

# Cabinet

**Date & time**

Tuesday, 21 June  
2016 at 2.00 pm

**Place**

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

**Contact**

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**Chief Executive**

David McNulty

**We're on Twitter:**  
**@SCCdemocracy**

**Cabinet Members:** Mr David Hodge, Mr Peter Martin, Mrs Helyn Clack, Mrs Clare Curran, Mr Mel Few, Mr John Furey, Mr Mike Goodman, Mrs Linda Kemeny, Ms Denise Le Gal and Mr Richard Walsh

**Cabinet Associates:** Mr Tony Samuels, Mr Tim Evans, Mrs Kay Hammond and Mrs Mary Lewis

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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 Vicky Hibbert or Anne Gowing on 020 8541 9229 or 020 8541 9938.**

***Note:** This meeting may be filmed for live or subsequent broadcast via the Council's internet site - at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed. The images and sound recording may be used for training purposes within the Council.*

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*If you have any queries regarding this, please contact the representative of Legal and Democratic Services at the meeting.*

**1 APOLOGIES FOR ABSENCE**

**2 MINUTES OF PREVIOUS MEETING: 24 MAY 2016**

The minutes will be available in the meeting room half an hour before the start of the meeting.

**3 DECLARATIONS OF INTEREST**

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

Notes:

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

**4 PROCEDURAL MATTERS**

**a Members' Questions**

The deadline for Member's questions is 12pm four working days before the meeting (*15 June 2016*).

**b Public Questions**

The deadline for public questions is seven days before the meeting (*14 June 2016*).

**c Petitions**

The deadline for petitions was 14 days before the meeting, and no petitions have been received.

**d Representations received on reports to be considered in private**

To consider any representations received in relation why part of the meeting relating to a report circulated in Part 2 of the agenda should be open to the public.

**5 REPORTS FROM SCRUTINY BOARDS, TASK GROUPS, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL**

**CORPORATE PRIORITIES: 1. WELLBEING**

**6 SUSTAINABILITY AND TRANSFORMATION PLANS**

(Pages 1  
- 8)

Surrey County Council is playing an important role in the development of the three Sustainability and Transformation Plans (STPs) across Surrey. These Plans will play a pivotal role in shaping the future health and care landscape across Surrey.

This report provides an update on the emerging STPs and asks for delegated authority to sign off the STPs on behalf of the County Council.

*[The decisions on this item can be called in by the Social Care Services Scrutiny Board]*

## **7 WEST EWELL INFANT AND NURSERY SCHOOL**

(Pages 9  
- 14)

To approve the Business Case for the conversion of West Ewell Infant and Nursery School from a 4FE infant school with 360 places plus a 100 nursery places, to a 2 form entry Primary (420 primary places plus 52 nursery). This will reduce the number of Key Stage 1 and nursery places at the school by half but will add 240 junior places into the planning area.

This forms part of an area re-organisation of primary schools within Ewell that seeks to deliver around 600 additional primary places across three schools. This will help meet the basic need requirements in the Ewell and NW Epsom primary planning areas from September 2017 and will assist the Local Authority to meet its statutory responsibility to provide sufficient school places to meet the local demand.

The net number of nursery places will be unaffected but the re-organisation allows for more 2 year old places and a more flexible offer to parents across the three nurseries at Danetree, West Ewell and Ewell Grove Primary schools.

N.B. an annex containing exempt information is contained in Part 2 of the agenda – item 17.

*[The decision on this item may be called in by either the Council Overview Board or the Education and Skills Scrutiny Board]*

## **8 LINDON FARM, ALFORD - BUSINESS CASE FOR SUPPORTED LIVING ACCOMMODATION FOR ADULTS WITH AUTISM**

(Pages  
15 - 26)

There is growing demand for, and a shortage of, accessible accommodation with care and support for young adults with autism and high support needs in Surrey.

This paper sets out the business case for the construction of long term supported living accommodation for ten young adults at Lindon Farm and seeks Cabinet approval for capital investment. It demonstrates how the development will deliver better outcomes by enabling young people to live in Surrey near their families and support network, in specialist accommodation with appropriate space and access to activities.

This aligns with the Council's strategic goal of 'wellbeing' and the accommodation with care and support strategy. It also supports the national direction of travel set in the Transforming Care Programme.

N.B. an annex containing exempt information is contained in Part 2 of the agenda – item 18.

*[The decision on this item may be called in by either the Council Overview Board or the Social Care Services Scrutiny Board]*

## **CORPORATE PRIORITIES: 2. ECONOMIC PROSPERITY**

### **9 HIGHWAYS AND TRANSPORT ASSET MANAGEMENT STRATEGY** (Pages 27 - 88)

Surrey was one of the first authorities to develop an Asset Management Plan in 2005 (STAMP). The strategy was refreshed in 2014 and now must be revised again so that it is in line with best practice.

The Department of Transport (DfT) have introduced changes to the way they fund local highway authorities (the 'Incentive Element'), which means that those who are not applying sound asset management principles will receive a 15.5% reduction in highway maintenance funding by 2021. In terms of the funding Surrey receives, this would mean a reduction in funding of £4.3 million over this period if we cannot demonstrate we are applying an effective approach.

Operation Horizon is forecast to reduce the length of Surrey's road network that is in need of structural repair from 17% in 2013 to 12% in 2018. As a result of the success of this programme, our depreciation modelling indicates that over the next 15 years we should rebalance levels of investment between roads and other assets to achieve the greatest overall benefits for Surrey in the long-term.

To address these issues, this report seeks approval to implement a new 15-year Highways and Transport Asset Management Strategy.

*[The decision on this item may be called in by the Economic Prosperity, Environment and Highways Scrutiny Board]*

### **10 AWARD OF A CONTRACT FOR SHORT TERM VEHICLE HIRE** (Pages 89 - 96)

Surrey County Council has various needs for vehicle access so that employees can carry out essential Council business. Access to vehicle hire provision ensures that services are supported to deliver statutory duties. This includes usage by adult and children's residential care homes, and the Surrey highways service..

The current contract for vehicle hire was directly awarded to the incumbent provider, Automotive Leasing on 1 August 2015. In preparation for the expiry of the current contract a competitive tendering process has been completed using a Crown Commercial Services Vehicle Hire Framework.

The outcome of the process is set out in this report. Due to the commercial sensitivity involved in the contract award process a Part 2 report has been produced.

N.B. an annex containing exempt information is contained in Part 2 of the agenda – item 19.

