reductions for 2015/16 at £66.3m (paragraph 24);

4. note total forecast capital expenditure, including long term investments is £188.4m (paragraph 34); and

5. approve a virement of £930,000 to reflect expenditure and income in relation to the DCLG Troubled Families Programme (paragraph 3)

Revenue summary

Surrey County Council set its gross expenditure budget for the 2015/16 financial year at £1,671m. A key objective of MTFP 2015-20 is to increase the council's overall financial resilience. As part of this, the council plans to make efficiencies totalling £67.4m.

As at 31 August 2015, services forecast to overspend by +£3.4m and achieve £66.3m efficiencies at year end. The overspend is due to several offsetting variances among services, including: +£2.8m additional demand for Adult Social Care services; +£1.8m children's services' costs due to higher volumes of children in need; offset by -£1.7m more income from business rates than expected. Service managers are taking and agreeing actions to manage this to an overall balanced budget. Nearly all services forecast to achieve their planned efficiencies.

The council aims to smooth resource fluctuations over its five year medium term planning period. To support 2015/16, Cabinet approved use of £3.7m from the Budget Equalisation Reserve and carry forward of £8.0m to fund continuing planned service commitments. The financial strategy has a number of long term drivers to ensure sound governance, management of the council's finances and compliance with best practice.

- Keep any additional call on the council taxpayer to a minimum, consistent with delivery of key services through continuously driving the efficiency agenda.
- Develop a funding strategy to reduce the council's reliance on council tax and government grant income.
- Balance the council's 2015/16 budget by maintaining a prudent level of general balances and applying reserves as appropriate.
- Continue to maximise our investment in Surrey.

Capital summary

Creating public value by improving outcomes for Surrey's residents is a key element of Surrey County Council's corporate vision and it is at the heart of its £696m capital programme in MTFP 2015-20. As at 31 August 2015, services forecast £169.3m capital spending against the current 2015/16 budget of £174.1m and total forecast capital expenditure including long term investments is £188.4m (paragraphs 33 to 34).

As part of increasing the council's overall financial resilience, it plans to invest £19m in long term capital investment assets in 2015/16 to add to the £48m invested up to March 2015.

Revenue budget

1.   As at 31 August 2015, the year to date budget variance is -£4.6m underspent and the overall forecast is +£3.4m overspend at year end. Service managers are agreeing actions to manage this to an overall balanced budget.

2.   In March 2015, Cabinet approved the council's 2015/16 revenue expenditure budget at £1,671.3m. Changes from April to August, reflecting agreed carry forwards and small budgetary adjustments, increased the expenditure budget as at 31 August 2015 to £1,674.0m. Table 1 shows the updated budget, including services' net expenditure budgets (gross expenditure less income from specific grants and fees, charges and reimbursements) and funding of £642.1m local taxation and £3.7m from reserves.

Table 1: 2015/16 updated revenue budget – 31 August 2015

Service	MTFP Income £m	Carry fwds & internal movements £m	Approved income £m	MTFP expenditure £m	Carry fwds & internal movements £m	Approved expenditure £m	Updated net expenditure budget £m
Economic Growth	0.0	0.2	**0.2**	0.9	0.6	**1.5**	**1.7**
Strategic Leadership	0.0	0.0	**0.0**	0.4	0.0	**0.4**	**0.4**
Adult Social Care	-56.8	0.1	**-56.7**	428.6	0.8	**429.4**	**372.7**
Children's Services	-7.0	0.0	**-7.0**	96.0	1.4	**97.4**	**90.4**
Services for Young People	-10.6	0.0	**-10.6**	25.9	0.1	**26.0**	**15.4**
Schools & Learning	-145.3	-0.1	**-145.4**	217.3	2.3	**219.6**	**74.2**
Strategic Services (CSF)	-1.5	0.0	**-1.5**	3.6	0.1	**3.7**	**2.2**
Delegated Schools	-469.0	0.0	**-469.0**	469.0	0.0	**469.0**	**0.0**
Community Partnership & Safety	-0.2	0.0	**-0.2**	3.0	0.7	**3.7**	**3.5**
Coroner	0.0	0.0	**0.0**	1.3	0.0	**1.3**	**1.3**
Cultural Services	-12.9	-0.2	**-13.1**	22.9	0.0	**22.9**	**9.8**
Customer Services & Directorate Support	-0.3	0.0	**-0.3**	4.6	0.1	**4.7**	**4.4**
Emergency Management	0.0	0.0	**0.0**	0.6	0.0	**0.6**	**0.6**
Magna Carta	0.0	0.0	**0.0**	0.0	0.8	**0.8**	**0.8**
Surrey Fire & Rescue Service	-13.1	0.0	**-13.1**	47.9	0.1	**48.0**	**34.9**
Trading Standards	-1.6	0.0	**-1.6**	3.7	0.0	**3.7**	**2.1**
Environment & Planning	-8.5	-0.5	**-9.0**	88.2	1.2	**89.4**	**80.4**
Highways & Transport	-7.5	-0.6	**-8.1**	51.8	1.6	**53.4**	**45.3**
Public Health	-35.5	0.0	**-35.5**	35.8	0.0	**35.8**	**0.3**
Central Income & Expenditure	-237.7	0.1	**-237.6**	61.0	-10.0	**51.0**	**-186.6**
Communications	0.0	0.0	**0.0**	2.0	0.1	**2.1**	**2.1**
Finance	-1.8	-0.1	**-1.9**	10.2	0.1	**10.3**	**8.4**
Human Resources & Organisational Development	-0.2	0.0	**-0.2**	9.3	-0.6	**8.7**	**8.5**
Information Management & Technology	-0.7	0.0	**-0.7**	25.2	0.9	**26.1**	**25.4**
Legal & Democratic Services	-0.5	0.0	**-0.5**	8.9	0.2	**9.1**	**8.6**
Policy & Performance	-1.1	0.0	**-1.1**	3.7	-0.1	**3.6**	**2.5**
Procurement	-0.2	0.0	**-0.2**	3.4	0.1	**3.5**	**3.3**
Property	-8.9	-0.8	**-9.7**	37.2	1.3	**38.5**	**28.8**
Shared Service Centre	-4.6	-0.5	**-5.1**	8.8	0.7	**9.5**	**4.4**
Service total	**-1,025.5**	**-2.7**	**-1,028.3**	**1,671.3**	**2.7**	**1,674.0**	**645.8**
Local taxation	-642.1	0.0	**-642.1**	0.0	0.0	**0.0**	**-642.1**
Overall	**-1,667.6**	**-2.7**	**-1,670.2**	**1,671.3**	**2.7**	**1,674.0**	**3.7**

Note: All numbers have been rounded - which might cause a casting error

Revenue Virement request – Strategic services

3.   The 2015/16 Family Services Budget within the Strategic services for Children, Schools & Families was set on the basis of anticipated grant funding from Department of Communities and Local Government (DCLG) under the second Trouble Families Programme. At the time of setting the budget, DCLG had still to clarify the future shape of the programme and the council had still to finalise arrangements for the programme with boroughs and districts. The council has now completed plans for 2015/16's programme. The plans include use of the payment by results grant received under the first Troubled Families Programme and use of the grant received in 2014/15 in anticipation of the second phase of the programme. Approval to a virement of £930,000 is sought to bring the expenditure and grant income budgets into line with anticipated spend in 2015/16.

Revenue budget monitoring position

4.   Table 2 summarises the year to date and forecast year end income and expenditure position for the council overall. Table App 2 in the appendix gives details of the overall income and expenditure for the year to date and year end forecast position.

Table 2: 2015/16 revenue budget

Subjective summary	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Sep-Mar forecast £m	Full year projection £m	Full year variance £m
Income	-694.5	-703.0	-8.5	-1,670.3	-976.6	-1,679.6	-9.3
Expenditure	666.0	669.9	3.9	1,674.0	1,016.9	1,686.8	12.8
Net expenditure	**-28.5**	**-33.2**	**-4.6**	**3.7**	**40.3**	**7.1**	**3.4**

Note: All numbers have been rounded - which might cause a casting error

5.   Table 3 shows the year to date and forecast year end net revenue position for services and the council overall. Services' net revenue position is gross expenditure less income from specific grants and fees, charges and reimbursements.

6.   Table 3 shows the majority of services' budgets are on track. The council's overall year to date budget variance as at 31 August 2015 is -£4.6m underspent and the year end forecast is +£3.4m overspent.

7.   The following section sets out services' significant variances, any change since the last monitoring report as at 30 June 2015, their impact on the council's overall financial position and services' actions to mitigate adverse variances.

Table 3: 2015/16 Revenue budget - net positions by service

Service	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Sep-Mar forecast £m	Full year projection £m	Full year variance £m
Economic Growth	0.6	0.6	0.0	1.7	1.1	1.7	0.0
Strategic Leadership	0.2	0.2	0.0	0.4	0.2	0.4	0.0
Adult Social Care	153.1	153.8	0.7	372.7	220.8	374.6	1.9
Children's Services	36.5	37.4	0.9	90.4	54.8	92.2	1.8
Services for Young People	6.5	6.1	-0.4	15.4	9.4	15.5	0.1
Strategic Services (CSF)	0.9	1.0	0.1	2.2	1.5	2.5	0.3
Schools & Learning	29.6	29.3	-0.3	74.2	46.2	75.5	1.3
Delegated Schools Budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Community Partnership & Safety	1.4	1.1	-0.3	3.5	2.4	3.5	0.0
Coroner	0.5	0.5	0.0	1.2	1.0	1.5	0.3
Cultural Services	4.1	4.3	0.2	9.8	5.3	9.6	-0.2
Customer Services & Directorate Support	1.8	1.7	-0.1	4.5	2.7	4.4	-0.1
Emergency Management	0.2	0.2	0.0	0.5	0.3	0.5	0.0
Magna Carta	0.6	0.5	-0.1	0.8	0.2	0.7	-0.1
Surrey Fire & Rescue Service	15.1	15.0	-0.1	34.9	19.9	34.9	0.0
Trading Standards	0.9	0.8	-0.1	2.1	1.3	2.1	0.0
Environment & Planning	33.5	34.1	0.6	80.4	46.3	80.4	0.0
Highways & Transport	17.3	16.4	-0.9	45.3	29.3	45.7	0.4
Public Health	1.8	1.8	0.0	0.3	-1.5	0.3	0.0
Central Income & Expenditure	-112.7	-113.9	-1.2	-186.6	-72.7	-186.6	0.0
Communications	0.9	0.7	-0.2	2.1	1.3	2.0	-0.1
Finance	3.5	3.1	-0.4	8.4	4.8	7.9	-0.5
Human Resources & Organisational Development	3.5	3.0	-0.5	8.5	5.4	8.4	-0.1
Information Management & Technology	9.9	10.1	0.2	25.5	15.4	25.5	0.0
Legal & Democratic Services	3.9	3.7	-0.2	8.5	4.9	8.6	0.1
Policy & Performance	1.2	1.2	0.0	2.5	1.2	2.4	-0.1
Procurement	1.4	1.3	-0.1	3.3	2.0	3.3	0.0
Property	11.4	11.2	-0.2	28.8	17.6	28.8	0.0
Shared Service Centre	1.2	1.1	-0.1	4.3	3.2	4.3	0.0
Service net budget	**229.0**	**226.2**	**-2.7**	**645.8**	**424.6**	**650.8**	**5.0**
Local taxation	-257.5	-259.2	-1.7	-642.1	-384.5	-643.7	-1.6
Revolving Infrastructure & Investment Fund		-0.2	-0.2		0.2		
Overall net budget	**-28.5**	**-33.2**	**-4.6**	**3.7**	**40.3**	**7.1**	**3.4**

Note: All numbers have been rounded - which might cause a casting error

Significant budget variances

Adult Social Care (+£0.5m since June)

8. As at 31 August 2015 Adult Social Care (ASC) services project an overall overspend of +£1.9m, a change of +£0.5m from the overspend forecast as at 30 June 2015. The position as at 31 August 2015 indicates demand is above the level budgeted for 2015/16. Based on current trends, ASC forecasts +£2.8m of additional demand pressures for care services above that built into the budget. For example, non-elective admissions are rising in four of Surrey's five acute hospitals. This places

direct pressure on social care. The increase in demand for care is partially offset by -£0.4m higher fees and charges related to the higher volumes of care services and -£0.4m extra grant funding to help meet the increased volume of Deprivation of Liberty Safeguards (DOLS) assessments.

9. ASC's leadership team is reviewing all options to achieve compensating savings to recover the position and balance the budget by year end. However, the additional demand pressures and challenges in delivering ASC's savings programme means the team does not currently consider it feasible to reduce the projection below the +£1.9m overspend currently forecast (equivalent to 0.5% of net budget).

Children's Services (+£1.1m since June)

10. As at 31 August 2015, Children's Services anticipates +£1.8m overspend. There are two main drivers of this overspend, partially offset by a range of smaller variances.

- Increasing numbers of looked after children. As at 31 July 2015 there were 852 looked after children, an increase of 68 since March 2015. This includes an additional 31 unaccompanied asylum seekers where numbers have increased by 50% since August 2014. This is the main reason for the increase in the forecast overspend since June. It mainly affects the budget for external placements which anticipates an overspend of+ £1.8m, plus a +£0.8m overspend for Asylum.
- Increasing numbers of children in need are intensifying pressures on staffing. The referral, assessment and care management teams anticipate an overspend of +£1.5m. In particular there is an increased reliance on locum social workers. This pressure is partly offset by vacancies in other areas of the service and work continues to improve the recruitment and retention of social workers.

Schools & Learning (+£0.5m since June)

11. As at 31 August 2015, Schools & Learning forecasts +£1.3m overspend against county council funded budgets. This includes the following major variances partially offset by a range of smaller variances.

- +£1.0 m overspend in early years services due to delays in achieving efficiencies planned for 2015/16.
- +£0.8m net overspend on home to school transport mainly in relation to children with special educational needs (SEN) transport due to higher user volumes.

Central Income & Expenditure (no change since June)

12. As at 31 August 2015, Central Income & Expenditure forecasts -£1.6m underspend. This is for additional income due to the district and borough councils' final business rates schedules being higher than the earlier estimates used to produce the budget.

Areas to be aware – Adult Social Care

13. Challenges remaining within ASC's savings plans include the following.

- Demand
  A key element of ASC's plans to deliver a sustainable budget is to manage demand effectively. Demand for individually commissioned care services has increased by an average of 6% each year in the last seven years. ASC's MTFP savings plans include reducing the rate of demand increase to 3% by 2018/19, with a first step to reduce demand increase to 5% in 2015/16. The position as at

31 August 2015 indicates the rate of demand increase is above the 2015/16 target. Based on current trends, ASC forecasts £2.8m of additional demand pressures above the budget. There is a risk demand pressures could increase further in the remainder of the year.