*[The decision on this item may be called in by either the Council Overview Board or the Economic Prosperity, Environment and Highways Scrutiny Board]*

*Board]*

- 11 AWARD OF A CONTRACT FOR LEASE AND FLEET MANAGEMENT** (Pages 97 - 104)
- Surrey County Council has various needs for lease vehicles and fleet management services.
- The current contract for lease and fleet management was awarded to Automotive Leasing on 1 August 2015. In preparation for the expiry of the current contract a competitive process in the form of a closed mini-competition was undertaken using a Crown Commercial Services Framework.
- The outcome of the process is set out in this report. Due to the commercial sensitivity involved in the contract award process a Part 2 report details financially sensitive commercial information, including the prices and evaluation scores of all bidders.
- N.B. an annex containing exempt information is contained in Part 2 of the agenda – item 20.
- [The decision on this item may be called in by either the Council Overview Board or the Economic Prosperity, Environment and Highways Scrutiny Board]*
- 12 ANNUAL REPORT OF THE SHAREHOLDER BOARD** (Pages 105 - 138)
- 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.
- [The decisions on this item can be called in by the Council Overview Board]*
- 13 ANNUAL GOVERNANCE STATEMENT 2015/16** (Pages 139 - 152)
- The Annual Governance Statement provides a comprehensive assessment of the council's governance arrangements. Once signed by the Leader of the Council and the Chief Executive, the Annual Governance Statement is incorporated in the Statement of Accounts.
- [The decisions on this item can be called in by the Council Overview Board]*
- 14 FINANCE AND BUDGET MONITORING REPORT FOR MAY 2016** (Pages 153 - 156)
- The Council takes a multiyear approach to its budget planning and monitoring, recognising the two are inextricably linked. This report presents the Council's financial position as at 31 May 2016 (month two).
- The annex to this report gives details of the council's financial position.
- Please note that the Annex to this report will be circulated separately prior to the Cabinet meeting.

*[The decisions on this item can be called in by the Council Overview Board]*

- 15 LEADER / DEPUTY LEADER / CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING** (Pages 157 - 158)

To note any delegated decisions taken by the Leader, Deputy Leader and Cabinet Members since the last meeting of the Cabinet.

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

- 16 EXCLUSION OF THE PUBLIC**

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

## **P A R T T W O - I N P R I V A T E**

- 17 WEST EWELL INFANT SCHOOL (EPSOM AND EWELL) - BASIC NEED EXPANSION PROJECT** (Pages 159 - 164)

This is a part 2 annex relating to item 7.

**Exempt: Not for publication under Paragraph 3**

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

*[The decision on this item may be called in by either the Council Overview Board or the Education and Skills Scrutiny Board]*

- 18 LINDON FARM, ALFORD** (Pages 165 - 168)

This is a part 2 annex relating to item 8.

**Exempt: Not for publication under Paragraph 3**

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

*[The decision on this item may be called in by either the Council Overview Board or the Social Care Services Scrutiny Board]*

- 19 AWARD OF A CONTRACT FOR SHORT TERM VEHICLE HIRE** (Pages 169 - 172)

This is a part 2 annex relating to item 10.

**Exempt: Not for publication under Paragraph 3**

Information relating to the financial or business affairs of any particular

person (including the authority holding that information)

*[The decision on this item may be called in by either the Council Overview Board or the Economic Prosperity, Environment and Highways Scrutiny Board]*

- 20 AWARD OF A CONTRACT FOR LEASE AND FLEET MANAGEMENT** (Pages 173 - 176)

This is a part 2 annex relating to item 11.

**Exempt: Not for publication under Paragraph 3**

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

*[The decision on this item may be called in by either the Council Overview Board or the Economic Prosperity, Environment and Highways Scrutiny Board]*

- 21 WOKING TOWN CENTRE REGENERATION** (Pages 177 - 184)

**Exempt: Not for publication under Paragraph 3**

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

*[The decision on this item may be called in by the Council Overview Board]*

- 22 PROPERTY TRANSACTIONS** (Pages 185 - 210)

Property acquisition.

**Exempt: Not for publication under Paragraph 3**

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

*[The decision on this item may be called in by the Council Overview Board]*

- 23 PUBLICITY FOR PART 2 ITEMS**

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

**David McNulty**  
**Chief Executive**  
Monday, 13 June 2016

## QUESTIONS, PETITIONS AND PROCEDURAL MATTERS

The Cabinet will consider questions submitted by Members of the Council, members of the public who are electors of the Surrey County Council area and petitions containing 100 or more signatures relating to a matter within its terms of reference, in line with the procedures set out in Surrey County Council's Constitution.

### **Please note:**

1. Members of the public can submit one written question to the meeting. Questions should relate to general policy and not to detail. Questions are asked and answered in public and so cannot relate to "confidential" or "exempt" matters (for example, personal or financial details of an individual – for further advice please contact the committee manager listed on the front page of this agenda).
2. The number of public questions which can be asked at a meeting may not exceed six. Questions which are received after the first six will be held over to the following meeting or dealt with in writing at the Chairman's discretion.
3. Questions will be taken in the order in which they are received.
4. Questions will be asked and answered without discussion. The Chairman or Cabinet Members may decline to answer a question, provide a written reply or nominate another Member to answer the question.
5. Following the initial reply, one supplementary question may be asked by the questioner. The Chairman or Cabinet Members may decline to answer a supplementary question.

## MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE

Those attending for the purpose of reporting on the meeting may use social media or mobile devices in silent mode to send electronic messages about the progress of the public parts of the meeting. To support this, County Hall has wifi available for visitors – please ask at reception for details.

Anyone is permitted to film, record or take photographs at council meetings. Please liaise with the council officer listed in the agenda prior to the start of the meeting so that those attending the meeting can be made aware of any filming taking place.

Use of mobile devices, including for the purpose of recording or filming a meeting, is subject to no interruptions, distractions or interference being caused to the PA or Induction Loop systems, or any general disturbance to proceedings. The Chairman may ask for mobile devices to be switched off in these circumstances.

It is requested that if you are not using your mobile device for any of the activities outlined above, it be switched off or placed in silent mode during the meeting to prevent interruptions and interference with PA and Induction Loop systems.

*Thank you for your co-operation*



**SURREY COUNTY COUNCIL****CABINET****DATE: 21 JUNE 2016****REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL****MRS HELYN CLACK, CABINET MEMBER FOR WELLBEING AND HEALTH****LEAD OFFICER: DAVID MCNULTY, CHIEF EXECUTIVE****SUBJECT: SUSTAINABILITY AND TRANSFORMATION PLANS****SUMMARY OF ISSUE:**

Surrey County Council is playing an important role in the development of the three Sustainability and Transformation Plans (STPs) across Surrey. These Plans will play a pivotal role in shaping the future health and care landscape across Surrey.

This report provides an update on the emerging STPs and asks for delegated authority to sign off the STPs on behalf of the County Council.

**RECOMMENDATIONS:**

It is recommended that the Cabinet:

1. Notes the update on the emerging NHS Sustainability and Transformation Plans; and
2. Delegates authority to the Chief Executive, in consultation with the Leader of the Council and Cabinet Member for Wellbeing and Health, to sign off the STPs on behalf of the Council through its membership of the relevant STP Transformation / Programme Boards.

**REASON FOR RECOMMENDATIONS:**

The deadlines and tight timescales for the preparation and submission of NHS Sustainability and Transformation Plans necessitate the recommendation included in this report to delegate authority to sign off the STPs on behalf of the Council ahead of the deadline for submission to NHS England.

**DETAILS:****Background**

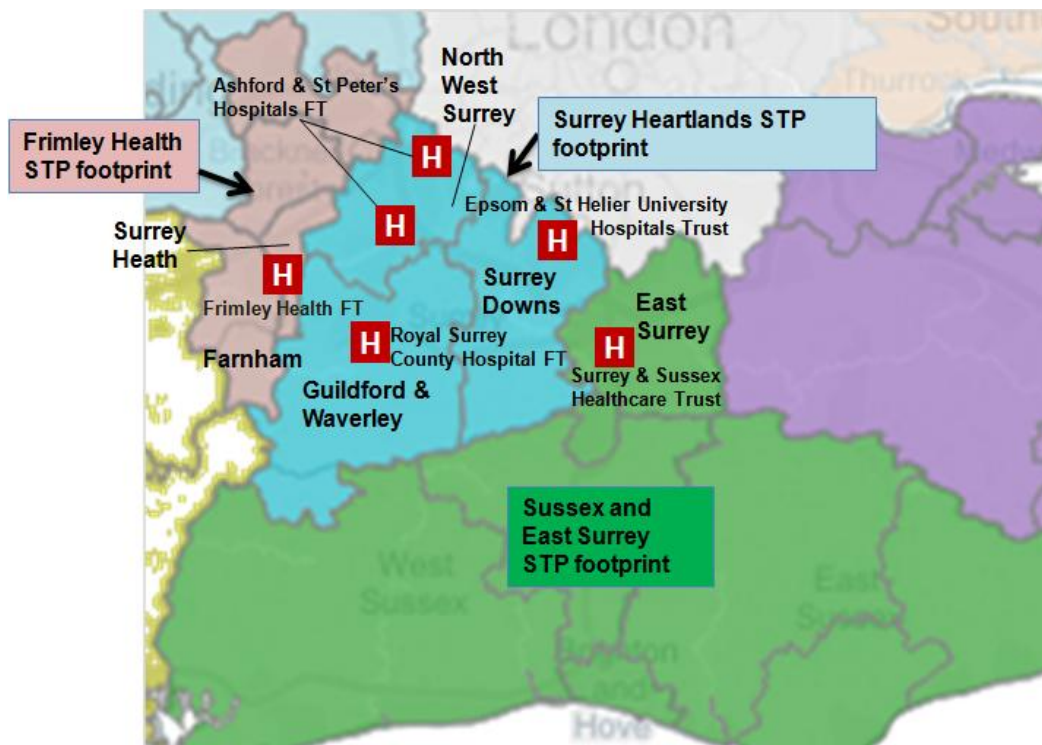
1. NHS Sustainability and Transformation Plans (STPs) are place-based, five-year plans built around the needs of local populations. They are intended to identify benefits to be realised in the short and longer term – helping organisations within the STPs to meet their immediate (16/17) financial challenges and ensure that the investment secured by the NHS in the Spending Review does not merely prop up individual institutions but is used to drive sustainable transformation in patient experience and health outcomes over the longer-term.
2. STPs will be the overarching strategic plan for local health and care systems covering the period October 2016 to March 2021 and represent a significant shift in NHS planning towards a place-based approach (as opposed to solely asking individual NHS organisations to produce their own plans). In addition to covering all areas of CCG and

NHS England commissioned activity, STPs will also include plans around integration with local authorities.

3. Whilst the STPs are principally NHS plans, the council's involvement in their development and implementation will be crucial to ensure the achievement of the shared aims of the council and health partners around improving health outcomes and greater integration of health and care services. The national guidance and direction from NHS England makes it clear that local authorities should be fully engaged in the STP process to ensure they are truly 'place-based'. STPs will also be the single application and approval process for being accepted onto programmes with NHS transformation funding for 2017/18 onwards.

### Progress on developing Sustainability and Transformation Plans across Surrey

4. The geographic 'footprint' for STPs is determined locally and should be based upon natural communities, existing working relationships and patient flows –there are three STPs covering Surrey:
  - Surrey Heartlands - covering the geographic areas of Guildford and Waverley CCG, North West Surrey CCG and Surrey Downs CCG
  - Frimley Health - covering the geographic areas of Surrey Heath and North East Hampshire and Farnham CCG (also covering areas outside of the county)
  - Sussex and East Surrey - covering the geographic area of East Surrey (also covering areas outside of the county)



5. Each of the three STP areas has established its own governance arrangements with own named strategic leads responsible for overseeing and coordinating their STP process:
  - Surrey Heartlands:  
STP footprint lead - Julia Ross, Chief Executive North West Surrey Clinical Commissioning Group  
Chair of the Surrey Heartlands Transformation Board – David McNulty, Chief Executive Surrey County Council
  - Frimley Health:

STP footprint lead and Chair of the Frimley System Leadership Group - Sir Andrew Morris, Chief Executive Frimley Health NHS Foundation Trust

- Sussex and East Surrey:

STP footprint lead – Wendy Carberry, Chief Executive High Weald Lewes Clinical Commissioning Group

Chair of the Sussex and East Surrey Programme Board - Michael Wilson, Chief Executive Surrey and Sussex Healthcare NHS Trust