- Care Act

  The council is due £9.8m of Care Act funding in 2015/16, partly to meet the initial implementation costs for most of the Care Act provisions that became law on 1 April 2015 and partly to begin early assessments towards the care cap due to be introduced as part of the 2016 funding reforms. In July 2015 the Government announced it has postponed the funding reforms, including the £72,000 care cap, until 2020. The status of the 2015/16 Care Act funding is now unclear and any changes to allocations could affect ASC's budget.

- Pricing strategy

  ASC is coming under increasing pressure from providers to increase prices paid for individually commissioned care services. The areas of greatest immediate pressure are older people (OP) nursing and residential care. ASC's pricing strategy increased personal budget guide prices for OP care home placements from 1 April 2015. The next step is to work with care home providers to establish a sustainable forward pricing strategy from 1 April 2016. ASC anticipates no rises in other care sector prices in 2015/16, which are based on agreed individual needs or framework contract rates.

- Deprivation of Liberty Safeguards (DOLS)

  ASC receives DOLS applications where it is believed an individual's liberty may have been deprived. A Supreme Court ruling in March 2015 fundamentally changed the basis of what should be considered under DOLS legislation. This has meant the number of DOLS applications has increased from 112 in 2013/14 to over 3,000 in 2014/15. ASC's budget included an extra £1.1m to recruit more best interest assessors (BIAs) and administrators to deal with the increased demand for assessments. Currently ASC assumes it will spend the budget by year end. However recruitment of Best Interest Assessors is difficult and it is unlikely the additional budget would be enough to meet the full costs of the growing assessment demand.

Areas to be aware - Coroner

14. Changes around Deprivation of Liberty legislation may result in significantly more coroner inquests. In addition the Coroner is undertaking a new inquest into the death of Pte Cheryl James at Deepcut Barracks, which is likely to create a pressure against the inquest budget. In 2014/15 a shortage of mortuary provision in Surrey meant the Coroner had to purchase temporary mortuary facilities creating a cost pressure that is likely to continue. Taking these three pressures together, the Coroner Service projects a pressure of £0.3m, though there is a risk it could be higher.

Revolving Infrastructure & Investment Fund

Table 4: Summary revenue and capital position

Summary Revenue expenditure	YTD actual £m	Full year forecast £m
Income	-1.4	-3.5
Expenditure	0.2	0.6
Net income before funding	-1.2	-2.9
Funding costs	1.0	2.7
Net income after funding	-0.2	-0.2
Capital expenditure	2.5	19.1

Note: All numbers have been rounded - which might cause a casting error

15. Net income of £0.2m is being generated this financial year by the joint venture project to deliver regeneration in Woking town centre and from various property acquisitions that have been made for future service delivery. It is anticipated the net income will be transferred to the Revolving Infrastructure and Investment Fund at the year-end.

16. Capital expenditure this year covers development of the former Thales site in Crawley, the new regeneration scheme approved by Cabinet in July, further loans to the Woking Bandstand Joint Venture Company and an equity investment in the Municipal Bonds Agency.

Staffing costs

17. The council employs three categories of staff.

   - Contracted staff employed on a permanent or fixed term basis and paid through the council's payroll. These staff are contracted to work full time, or part time.
   - Bank staff are contracted to the council and paid through the payroll but have no guaranteed hours.
   - Agency staff employed through an agency with which the council has a contract.

18. Bank and agency staff enable managers to manage short term variations in service demand, or contracted staff vacancies. This is particularly the case in social care. Some flexibility in the staffing budget is sensible, as it allows the council to vary a portion of staffing costs.

19. The council sets its staffing budget on the estimated labour it needs to deliver its services. It expresses this estimated labour as budgeted full time equivalent (FTEs) staff and converts it to a budget cost. The budget comprises spending on all three categories of staff and is the key control in managing staffing costs.

20. The council's total full year staffing budget for 2015/16 is £279.2m based on 7,935 budgeted FTEs. Table 5 shows the composition of the council's workforce as at 31 August 2015. Of the 671 live vacancies, where the council is actively recruiting, 511 are in social care.

Table 5: Full time equivalents in post and vacancies

	Aug 2015 FTE
Budget	7,935
Occupied contracted FTE	7,233
"Live" vacancies (i.e. actively recruiting)	671
Vacancies not occupied by contracted FTEs	31

21. Table 6 shows staffing cost as at 31 August 2015 against service budgets and analysed among the three staff categories of contracted, bank and agency staff. Table 6 also shows services' budgeted FTEs and occupied contracted FTEs. Variances between these two figures can arise for reasons including: the budget for some FTEs is held in a different service from where the postholder sits in the organisation (for example the HR&OD budget covers apprentices' costs, but the occupied FTEs appear in the service they work in); secondees' costs appear in the seconding service, but the occupied FTE appears in the service they are seconded to (or not at all if the secondment is to an external body). The income from recharges for secondments is within services' other income.

22. Agency or bank staff often cover vacancies on a temporary basis. The number of temporary staff does not translate easily into an FTE number as these may be for a few hours only, part time etc. The easiest measure for monitoring staffing costs is the total expenditure and the variance shown in Table 6.

23. The year to date staffing budget as at 31 August 2015 is £126.0m and the expenditure incurred is £124.7m. Table App 2 shows services forecast -£2.5m underspend on employment costs by the year end. As at 31 August 2015, the council employed 7,233 FTE contracted staff, against 7,935 budgeted FTEs, accounting for about 91% of total staffing costs.

Table 6: Staffing costs and FTEs to 31 August 2015

Service	YTD staffing budget £m	Staffing spend by category					Budgeted FTE	Occupied contracted FTEs
		Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m		
Economic Growth							1	0
Strategic Leadership	0.2	0.2	0.0	0.0	0.2	0.0	2	0
Adult Social Care	24.5	22.1	1.2	0.9	24.2	-0.3	1,925	1,616
Children's Services	18.9	16.1	2.4	1.1	19.6	0.7	1,108	991
Services for Young People	5.9	5.7	0.0	0.3	5.9	0.1	395	366
Strategic Services	1.1	1.2	0.0	0.0	1.2	0.1	52	67
Schools & Learning	19.2	18.3	0.1	0.4	18.7	-0.5	1,332	1,239
Delegated Schools					0.0	0.0	0	0
Community Partnership & Safety	0.5	0.5	0.0	0.0	0.5	0.0	24	29
Coroner	0.2	0.1	0.1	0.0	0.2	0.0	1	2
Cultural Services	7.7	6.8	0.0	0.6	7.4	-0.3	520	510
Customer Services & Directorate Support	1.9	1.8	0.1	0.0	1.9	0.0	112	98
Emergency Management	0.2	0.2	0.0	0.0	0.2	0.0	12	16
Magna Carta	0.0	0.0	0.0	0.0	0.0	0.0	0	0
Surrey Fire & Rescue Service	11.5	10.7	0.0	0.8	11.5	0.0	675	637
Trading Standards	1.3	1.2	0.0	0.0	1.2	-0.1	100	92
Environment & Planning	3.7	3.4	0.1	0.1	3.7	0.0	215	172
Highways & Transport	6.1	5.4	0.2	0.1	5.7	-0.4	313	300
Public Health	1.2	1.0	0.0	0.1	1.1	-0.1	51	44
Central Income & Expenditure	0.0	0.2	0.0	0.0	0.2	0.2	0	0
Communications	0.5	0.4	0.0	0.0	0.4	0.0	23	24
Finance	2.4	2.3	0.0	0.0	2.3	-0.1	101	104
Human Resources & Organisational Development	2.3	2.1	0.0	0.0	2.1	-0.1	104	101
Information Management & Technology	5.1	4.3	0.9	0.0	5.2	0.2	221	198
Legal & Democratic Services	2.2	2.0	0.1	0.0	2.1	-0.2	130	116
Policy & Performance	1.1	1.0	0.1	0.0	1.1	0.0	42	38
Procurement	1.4	1.2	0.0	0.0	1.3	-0.1	57	54
Property	3.5	3.4	0.2	0.0	3.6	0.0	177	180
Shared Service Centre	3.5	3.1	0.0	0.0	3.2	-0.4	242	241
Total	**126.0**	**114.8**	**5.5**	**4.4**	**124.7**	**-1.3**	**7,935**	**7,233**

Note: All numbers have been rounded - which might cause a casting error

Efficiencies

24. MTFP 2015-20 incorporates £67.4m of efficiencies in 2015/16. Against this, the council forecasts achieving £66.3m by year end, an under achievement of £1.1m. Figure 1 summarises services' efficiency targets, their forecasts for achieving the efficiencies and the risks to achieving them.