6. The provisional Plans, which need to be submitted by 30 June 2016, will need to outline for their area the scale of the challenge they are facing in terms of the health and wellbeing gap, the care and quality gap, and the finance and efficiency gap, and how the area will respond to close the gaps. Each area will ask their STP Transformation / Programme Board / Leadership Boards to sign off the provisional Plan ahead of submission to NHS England.
7. Progress has been made in each area in beginning to shape these Plans with an extensive range of information gathering, partner workshops and meetings taking place over April and May 2016. Partners from across the County have been involved in these initial discussions including the NHS commissioners (CCGs and NHS England), NHS providers (acute hospital trusts, community care providers, Surrey & Borders Partnership & the ambulance trusts) and the County Council.
8. Whilst the plans are still being developed and finalised, there are a number of emerging themes from the plans – these include:
  - Strengthening the focus on self-care and prevention across all areas – primary prevention (preventing health problems developing), secondary prevention (stopping health problems getting worse) and tertiary prevention (reducing impact of disease on a person’s quality of life)
  - Accelerating and scaling the integration of services (in line with, and building on, the Surrey Better Care Fund plan 2016-17)
  - Reducing variation between health providers across a range of health and care pathways (in terms of clinical standards and outcomes for patients)
  - Ensuring sufficient networking of some acute hospital services across each area to ensure appropriate access for people to services as part of a sustainable health and care system
  - Prioritising workstreams and plans in some areas to redesign services / pathways, for example for cancer services, urgent and emergency care, and maternity and paediatric services
  - Taking a whole systems approach to workforce development to meet the current and future needs of the health and care system
  - Capitalising on new technology capabilities to enable and support new models of care
  - Strengthening the role of ‘citizens’ in the development of health and social care services through, for example, deliberative engagement processes, co-design and production

### **Council role and involvement in STPs**

9. Recognising the importance of the STPs in shaping and strengthening the future health and care system across Surrey, the County Council has embraced the opportunity to be involved in the development of the STPs in Surrey. To provide structure to the council’s collective contribution across all three STPs, officers have been working to the following shared objective for the Plans:

*To ensure health, social and community care commissioners and providers work together to design and deliver services centred around people, not organisational boundaries – commissioning and delivering sustainable services that provide public value.*

10. In addressing gaps relating to health and wellbeing, the quality of care and sustainability of the health and care system, the Plans that are emerging are aligned to ambitions set out in the council's Corporate Strategy and their successful delivery will specifically support the council's strategic goals related to:
  - Wellbeing – for example through work focussed on supporting residents to live longer and live well, and enabling people to stay well at home in their community and to return home sooner from hospital with the care they need; and
  - Resident Experience – for example through making better use of digital technology to improve services for residents, and developing joined-up services designed around the people that need care and support (rather than the organisations that provide it).
11. The council has been involved at a range of levels in the development of the plans from membership of the relevant Transformation / Programme Boards (with the Chief Executive being asked to chair the Surrey Heartlands Transformation Board), provision of intelligence and needs analysis from the Public Health team, being part of project / working groups and attending workshops to shape the approach and identify key issues. Plans being developed and implemented with partners to integrate health and social care services will form an important part of the STPs.
12. Presentations from the three STPs have also been made to the Surrey Health and Wellbeing Board to enable lead Members, officers and partners to consider the key themes emerging as part of the plans and an STP workshop was held by the Wellbeing and Health Scrutiny Board.
13. As members of the Transformation / Programme / Leadership boards in each of the three STP areas, council representatives will be asked to sign off the provisional STP submissions – it is proposed that this sign off is co-ordinated between the council representatives (detailed below) and the Chief Executive (this report asks for delegated authority for the Chief Executive to sign-off the plans on behalf of the council). The council's representation of these groups is as follows:
  - Surrey Heartlands STP Transformation Board: David McNulty (Chief Executive Surrey County Council), Helen Atkinson (Strategic Director Adult Social Care & Public Health) and Julie Fisher (Deputy Chief Executive)
  - Sussex and East Surrey STP Programme Board: Helen Atkinson (Strategic Director Adult Social Care & Public Health)
  - Frimley Health: The STP will be signed off by the three system leadership groups (East Berkshire System Leadership Group; North East Hampshire & Farnham Vanguard Leadership Group; and Surrey Heath Alliance). Helen Atkinson (Strategic Director Adult Social Care & Public Health), Jean Boddy (Area Director Adult Social Care) and Catherine Croucher (Public Health Consultant) are members of the Surrey Heath Alliance. Jean Boddy is also a member of the North East Hampshire & Farnham Vanguard Leadership Group.

### **CONSULTATION:**

14. A wide range of partners have been involved in the development of the STPs (highlighted in paragraph seven above).
15. In addition:
  - The Surrey Health and Wellbeing Board received updates from the three Surrey STPs at its meeting on 26 May 2016 and discussed the emerging themes and issues.
  - A Wellbeing and Health Scrutiny Board workshop took place on 31 May 2016 to review the emerging STPs.
16. The ongoing engagement and the involvement of residents, elected Members and partner organisations in the design and development of plans and services will be crucial to the successful delivery of STPs.

### **RISK MANAGEMENT AND IMPLICATIONS:**

17. The overall risk management arrangements for the STPs are led by health partners.
18. The STP process provides a vehicle for strengthening partnership governance arrangements, closer alignment of strategies and plans with partners, and supporting the delivery of existing plans (such as the integration of health and social care) – these are identified as key mitigating actions (processes / controls) within the Council's Leadership Risk Register against the risks associated with the achievement of the Medium Term Financial Plan 2016-2021 and the implementation of new models of delivery.

### **Financial and Value for Money Implications**

19. Whilst there are no direct financial implications for SCC as a result of this report, the design and implementation of the STPs across Surrey will play a crucial role in developing a sustainable health and care system.
20. The Council's plans with partners relating to health and social care integration and an increasing focus on prevention and self care are included within the STPs and are important elements of the Council's Medium Term Financial Plan.
21. In addition, establishing credible and ambitious STPs will be the only way for the Surrey health and care system to access the transformation funding being held by NHS England.

### **Section 151 Officer Commentary**

22. The Section 151 Officer supports the overall health and social care integration agenda as it will enable better use of resources across the whole system to create improved and more efficient services for residents.
23. The efficacy of specific integration proposals will be judged based on whether there are robust business cases that demonstrate that the proposals represent best value for the whole system and also ensure that the Council's financial position is safeguarded in the process of integration.

### **Legal Implications – Monitoring Officer**

24. Legislation and associated national policy places a duty on local authorities to promote and encourage the integration health and social care integration – for example:
- The Health and Social Care Act 2012 places a duty on the Council's Health and Wellbeing Board to encourage integrated working; and
  - The Care Act 2014 places a duty upon local authorities to “promote integration between care and support provision, health and health related services, with the aim of joining up services”.
25. In developing specific plans for health and social care integration, it will be important to ensure that any specific duties placed on the Authority are properly managed

### **Equalities and Diversity**

26. Equality analysis and Equality Impact Assessments (EIAs) will form an important part of any planning for changes to services across health and social care to assess the impact upon residents, people who use services, carers and staff with protected characteristics. Where they represent a service, or policy change, individual schemes and programmes that are part of the BCF will have equality analysis / EIAs completed and included as part of the plans.

### **Safeguarding responsibilities for vulnerable children and adults implications**

27. The further integration of health and social care services will support the safeguarding of vulnerable Surrey residents. More joined up service delivery by organisations will aid the identification and support of people vulnerable to abuse and enhance consistency of approach and training to safeguarding issues.

### **Public Health implications**

28. Integration across health and social care will support and promote the health of the Surrey population, more closely aligning outcomes and resources.

### **WHAT HAPPENS NEXT:**

The next steps include:

- Provisional STPs are finalised by the submission deadline of 30 June 2016
- STP assurance process during July 2016 (through a series of regional conversations between national teams and STP leads)
- The Surrey Health and Wellbeing Board will receive further updates on the development of the STPs (date to be confirmed following the STP assurance process)

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#### **Contact Officer:**

Justin Newman, Assistant Director Health and Social Care Integration, Tel: 020 8541 8750

#### **Consulted:**

Representatives from:  
 Adult Social Care and Public Health  
 Legal services  
 Finance  
 Surrey Heartlands STP  
 Frimley Health STP  
 Sussex and East Surrey STP

**Annexes:**

None

**Sources/background papers:**

Cabinet report – 22 March 2016: Health and social care integration

Cabinet report – 24 November 2015: Progressing the integration of health and social care in Surrey

Cabinet report – 16 December 2014: Health and social care integration

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**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 21 JUNE 2016**



**REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE**

**MRS LINDA KEMENY, CABINET MEMBER FOR SCHOOLS, SKILLS AND EDUCATIONAL ACHIEVEMENT**

**LEAD OFFICER: JOHN STEBBINGS, CHIEF PROPERTY OFFICER  
JULIE STOCKDALE ASSISTANT DIRECTOR FOR SCHOOLS AND LEARNING (INTERIM)**

**SUBJECT: WEST EWELL INFANT AND NURSERY SCHOOL**

#### **SUMMARY OF ISSUE:**

To approve the Business Case for the conversion of West Ewell Infant and Nursery School from a 4FE infant school with 360 places plus a 100 nursery places, to a 2 form entry Primary (420 primary places plus 52 nursery). This will reduce the number of Key Stage 1 and nursery places at the school by half but will add 240 junior places into the planning area.

This forms part of an area re-organisation of primary schools within Ewell that seeks to deliver around 600 additional primary places across three schools. This will help meet the basic need requirements in the Ewell and NW Epsom primary planning areas from September 2017 and will assist the Local Authority to meet its statutory responsibility to provide sufficient school places to meet the local demand.

The net number of nursery places will be unaffected but the re-organisation allows for more 2 year old places and a more flexible offer to parents across the three nurseries at Danetree, West Ewell and Ewell Grove Primary schools.

#### **RECOMMENDATIONS:**

It is recommended that, subject to the agreement of the detailed financial information for the expansion as set out in Part 2 of this agenda, the business case for the provision of an additional two forms (240 places) of junior places in Ewell planning area be approved.

#### **REASON FOR RECOMMENDATIONS:**

The proposal supports the Authority's statutory obligation to provide sufficient school places to meet the needs of the population in Epsom and Ewell borough.

<b><u>DETAILS:</u></b>
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### **Background**

1. There has been an increasing trend in the demand for places in primary schools in Epsom and Ewell. There is also an historic mismatch between the number of infant and junior places available, especially in the Ewell area. The two infant schools have a combined PAN of 190 and yet Danetree's junior PAN is only 128. There is no other feeder junior school in this area.
2. The rising demand has been addressed by some permanent expansions in other planning areas and some infant and junior bulge classes in different local schools each year. This strategy has caused a degree of parental concern as to which schools will offer a Key Stage 2 place to children moving out of the infant phase.
3. The Council received requests from both infant schools in Ewell to convert them into primary schools for educational reasons and Danetree Junior academy also indicated a willingness to both expand and become an all through primary school. It is therefore possible to reduce the number of school transitions Ewell children have to make and add some more primary places into the net capacity if the Council agrees to fund a re-organisation of the provision at the three schools. This will ensure a sufficiency of places up to the end of the current forecast period which is 2024 and should facilitate a continuing rise in academic standards by pupils only attending one school, with its own nursery, for their entire primary education phase.
4. West Ewell Infant and Nursery School is a popular and successful school which delivers high quality education. It was rated Outstanding by OFSTED at its last inspection (April 2010) and was over-subscribed for 2016 Reception places. The proposed conversion to a 2 FE primary school and the provision of 240 additional junior places therefore meets the government's policy position to expand successful schools in order to meet parental preferences. The reduction of 180 infant places (2 FE YR-2) will be compensated by the conversion of Danetree to a 4 FE primary school in September 2016, which was approved by Cabinet on 22 March 2016. This will add infant places. The schemes are therefore intrinsically linked.
5. The Ewell and NW Epsom primary planning areas have been affected by the increase in births, new housing and pupil migration into the area. Births in the Borough in 2014 were 22.8% higher than births in 2002. These are the children that we expect to enter Reception classes in 2016. The development of the new estates on the former hospital sites has put additional pressure onto education infrastructure with many new residents either arriving with, or starting, families.
6. The combined Published Admission Number for Ewell is 360 in Reception classes. The Council has received 350 first preferences for places in September 2016, which implies that we may have 10 spare places. However the combined PAN for NW Epsom is 210 and we have received 235 first preferences for these schools. We are therefore at least 15 places short across the two areas based on only first preferences and without taking into account any late applications or SEN placements.

7. To facilitate the conversion to primary status the capital works at West Ewell Infant and Nursery school will be minimal. This is because the school has already been expanded to a 4 FE infant school which was completed in 2013/14. This included adding 6 classrooms and a new hall and kitchen facility. Officers are now proposing to make some internal modifications to the existing accommodation to enable it to function as a 2 FE primary school with a smaller nursery and a specialist centre for pupils with communication and interaction needs. During a transitional period the school will need additional temporary accommodation as larger cohorts of up to 120 pupils move through Key Stage 2.
8. Planned maintenance works including replacement windows and other external repairs funded from the capital maintenance programme have been included with the Basic Need project to achieve efficiencies.
9. A planning application has been submitted for this temporary accommodation and a delegated decision is expected by the end of June 2016.

#### **CONSULTATION:**

10. Public consultation was undertaken on this proposal twice, once informally in 2014, where it received strong support from parents. Then a second statutory consultation was held in July 2015 and again the response was overwhelmingly positive to all three schools (West Ewell, Ewell Grove and Danetree) converting to primary status. A consultation document was published and all statutory stakeholders including parents and local residents were informed. In addition, public meetings were held at all 3 schools during June and July 2015.
11. The results of the public consultation were summarised in the report to the Cabinet Member for Schools and Learning on 28 July 2015. The West Ewell responses may be summarised as follows:

Thirty people attended the public meeting at the school on 30 July 2015. The Council received 71 written responses to the consultation of which 85% were in favour of the proposal (60 respondents) and 15% were not in favour (11 respondents).