Figure 1: 2015/16 overall risk rated efficiencies
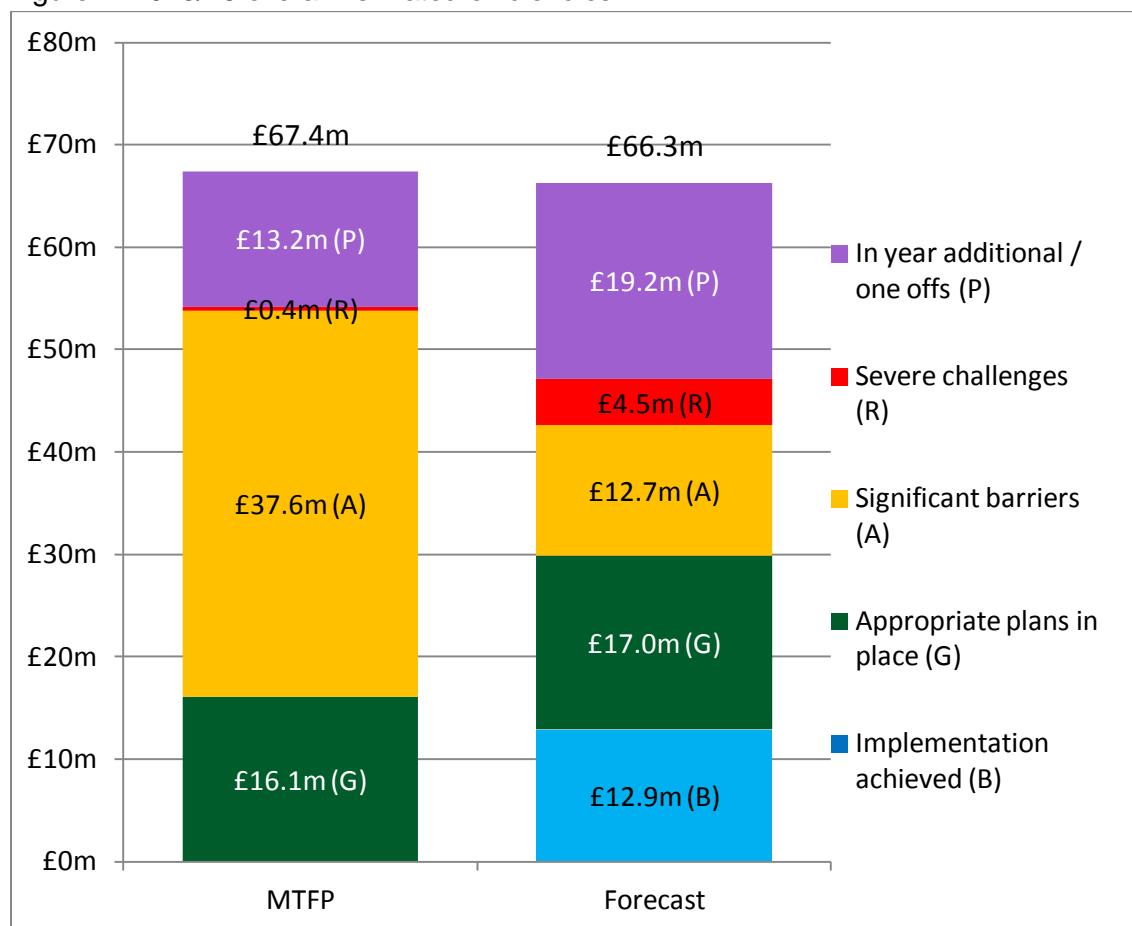
25. Each service's assessment of its progress on achieving efficiencies uses the following risk rating basis:

- RED – significant or high risk of saving not being achieved, as there are barriers preventing the necessary actions to achieve the saving taking place;
- AMBER - a risk of saving not being achieved as there are potential barriers preventing the necessary actions to achieve the saving taking place;
- GREEN – plans in place to take the actions to achieve the saving;
- BLUE – the action has been taken to achieve the saving;
- PURPLE – in year additional and one off savings to support the programme, which are not sustainable in subsequent years.

26. Table 7 summarises forecast progress on efficiencies by service. It shows most services are on track to achieve their planned efficiencies. Adult Social Care, Environment & Planning, Property and Surrey Fire & Rescue are supporting their programmes with additional in year and one off efficiencies.

27. The next section sets out significant variances in efficiencies forecasts, their impact on the council's overall position and services' actions to mitigate adverse variances.

Table 7: 2015/16 Efficiency programme

Service	MTFP £m	Forecast sustainable £m	Forecast one offs £m	Overall variance £m
Adult Social Care	37.3	21.8	15.8	0.2
Children's Services	0.3	0.3		0.0
Services for Young People	1.9	1.9		0.0
Schools & Learning	9.8	8.8		-1.0
Cultural Services	0.6	0.6		0.0
Customer Services & Directorate Support	0.2	0.2		0.0
Surrey Fire & Rescue Service	1.6	1.4	0.2	0.0
Environment & Planning	6.4	3.6	2.6	-0.1
Highways & Transport	1.7	1.7		0.0
Central Income & Expenditure	0.9	0.8		-0.1
Communications	0.1	0.1		0.0
Finance	0.7	0.7		0.0
Human Resources & Organisational Development	0.8	0.8		0.0
Information Management & Technology	0.6	0.6		0.0
Legal & Democratic Services	0.5	0.5		0.0
Policy & Performance	0.1	0.1		0.0
Procurement	0.1	0.1		0.0
Property	3.4	2.8	0.6	0.0
Shared Service Centre	0.1	0.1		0.0
Total	**67.4**	**47.1**	**19.2**	**-1.1**

Note: All numbers have been rounded - which might cause a casting error

Significant variances in services' efficiencies & service reductions

Schools & Learning
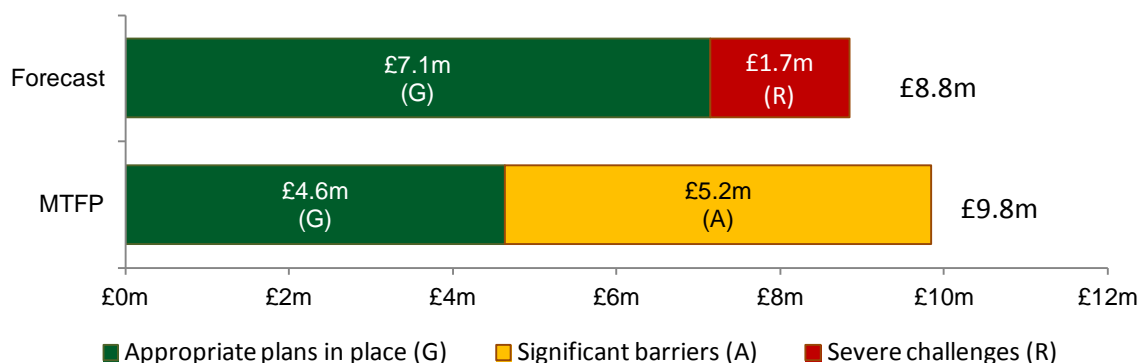
28. Schools & Learning currently anticipates -£1.0m underachievement of early years services' efficiencies as consultation delays mean the efficiencies planned for 2015/16 will not be achieved in full.