#### **RISK MANAGEMENT AND IMPLICATIONS:**

12. West Ewell Infant and Nursery School is on a relatively compact site with difficult access arrangements up a narrow lane leading off a main road. However its previous major building programme was well managed in terms of site access, deliveries etc and the main issue this time will be the delivery of the temporary modular classrooms which will be arranged out of school hours. The delivery team will work closely with the school's management and contractor to manage construction risks and ensure the site is safe for pupils, staff and visitors.
13. There are minimal risks associated with the project nevertheless a project risk register has been compiled and is regularly updated. A contingency allowance appropriate to the scheme has been included within the project budget to mitigate for potential unidentified risks.

### **Financial and Value for Money Implications**

The project will be subject to robust cost challenge and scrutiny to drive optimum value as it progresses. Further financial details are set out in the report circulated in Part 2 of the agenda. These details have been circulated separately to ensure commercial sensitivity in the interests of securing best value.

### **Section 151 Officer Commentary**

14. The funding for this scheme is included in the 2016-21 Medium Term Financial Plan.

### **Legal Implications – Monitoring Officer**

15. Section 13 of the Education Act 1996 places a duty on a Local Authority (with responsibility for education) to ensure sufficient primary and secondary education provision is available to meet the needs of the population in its area.

### **Equalities and Diversity**

16. The conversion of the school will not create any issues, which would require the production of an Equality Impact Assessment.
17. The school building already complies with Disabilities Discrimination Act (DDA) regulations. The conversion of infant classrooms and facilities to meet the needs of junior aged pupils will be undertaken and the relocation of the SEN centre to another part of the school will improve the access to learning for these pupils.
18. The school will be mainly for children in the community served by the school. However the SEN specialist centre will admit pupils from outside the immediate planning area as it will continue to serve a wider local need for specialist places.
19. The school will continue to provide Early Years education and is considering extending it to two year olds. Ewell grove Primary School will also continue to offer 'wrap around care' in the form of a Breakfast and After School Club.
20. The Admissions arrangements give the highest priority to Looked After Children and pupils on the Special Educational Needs (SEN) register and/or those who would benefit from a statement of educational need, thus supporting provision for our most vulnerable children. Children with siblings will receive the next priority, followed by those children living closest to the school. There is no proposal to amend the admissions criteria which is fully compliant with the Schools Admissions Code.
21. The school will be expected to contribute towards community cohesion and will be expected to provide the normal range of before and after schools clubs as are provided in a typical Surrey County Council school.

### **Corporate Parenting/Looked After Children implications**

22. This proposal would provide increased provision for primary places in the area, which would be of benefit to the community served by the school. This means it

would therefore also be of benefit to any looked after children who will attend the school.

#### **Climate change/carbon emissions implications**

23. The design philosophy is to create buildings that will support low energy consumption, reduce solar gain and promote natural ventilation. The school will be built to the local planning authority's adopted core planning strategy.

#### **WHAT HAPPENS NEXT:**

If approved, to proceed to complete tenders and subsequent contract award through delegated decision.

#### **Contact Officer:**

Keith Brown, Schools and Programme Manager – tel: 020 8541 8651  
Melanie Harris, School Commissioning Officer – tel: 020 8541 9556

#### **Consulted:**

Tony Samuels, Cabinet Associate for Assets and Regeneration Programmes  
Eber Kington, Local Member for Ewell Court, Auriol and Cuddington – Epsom and Ewell  
Julie Fisher, Deputy Chief Executive and Strategic Director for Children Schools and Families.  
Paula Chowdhury, Strategic Finance Manager – Business Services

#### **Annexes:**

None - Part 2 report with financial details

#### **Sources/background papers:**

- The Education Act 1996
- The School Standards Framework Act 1998
- The Education Act 2002
- The Education and Inspections Act 2006
- Report to Cabinet: Schools Capital Budget Allocations Service update based on latest or most appropriate report year and version

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**SURREY COUNTY COUNCIL****CABINET****DATE: 21 JUNE 2016****REPORT OF: MR MEL FEW, CABINET MEMBER FOR ADULT SOCIAL CARE, WELLBEING AND INDEPENDENCE****MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE****LEAD OFFICER: HELEN ATKINSON, STRATEGIC DIRECTOR, ADULT SOCIAL CARE & PUBLIC HEALTH****SUBJECT: LINDON FARM, ALFOLD – BUSINESS CASE FOR SUPPORTED LIVING ACCOMMODATION FOR ADULTS WITH AUTISM****SUMMARY OF ISSUE:**

There is growing demand for, and a shortage of, accessible accommodation with care and support for young adults with autism and high support needs in Surrey.

This paper sets out the business case for the construction of long term supported living accommodation for ten young adults at Lindon Farm and seeks Cabinet approval for capital investment. It demonstrates how the development will deliver better outcomes by enabling young people to live in Surrey near their families and support network, in specialist accommodation with appropriate space and access to activities.

This aligns with the Council's strategic goal of 'wellbeing' and the accommodation with care and support strategy. It also supports the national direction of travel set in the Transforming Care Programme.

**RECOMMENDATIONS:**

It is recommended that Cabinet:

1. Agrees to invest to build long term supported living accommodation for ten adults with autism and high support needs at Lindon Farm.
2. Delegates authority to the Chief Property Officer in consultation with the Cabinet Member for Business Services and Resident Experience for awarding the contract for developing the site and construction of the supported living accommodation.
3. Delegates authority to the Strategic Director for Adult Social Care and Public Health in consultation with the Cabinet Member for Adult Social Care, Wellbeing and Independence to award the contract for the provision of care services to the residents once construction has been completed.

**REASON FOR RECOMMENDATIONS:**

The site offers an opportunity to build supported living accommodation for ten adults

with autism and high support needs to:

- Enable individuals to live in Surrey near their families and support network, rather than out of county.
- Provide supported living accommodation with appropriate space and a range of activities for residents, whilst they are also supported to be part of their local community.
- Deliver long term savings in the provision of their care and support.