Adult Social Care
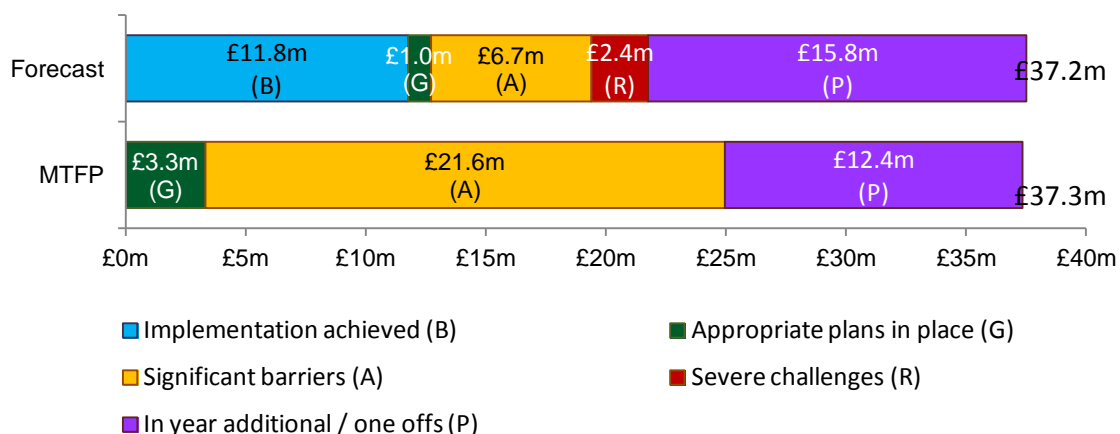
29. As at 31 August 2015, ASC forecasts a £0.1m shortfall against its savings target. However, this comprises some significant variances. ASC forecasts a £3.0m underachievement for continuing savings, mainly due to difficulties delivering stretch FFC savings and the strategic shift from residential care for people with learning disabilities service users. ASC is considering how it will recover the position to avoid pressures on 2016/17's budget.

30. A forecast £3.4m overachievement of additional in-year savings is offsetting the continuing savings underachievements. The one-off savings are mainly due to a forecast surplus of reclaims received from individuals who have not needed to use the full amount of their Direct Payments and further staff vacancies above budgeted levels. The additional vacancies are not planned, but where they occur they are being used to help manage ASC's overall budget position.

CAPITAL

31. The council demonstrated its firm long term commitment to supporting Surrey's economy through its £696m 2015-20 MTFP capital programme, including £176m capital expenditure budget for 2015/16.

32. As at 31 August 2015, the revised full year capital budget is £174.1m. In May and June 2015 Cabinet approved £17.4m carry forwards from 2014/15 and £22.5m reprofiling of 2015/16 into future years. Table App 3 summarises movements in the capital budget to 31 August 2015. Significant movements in July and August are the Lindon Farm acquisition (£1.5m) and third party contributions to schools (£0.8m).

33. Table 8 compares the current forecast expenditure for the service capital programme and long term investments of £188.4m to the revised full year budget of £174.1m.

Table 8: Forecast capital expenditure 2015/16

	Current full year budget £m	Apr - Aug actual £m	Sep - Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	**57.8**	34.9	22.9	57.8	**0.0**
Highways recurring programme	**33.5**	21.6	11.9	33.5	**0.0**
Property & IT recurring programme	**25.6**	9.2	16.2	25.4	**-0.2**
Other capital projects	**57.2**	18.6	34.1	52.7	**-4.5**
Service capital programme	**174.1**	**84.2**	**85.1**	**169.3**	**-4.7**
Long term investments	**0.0**	1.5	17.6	19.1	**19.1**
Overall capital programme	**174.1**	**85.7**	**102.7**	**188.4**	**14.4**

Note: All numbers have been rounded - which might cause a casting error

34.   Approved Investment Strategy spending is expected to be £19.1m in 2015/16 and total capital expenditure £188.4m. Table 9 shows significant variances to the service capital programme.

Table 9: Significant variances to the service capital programme

	to 30 June £m	to 31 August £m
Additional costs of Guildford Fire Station due to flooding and delays from archaeological finds earlier in the year.	0.3	0.0
Closed landfill sites	-0.4	-0.4
Fire reconfiguration and training investment		-1.2
Merstham Library & Youth		-1.0
SEN Strategy		-0.9
EPM- Projects- Schools		-0.5
Land acquisition for waste		-0.5
IT Investment		-0.2
Other insignificant variances		-0.1
Capital variance	**-0.1**	**-4.7**

Note: All numbers have been rounded - which might cause a casting error

Appendix to Annex

Updated budget - revenue

App 1. The council's 2015/16 revenue expenditure budget was initially approved at £1,671.3m. Adding virement changes in April to August increased the expenditure budget at the end of August to £1,674.0m. Table 1 shows the updated budget.

App 2. When Council agreed the MTFP in February 2015, some government departments had not determined the final amount for some grants. Cabinet agreed the principle that services would estimated their likely grant and services' revenue budgets would reflect any changes in the final amounts, whether higher or lower.

App 3. To control their budgets during the year, managers occasionally need to transfer, or vire budgets from one area to another. In most cases these are administrative or technical in nature, or of a value the Director of Finance can approve. Virements above £500,000 require the approval of the relevant Cabinet Member. There were no virements above £500,000 in July and August 2015.

App 4. Table App 1 summarises the movements to the revenue expenditure budget.

Table App 1: Movements in 2015/16 revenue expenditure budget

	Income £m	Expenditure £m	Earmarked reserves £m	General balances £m	Virement count
MTFP	-1,667.6	1,671.3		3.7	
Carry forwards	0.2	7.8	-8.0	0.0	1
	-1,667.4	1,679.1	-8.0	3.7	1
Quarter 1 movements	-2.4	2.7	-0.3	0.0	99
July & August movements					
Internal service movements	-0.4	0.4		0.0	31
Cabinet approvals	0.0	0.0		0.0	2
Funding changes	-0.1	0.1		0.0	1
Total July and August movements	-0.5	0.5	0.0	0.0	32
August approved budget	**-1,670.3**	**1,682.3**	**-8.3**	**3.7**	**132**

Note: All numbers have been rounded - which might cause a casting error

App 5. Table App 2 shows the year to date and forecast year end gross revenue position supported by general balances.