#### **DETAILS:**

#### **Growing demand**

1. Autism is a lifelong condition that can affect the way a person communicates and relates to other people. The three main areas of difficulty associated with autism are communication, social interaction and social imagination ie understanding and predicting other people's behaviour, making sense of abstract ideas and imagining situations outside the immediate daily routine. Autism is not a learning disability in itself, but there is a significant overlap – many people with autism also have a learning disability.
2. Surrey County Council's Special Educational Needs and Disabilities (SEND) needs analysis shows a steep increase in the numbers of children with autism and the most complex needs. This analysis projects that the numbers will more than triple from 191 to 660 between 2013 and 2033, and these young people are expected to transfer to adult services once they reach 18. This increase reflects national trends and is due to increasing prevalence and better diagnosis.
3. Adult Social Care supports approximately 3,200 people with a learning disability and/or autism (18-64 years). 11% of this group are identified as having autism but we believe this is an underestimate. Adult autism diagnosis in Surrey is improving but historically has been poor, reflecting the national situation. Prevalence studies suggest that a more accurate number of Surrey adults with autism currently funded for social care support would be at least 25% of the total cohort, or upwards of 800 individuals.

#### **Aim and Approach**

4. One of the Council's strategic goals is 'wellbeing', where 'everyone in Surrey has a great start to life and can live and age well'. As part of this commitment, the Council's accommodation with care and support strategy and the national direction of travel is to support individuals with disabilities to 'live in suitable accommodation with appropriate care and support to meet their changing needs', to be part of their local community and to live near their families in Surrey.
5. There is a shortage of accessible accommodation with care and support for young adults with autism and behaviour support needs in Surrey. The County Council's commissioners have been working actively with providers to develop new services over recent years. Despite the development of successful in-county specialist services, individuals with a particular profile of needs have continued to be hard to accommodate, and each year we still need to place young people in out of county specialist services, away from their families and support networks, and at high cost. This is largely because



of the difficulty of finding accommodation with large indoor and outdoor space, in locations close enough to amenities and a support provider with the appropriate skills and experience.

6. The map in Annex A illustrates the care settings around the country where the Council currently places young people and adults with autism and high support needs. There are currently 41 young people in transition to adulthood who will need this type of accommodation with care and support within the next 2-5 years.
7. Surrey County Council approved the acquisition of the freehold interest in Lindon Farm (six acres) in August 2015 for potential future service needs. Annex B provides a map of the site. The original proposal was to refurbish the existing buildings for supported living accommodation. As the project brief has evolved and following the completion of more detailed feasibility work it has been concluded that the most practical and cost effective way forward would be to demolish these buildings and develop bespoke new buildings.
8. The new building will be designed by the appointed architect in consultation with all relevant stakeholders and constructed by an experienced building contractor. These facilities will be single storey units, to meet the highly specific needs of the residents and to ensure their high levels of support can be efficiently and effectively provided. The planned development, for which an outline design is included in Annex C, will include:
  - Individual supported living flats for five tenants with a shared lounge area and accommodation for one sleep-in member of staff.
  - Shared supported living flat for three tenants with accommodation for one sleep-in member of staff.
  - Shared supported living flat for two tenants.
  - Activity centre for day time activities, sensory and therapy sessions; office and break out space for staff.
  - Landscaping on the north of the site.
9. The Council awarded the contract for the design of the development to Haverstock Associates LLP working collaboratively with Breeze Landscape. Haverstock are widely regarded as one of the leading architects in the design of buildings for people with special education needs and have delivered a number of autism specialist projects. Prior's Court, a specialist school for 5 to 19 years and supported living and learning environment for young adults aged 19 to 25 years, is providing advice to the Council on a consultancy basis
10. The Lindon Farm development is being led by a Project Board which is chaired by the Deputy Director Adult Social Care and involves internal officers as well as Surrey & Borders Partnership Foundation Trust. A stakeholder partnership group has been set up to act as a sounding board and critical friend.

### **Specialist accommodation with care and support**

11. The design of the accommodation needs to be specialist for a number of reasons:

- People with autism can perceive sensory information differently, which can cause stress and anxiety when they find themselves in confined, noisy or visually busy spaces.
  - Some people with autism manage their stress by boisterous movement, which requires a lot of space both indoors and outside.
  - People with this profile of needs can require high levels of staff support, particularly when anxious, and their accommodation needs to be big enough to accommodate staff as well as tenants.
  - When anxious the building design needs to facilitate the safe movement of people around the site, and to get in and out of their accommodation without passing through communal areas or high risk points such as kitchens.
  - Access to community settings can be difficult for this group. Over time, this can be addressed, but while people are learning to cope with the stresses of the outside world, it is important to have space available for them to be active and engaged at home. This can mean having access to indoor and outdoor activities on site, while learning to use general community facilities.
  - The specialist nature of the support required means staff need to plan and prepare activities and keep accurate records. Space for this will need to be available close to the accommodation.
12. Surrey County Council will be responsible for deciding who will be offered a tenancy and this will be based upon assessed needs. Decisions will be made by the end December 2016 and will be informed by an external autism expert.

#### **CONSULTATION:**

13. This proposal was scrutinised by Investment Panel on 15 March 2016. Local politicians have been made aware of the plans for Lindon Farm, including Member of Parliament - Anne Milton; County Councillor - Victoria Young; Waverley District Councillor - Kevin Deanus; Chair of Local Committee (Waverley) - Pat Frost; and Chair of Parish Council - Nik Pidgeon. A community engagement event was held on 19 May and attended by approximately 40 local Alfold residents.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

14. Risk that planning permission will be refused – mitigating actions being taken:
- Design team to take account of likely issues eg transport, access, draining etc as part of pre-application discussions
  - Engage with the local community to listen to local concerns and to shape plans eg Local Waverley Committee; Alfold Parish Council; community event
  - Consider the timing of our planning application around other large scale local applications eg Dunsfold Park, Springbok Estate
15. Risk of social isolation of individuals in a semi-rural setting - mitigating actions being taken:
- Mapping has shown over 30 activities in the local area (less than 10 miles) in which tenants can engage eg Cranleigh Sports Centre which welcomes individuals with high support needs, National Autistic

- Society in Godalming which offers a resource centre, day services and outreach
  - The service provider will be required to enable individuals to use local community and specialist facilities
16. Risk of difficulties in finding a service provider who is able to recruit and retain staff in this semi-rural area - mitigating actions being taken:
- Providers in the Transforming Care consortium will be approached
  - National Autistic Society in Godalming has a resource centre, day services and outreach, so could potentially be a resource for staff training etc
  - Jigsaw Trust in Dunsfold has a specialist provision for individuals 18+ and a staff development programme - there may be opportunities to work together
  - Alfold is located between Guildford and Horsham, both of which are large conurbations with recruitment opportunities
17. Risk of the development costs escalating - mitigating actions being taken:
- A detailed building cost estimate has been undertaken to enable the Council to predict the final outturn construction cost.
  - The building cost estimate has a contingency to 10% to allow for the early stage of the design process and construction on a brownfield site.
  - Consideration will be given to a building construction procurement method which allows for early involvement of the building contractor. This will include a pre-construction phase where project cost, programme and design quality can be reviewed to provide a higher level of cost and programme predictability.