Table App 2: 2015/16 Revenue budget forecast position as at 31 August 2015

	Year to date			←	Full year		→
	Budget £m	Actual £m	Variance **£m**	Budget £m	Remaining forecast £m	Projection £m	Variance **£m**
Income:							
Local taxation	-257.5	-259.2	**-1.7**	-642.1	-384.5	-643.7	**-1.6**
Government grants	-379.7	-373.4	**6.3**	-885.1	-506.2	-879.6	**5.5**
Other income	-57.3	-70.4	**-13.1**	-143.1	-85.9	-156.3	**-13.2**
Total income	-694.5	-703.0	**-8.5**	-1,670.3	-976.6	-1,679.6	**-9.3**
Expenditure:							
Staffing	126.0	124.7	**-1.3**	311.8	184.6	309.3	**-2.5**
Service provision	340.9	346.0	**5.2**	893.1	562.3	908.4	**15.3**
Non schools sub-total	467.0	470.7	**3.9**	1,205.0	746.9	1,217.8	**12.8**
Schools expenditure	199.0	199.0	**0.0**	469.0	270.0	469.0	**0.0**
Total expenditure	666.0	669.9	**3.9**	1,674.0	1,016.9	1,686.8	**12.8**
Movement in balances	**-28.5**	**-33.2**	**-4.6**	**3.7**	**40.3**	**7.1**	**3.4**

Note: All numbers have been rounded - which might cause a casting error

Updated budget – capital

App 6. Cabinet approved £17.4m carry forward of scheme budgets requested in 2014/15's Outturn report and £22.3m reprofiling of 2015/16 capital spending by Property and Information Management & Technology into future years in May 2015's budget monitoring report. Table App 3 summarises the capital budget movements for the year. The most significant virements in July and August are the Lindon Farm acquisition (£1.5m) and third party contributions to schools (£0.8m).

Table App 3: 2015/16 Capital budget movements

	to 31 May £m	to 30 June £m	to 31 August £m
MTFP (2015-20) (opening position)	**176.2**	**176.2**	**176.2**
Approved budget movements:			
Carry forwards from 2014/15	17.4	17.4	17.4
Business Services - reprofile to future years	-22.5	-22.5	-22.5
Weybridge Library - reprofile to future years	-0.1	-0.1	-0.1
Schools projects	0.3	0.3	0.6
Lindon Farm, Alford Cranleigh			1.5
Third party delegated school contributions			0.8
Highways		0.1	0.1
Newlands Corner			0.1
In year budget changes	**-4.9**	**-4.7**	**-2.2**
2015/16 updated capital budget	**171.4**	**171.5**	**174.1**
In year budget changes funded by:			
Third party contributions			0.8
Borrowing and reprofiling to future years	-4.9	-4.7	-3.0

Business Services

Revenue Summary

1. Services successfully reviewed staffing structures and processes in 2014/15 and achieved £2.6m of 2015/16 savings last year. The services expect these savings to continue and will also constantly challenge their service delivery to achieve further demanding efficiency savings targets.

2. The year to date variance is -£1m, an increase of -£0.3m since last month. The full year forecast is an underspend of -£0.6m, which is no change from last month.

3. The largest year to date is in HR & OD which includes the council's training budgets, the majority of training delivery is on track however the profile of spend is not even, which accounts for a year to date variance of -£0.4m. The service also has staffing vacancies, causing a year to date variance of -£0.1m, this will be used to provide the required resources to assist CSF. The planned maintenance works at County Hall have started a little later than anticipated causing a Property Services' year to date variance of -£0.2m. The other major year to date variance is in Finance, -£0.3m, this is reflected in the full year forecast.

4. There are no changes to the full year forecast variance of -£0.6m. As reported last month there are ongoing savings to the audit fee and insurance premiums. There are one-off underspends in HR&OD, following commissioning delays to training, and in Finance due to maternity leaves and successful income generation.

Table 1: 2015/16 Revenue position

Subjective Analysis	Year to Date			Full Year		
	YTD Budget	YTD Actual	YTD Variance	Full Year Budget £000s	Full Year Forecast £000s	Full Year Variance £000s
Income (excl grant)	-7,814	-7,807	8	-17,750	-17,245	505
Grant	0	-269	-269	0	-319	-319
Total Income	-7,814	-8,075	-261	-17,750	-17,563	186
Staffing	18,142	17,637	-505	43,383	42,880	-504
Non-staffing	20,513	20,231	-283	53,243	52,931	-313
Total Expenditure	38,655	37,867	-788	96,627	95,811	-816
Total Business Services Net Expenditure	**30,841**	**29,792**	**-1,049**	**78,877**	**78,247**	**-630**

Policy Budget	Year to Date			Full Year		
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
Property						
Building Running Costs	7,982	7,571	-411	20,197	20,198	0
Property Projects	648	1,104	456	1,525	1,524	0
Support & Management	2,796	2,540	-255	7,111	7,111	0
Total Property	**11,426**	**11,216**	**-210**	**28,833**	**28,833**	**0**
Information Management & Technology						
Support & Delivery	3,406	3,644	238	8,174	8,406	232
Network Contracts	1,623	1,458	-165	3,894	3,651	-243
Design & Build	3,026	2,984	-42	7,263	7,235	-27
Project Office	1,485	1,536	51	5,265	5,229	-36
Management & Business Change	372	442	70	856	930	74
Total IMT	**9,912**	**10,064**	**152**	**25,452**	**25,452**	**0**
Human Resources and Organisational Development						
HR & OD Staffing	1,889	1,779	-110	4,589	4,589	0
HR & OD Delivery	1,561	1,188	-373	3,960	3,861	-100
Total HR & OD	**3,451**	**2,968**	**-483**	**8,549**	**8,449**	**-100**
Finance						
Finance	2,201	1,980	-221	5,282	4,952	-330
Insurance	1,310	1,163	-147	3,144	2,945	-200
Total Finance	**3,511**	**3,142**	**-369**	**8,426**	**7,896**	**-530**
Shared Services						
Income Management	281	265	-16	675	653	-21
Procure to Pay	407	391	-17	1,031	1,015	-16
HR and Payroll	-221	-178	43	930	968	38
Customer and Improvement	708	637	-71	1,700	1,700	0
Total Shared Services	**1,175**	**1,115**	**-60**	**4,336**	**4,336**	**0**
Procurement & Commissioning	**1,367**	**1,288**	**-79**	**3,281**	**3,280**	**0**
Total Business Services Net Expenditure	**30,841**	**29,792**	**-1,049**	**78,877**	**78,247**	**-630**

Efficiencies

5. The budget for the directorate includes challenging efficiency savings and increased income targets of £5.6m. The Directorate is on target to achieve £5.2m of these savings. The Managed Print Service efficiency (£0.4m) is being closely monitored as Property Services will not be able to control the demand for copies and volumes will not be known until all printers are installed later this year.

Table 2: 2015/16 Progress on Efficiencies

MTFP Description	MTFP 2015/16 £000	MTFP RAG	Latest 2015/16 £000	Latest RAG
Organisational Review	-1,158	G	-1,158	G
Utilities	-800	A	-800	A
One-off Property	-620	G	-620	G
Office Rationalisation - ongoing savings	-609	G	-609	G
Insurance Self Fund	-500	G	-500	G
Property Maintenance	-480	G	-480	G
Increased income	-435	A	-435	A
Organisational Review	-425	A	-425	A
Managed Print Service	-420	R	-420	R
Unicorn Network	-200	G	-200	G
	-5,647		**-5,647**	

Capital Summary

6. The capital budget this year is £108.6m, an increase of £1.7m since last month. Two new schemes have been added to the Property Services capital programme: the acquisition of property to support Adult Social Care (£1.5m) and a scheme to generate an additional capital receipt (£0.2m). The Service's capital budget includes the Schools Basic Need (SBN) programme of £57.8m.

7. The year to date spend is slightly ahead of target. At year end services expect to re-profile £4.1m of spend into future years.

8. As a result of tight management Property Services has successfully delivered the new Spelthorne SSS under budget by -£0.1m.

9. The Schools & Learning Service is considering the optimum options for delivering its SEN strategy, this has led to delays to delivering the Property elements (-1.2m). Property expects that £1m of the Merstham Regeneration scheme spend will be in future years. The Spelthorne Fire Station scheme is likely to commence in January 2016 causing a -£0.9m re-profile of spend. Part of the land payments for waste scheme (-£0.5m) is likely to be incurred in future years. IMT are making savings to IT backup and storage facilities and to some of the staff devices being rolled out. This has led to lower than anticipated IT equipment costs this year (-0.2m). This will be used in future years to increase the number of IT users and specification as per the IT strategy.

Table 3: 2015/16 Capital position

| | YTD - Year To Date | | | Full Year | | |
	Budget £'000	Actual £'000	Var £'000	Budget £'000	Forecast £'000	Var £'000
Property						
Schools Basic Need	**33,772**	**34,866**	**1,094**	**57,800**	**57,800**	**0**
Schools DDA	11	28	17	466	466	0
Schools Capital Maintenance	5,932	3,291	-2,641	12,685	12,685	0
Recurring Prog - Schools	**5,943**	**3,319**	**-2,624**	**13,151**	**13,151**	**0**
Fire Risk / minor works / DDA	60	23	-37	636	636	0
Carbon Reduction	637	538	-99	1,585	1,585	0
Capital Maintenance	880	3,358	2,478	6,310	6,310	0
Recurring Prog - Non-Schools	**1,577**	**3,919**	**2,342**	**8,531**	**8,531**	**0**
SEN Strategy	1,093	1,114	21	2,049	1,171	-878
Portesbury	2,720	2,720	0	3,978	3,978	0
Replace Aged Modular Buildings	204	338	134	1,014	1,014	0
Other Schools Projects	222	165	-57	1,485	1,035	-450
Projects - Schools	**4,239**	**4,337**	**98**	**8,526**	**7,198**	**-1,328**
Fire Projects	1,657	1,122	-535	3,830	2,675	-1,155
Gypsy Sites	725	954	229	1,200	1,200	0
Land Payments for Waste	3,253	3,253	0	3,798	3,253	-545
Regeneration Projects	1,420	796	-624	3,506	2,506	-1,000
Projects to Reprovision & Deliver Capital	70	225	155	875	875	0
Acquisition Payments for ASC	1,484	1,484	0	1,484	1,484	0
Other Non-School Projects	29	374	345	531	602	71
Projects - Non-Schools	**8,638**	**8,208**	**-430**	**15,224**	**12,595**	**-2,629**
Total Property	**54,169**	**54,649**	**480**	**103,232**	**99,275**	**-3,957**
Information Management & Technology						
IMT Equipment Replacement Reserve	623	732	110	1,494	1,302	-192
IMT Project Investment	1,266	1,266	0	3,038	3,038	0
Adults Social Care Infrastructure	241	0	-241	578	578	0
Other IMT Projects	111	111	0	266	266	0
Total IMT	**2,240**	**2,109**	**-131**	**5,376**	**5,184**	**-192**
Total Business Services	**56,409**	**56,758**	**349**	**108,608**	**104,459**	**-4,149**

Chief Executive's Office

Revenue Summary

10. The directorate is currently projecting an underspend of £0.4m against a total revenue budget of £26.4m. This is due to a projected underspend against the Libraries budget of £0.2m as a result of staff vacancies following it's restructure, Magna Carta budget of £0.1m, plus the accumulation of other variances across the directorate totalling £0.2m. These are partly offset by a projected legal pressure of £0.1m. The Library Service is currently evaluating invest to save schemes to utilise their underspend in preparation for future efficiency savings.

11. The year to date underspend of £0.3m is mainly due to staffing underspends across the directorate, the majority of which are within Libraries following their restructure, and due to the timing of income receipts. Central Communications has an underspend of £0.1m due to delays in the utilisation of the cross service publicity budget.

12. There have been no changes to the budget in this period

Table 4: 2015/16 Revenue Position

	YtD Budget £000	YtD Actual £000	YtD Variance £000	Full Year Budget £000	Full Year Projection £000	Full Year Variance £000
Income						
Government Grants	(1,996)	(2,238)	**(242)**	(4,699)	(4,979)	**(269)**
Other Income	(4,076)	(3,861)	**214**	(9,893)	(10,401)	**(509)**
Total Income	(6,071)	(6,099)	**(28)**	(14,591)	(15,369)	**(778)**
Expenditure						
Staffing	11,899	9,178	**(439)**	28,556	28,232	**(325)**
Non Staffing	5,879	5,260	**185**	12,474	13,291	**680**
Total Expenditure	17,778	17,524	**(254)**	41,030	41,386	**355**
Net position	**11,707**	**11,425**	**(282)**	**26,439**	**26,017**	**(422)**

	YTD Budget	YTD Actual	YTD Variance	Full Year Budget	Full Year Projection	Full Year Variance
	£000	£000	£000	£000	£000	£000
Strategic Leadership	186	200	**14**	446	446	**0**
Strategic Leadership	**186**	**200**	**14**	**446**	**446**	**0**
Magna Carta	594	547	**(47)**	800	700	**(100)**
Magna Carta	**594**	**547**	**(47)**	**800**	**700**	**(100)**
Emergency Management	236	225	**(11)**	567	535	**(32)**
Emergency Management	**236**	**225**	**(11)**	**567**	**535**	**(32)**
Communications Team	488	441	**(47)**	1,171	1,149	**(22)**
Central Communications	276	163	**(113)**	663	637	**(25)**
Surrey Matters	96	66	**(30)**	229	229	**0**
Communications	**860**	**670**	**(190)**	**2,063**	**2,016**	**(47)**
Legal Services	1,796	1,703	**(94)**	4,181	4,310	**129**
Democratic Services Team	692	676	**(16)**	1,662	1,607	**(55)**
Vol & Community Sector Support	440	443	**(3)**	484	484	**0**
Member Allowances & Expenses	911	874	**(37)**	2,223	2,218	**(5)**
Local Elections	16	0	**(16)**	16	16	**0**
Legal & Democratic Services	**3,856**	**3,695**	**(161)**	**8,566**	**8,636**	**69**
Corporate Policy & Performance	664	618	**(45)**	1,548	1,550	**2**
Corporate Subscriptions	189	189	**0**	189	189	**0**
Economic Growth	717	716	**(1)**	1,721	1,691	**(30)**
Projects (SFBB & SEEC & PSTN)	30	21	**(9)**	90	90	**0**
Audit	267	276	**9**	640	614	**(26)**
Policy & Performance	**1,868**	**1,821**	**(47)**	**4,189**	**4,134**	**(54)**
Libraries	4,015	3,675	**(340)**	9,637	9,414	**(223)**
Surrey Arts	205	503	**298**	491	491	**0**
Heritage	400	476	**75**	961	968	**7**
Adult & Community Learning	(357)	(124)	**233**	(856)	(856)	**0**
Registration & Nationality Service	(220)	(304)	**(84)**	(580)	(591)	**(11)**
Supporting Cultural Services	65	42	**(22)**	155	125	**(30)**
Cultural Services	**4,108**	**4,268**	**160**	**9,808**	**9,550**	**(258)**
Chief Executive's Office	**11,707**	**11,425**	**(282)**	**26,439**	**26,017**	**(422)**

Efficiencies

Table 5: 2015/16 Efficiency Position

Service	Description	MTFP 2015/16	Forecast 2015/16	Variance 2015/16	RAG
Cultural Services	Registration - Increased income	27	27	0	G
Cultural Services	Libraries - Redesign service delivery	250	250	0	A
Cultural Services	Libraries - Staffing restructure	210	210	0	G
Cultural Services	Heritage savings	61	61	0	G
Cultural Services	Surrey Arts savings	24	24	0	G
Communications	Reduced Central Comms spend	105	105	0	G
Legal and Democratic	Recovery of costs	78	78	0	G
Legal and Democratic	Increasing in-house advocacy	398	398	0	G
Legal and Democratic	Other efficiencies	52	52	0	G
Policy and Performance	Staffing & expenditure reductions	136	136	0	G
Total		**1,341**	**1,341**	**0**	

13. The planned MTFP efficiencies for 2015/16 are on target to be achieved. The libraries redesign of service delivery has mainly been achieved within 2015/16 by a temporary reduction against the resources budget. This is pending the implementation of the redesign to achieve total savings of £750,000 by 2016/17. Following initial vacancies arising from the recent library restructure, the service will review whether the temporary resources reduction could be partly reversed.

Capital

Table: 6: 2015/16 Capital Position

	Revised Full Year Budget £000s	Apr – July YTD & committed £000s	Aug- Mar remaining forecast £000s	Full Year Forecast £000s	Full Year Variance £000s
Community Buildings Grant scheme	150	150	0	150	0
Superfast Broadband	2,647	-724	3,371	2,647	0
Magna Carta	187	116	71	187	0
Libraries – Member Funded	1	0	1	1	0
Libraries: (Planning Infrastructure Contributions)	0	46	-46	0	0
Total	2,985	-411	3,396	2,985	0

14. There are no projected variations against the capital programme. The Superfast Broadband programme completed its main deployment during 2014, however some work is continuing on a small percentage of premises which are harder to reach or where solutions have been identified to improve speeds. The YTD expenditure is showing as negative for SFBB. This is due to the estimated accrual for last financial year being higher than the costs finally charged. This will reduce as future expenditure is incurred.

Central Income & Expenditure

Revenue Summary

15. The year to date underspend of -£3.0m is primarily caused by £1.8m variance in the business rates income collected from borough and district councils. This is caused by the final agreed schedule for business rates being higher than the estimate used to produce the budget due to higher than expected returns being reported by the borough and district councils on their statutory returns. Also the profiling of the payments changed following and updated payment profile from CLG meaning more income was received in June and July than the budgeted profile. Over the course of the year the total variance is expected to be £1.6m.

16. There is also a £1.4m variance on Government Grants. This comes from the payment profile of the RSG grant from CLG changing so it does not match the budgeted profile. Over the course of the year the RSG payments will equal the budget.

17. The interest payable budget variance of £0.7m is because the budget is profiled to match when interest payments are made to lenders, with the majority of payments being made in September 2015 and March 2016. The interest paid budget is partially offset by the investment returns from the long-term capital strategy. These returns are profiled evenly across the year which has caused the negative year to date budget for interest payable. These returns are expected to increase in the later part of the year to off-set the current variance.

18. There is a year to date under spending on the Redundancy and Compensation budget of -£0.5m. Service restructuring plans to meet MTFP savings are developed during the year and the timing of any redundancies will occur throughout the year. At present this budget is forecast to have a small under spending at the year end.

19. The final agreed schedule of business rates income collected from borough and district councils is £1.6m higher than the budget figure. This is due to the budget being a best estimate at the time. The final schedule is agreed based on the NNDR returns from the borough and district councils. There are currently no other variances projected for the full year as there have been no significant developments or variations from budget assumptions that have arisen so far during in the year.

20. The staffing costs within the Central Income and Expenditure budget are the protected element of salaries arising from service restructures. Where a member of staff accepts redeployment to a lower graded post, their salary is protected for one year with the protected element being charged centrally. In the previous two years expenditure on this budget had fallen nearly to zero, but is now picking up. The current forecast is for expenditure of £150,000 this year, although the use of this budget could. This will lead to an underachievement of the MTFP savings target, although it is expected to be off-set by an under spending on the Redundancy & Compensation budget.

Table 7: 2015/16 Revenue position

| | Year to Date | | | | Full Year | | |
| | Budget | Actual | Variance | | Budget | Remaining forecast spend | Projection | Variance |
	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Government Grants	-114,091	-115,510	-1,419		-237,248	-358,986	-237,248	0
Other income	-257,724	-259,508	-1,783		-642,549	-429,190	-644,149	-1,600
Income	**-371,816**	**-375,018**	**-3,202**		**-879,797**	**-788,176**	**-881,397**	**-1,600**
Staffing		38	38			112	150	150
Non staffing	1,655	1,863	208		51,055	93,872	50,905	-150
Expenditure	**1,655**	**1,901**	**246**		**51,055**	**93,984**	**51,055**	**0**
Total	**-370,160**	**-373,116**	**-2,956**		**-828,742**	**-694,192**	**-830,342**	**-1,600**
Total on Dashboard	**-112,623**	**-113,875**	**-1,252**		**-186,642**	**-265,634**	**-186,642**	**0**
Council Tax Income	-239,170	-239,119	51		-598,000	-358,881	-598,000	0
Business Rates	-18,368	-20,122	-1,755		-44,100	-69,678	-45,700	-1,600
Revised Total	**-370,160**	**-373,116**	**-2,956**		**-828,742**	**-694,192**	**-830,342**	**-1,600**

| | YTD Budget | Year to Date Actual | YTD Variance | Full Year Budget | Remaining Forecast Spend | Outturn Forecast | Forecast Variance |
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Council Tax	-239,170	-239,119	51	-598,000	-358,881	-598,000	0
Business Rate Income	-18,368	-20,122	-1,755	-44,100	-69,678	-45,700	-1,600
Government Grants	-114,091	-115,510	-1,419	-237,248	-358,986	-237,248	0
Interest Receivable	-187	-266	-79	-449	-632	-449	0
Total Income	**-371,816**	**-375,018**	**-3,202**	**-879,797**	**-788,176**	**-881,397**	**-1,600**
Expenditure:							
Staffing Costs		38	38		112	150	150
Pensions Backfunding	4,740	4,722	-19	11,332	17,942	11,332	0
Redundancy & Compensation	2,161	1,642	-519	6,225	4,433	6,075	-150
Other Initiaitives				-1,500	-3,000	-1,500	0
Land Drainage Precept	563	563	0	1,125	1,688	1,125	0
Transfer from Provision				0	0	0	0
Contribution to/from Reserves	-4,300	-4,300	0	-4,300	-4,300	-4,300	0
Revenue Contributions to Capital				0	0	0	0
Interest Payable	-1,509	-825	683	12,922	26,669	12,922	0
Minimum Revenue Provision (MRP)				25,251	50,502	25,251	0
Write Offs		62	62		-62	0	0
Total expenditure	**1,655**	**1,901**	**246**	**51,055**	**93,984**	**51,055**	**0**
Net position	**-370,160**	**-373,116**	**-2,956**	**-828,742**	**-694,192**	**-830,342**	**-1,600**

Efficiencies

Table 8: 2015/16 Efficiency position

MTFP Description	MTFP 2015/16 £000	MTFP RAG	Latest 2015/16 £000	Latest RAG
Protected salaries	-447	G	-300	G
Synergies from incorporating Public Health	-500	A	-500	A
	-947		**-800**	

21. Central Income and Expenditure has two savings to find, totalling just under £1m in 2015/16.

22. In past years, the council has protected the salary of members of staff who have been redeployed as an alternative to being made redundant. The period of protection was originally two years, but was reduced to one year in 2014/15. The use of this budget has been declining and expenditure in 2014/15 was nearly zero, and in setting the budget for 2015/16 it was set at this amount. As described above, expenditure on this budget has increased this year and will now not achieve the full saving.

23. The transfer of the Public Health responsibility to local authorities has led to the possibility of making savings through synergies. Some of these savings will relate to the provision of services by the council – particularly within Children, Schools and Families and Adult Social Care – and also in management costs. The council is expecting to make on-going savings of £0.5m in 2015/16.

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Item 14

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