#### **Financial and Value for Money Implications**

18. Interested parties will be able to fund raise for non-infrastructure items which will enhance and personalise Lindon Farm for tenants.
19. Building to best practice in autism design will mean that larger rooms and circulation spaces will be required together with robust materials and fittings suitable for people with autism. The budget thus allows for an increased specification, rather than a standard housing development.
20. Financial analysis has demonstrated that the Council needs to provide supported living accommodation for ten adults at Lindon Farm to make the business case viable. Investment Panel considered other options, including providing for more than ten individuals. This has been discounted because:
- Having more than ten tenants in a single development risks becoming an institutional, campus-style facility.
  - This does not reflect the model set out in the Council's accommodation with care and support strategy, draft learning disability and autism strategy or national direction of travel.
  - Advice from a planning consultant is that the increase in size of accommodation and activity centre and the need for additional night staff, mean this option is less likely to secure planning permission.

21. The government is consulting on a proposal to cap housing benefit to Local Housing Allowance (LHA) rates. If implemented this may affect the sustainability of some supported living and extra care business models. However, these changes would not impact on the viability of this project. A prudent approach has been taken in the financial modelling set out in Annex D, with housing benefit income already capped at the LHA rate for the area. It is possible that housing benefit income could be higher, potentially increasing the return on capital employed, but it should not be any lower than currently estimated even if the changes proposed by the government are implemented.

#### **Section 151 Officer Commentary**

22. The Section 151 Officer confirms that all relevant financial implications have been taken into account in formulating the business case for the Lindon Farm site. The recommended option of developing units for ten adults with autism and high support needs, and the associated capital investment required, represents the best use of financial resources in achieving the strategic aims of the project and is supported by the Investment Panel.

#### **Legal Implications – Monitoring Officer**

23. Under the Care Act 2014 there is a duty on local authorities to carry out an assessment of an individual's needs which is triggered by the appearance of need and arises regardless of the level of those needs and the individual's financial resources. Where eligible needs are identified the authority is under a duty to provide services to meet those needs.
24. The proposed development at Lindon Farm will enable the authority to meet the needs of adults with high needs arising as a result of a diagnosis of autism. The location of the development will additionally enable the authority to meet its general duty to promote well-being in that the residents will be able to live near their families in Surrey rather than in out of county specialist services across the Country.
25. The financial modelling projects an annual revenue savings thereby allowing the authority to meet its fiduciary and best value duties.

#### **Equalities and Diversity**

26. An Equality Impact Assessment has been undertaken to assess how the proposal to develop supported living accommodation at Lindon Farm will impact on residents and staff with different protected characteristics. A summary follows:

<b>Information and engagement underpinning equalities analysis</b>	<ul style="list-style-type: none"> <li>• Range of data including Surrey, Projecting Adult Needs &amp; Service Information (PANSI), Learning Disability in Surrey Health Needs Assessment, legislation and independent research and literature</li> <li>• Engagement with members of the stakeholder partnership group</li> <li>• Engagement with the local Alfold community and politicians</li> </ul>
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<p><b>Key impacts (positive and/or negative) on people with protected characteristics</b></p>	<p><b>Potential positive impacts on residents, service users and carers</b></p> <ul style="list-style-type: none"> <li>• People with autism and high support needs will be able to live in supported living accommodation built to best practice in autism design</li> <li>• Individuals will be able to live with specialist care and support near their families and networks in Surrey</li> <li>• People will have sufficient internal and external space with safe boundaries</li> <li>• Individuals will have a range of indoor and outdoor activities on site, whilst being supported to be part of their local community</li> <li>• People will be offered a tenancy in supported living accommodation and a home for as long as they need</li> </ul> <p><b>Potential negative impacts on residents, service users and carers</b></p> <ul style="list-style-type: none"> <li>• Identifying compatible tenants for the shared flats</li> <li>• Stress for tenants associated with the change of a new environment and routine</li> <li>• Risk of social isolation of individuals in a semi-rural setting</li> <li>• Access to community settings and activities can be difficult for this group</li> <li>• Potential increase in vehicle traffic for local residents on Rosemary Lane</li> </ul> <p><b>Potential positive impacts on staff</b></p> <ul style="list-style-type: none"> <li>• Opportunity to work in a setting built to best practice in autism design, with space to plan, prepare and deliver activities and keep accurate records</li> <li>• New opportunities, roles and responsibilities</li> <li>• Opportunity to potentially access training through, and work together with, the National Autistic Society and Jigsaw Trust</li> </ul> <p><b>Potential negative impacts on staff</b></p> <ul style="list-style-type: none"> <li>• Risk of difficulties in recruiting and retaining staff in this semi-rural area</li> <li>• A period of readjustment as staff take on new roles and responsibilities</li> <li>• It may be challenging for staff with caring responsibilities to work night shifts</li> </ul>
<p><b>Changes you have made to the proposal as a result of the EIA</b></p>	<p>No amendments are proposed as a result of the Equality Impact Assessment as the potential positive and negative impacts had already been considered</p>

<p><b>Key mitigating actions planned to address any outstanding negative impacts</b></p>	<p><b>Mitigating actions to address potential negative impacts on residents, service users and carers</b></p> <ul style="list-style-type: none"> <li>• Compatibility of tenants will be part of the needs assessment process</li> <li>• Tenants will be invited to move into Lindon Farm on a phased basis so they can each be supported to adapt to a new environment and routine</li> <li>• Service provider will be required to support individuals to use local community and specialist facilities</li> <li>• Provision of indoor and outdoor activities on site, while people learn to use local community resources and to cope with the stresses of the outside world</li> <li>• On-going engagement with the local community and efforts to grow awareness of autism</li> <li>• Ensure families are provided with regular briefings</li> <li>• Service provider will be required to arrange staffing rotas to vary shift start and finish times</li> </ul> <p><b>Mitigating actions to address potential negative impacts on staff</b></p> <ul style="list-style-type: none"> <li>• Providers in the Transforming Care consortium will be approached to provide services</li> <li>• Work with National Autistic Society and Jigsaw Trust to explore opportunities to support the service provider's recruitment and training</li> <li>• As part of the tender process, service providers will need to demonstrate their ability to recruit and retain staff in this semi-rural area and to resource night shifts</li> <li>• Service provider to have a clear strategy around the use of bank and agency staff</li> <li>• Take any caring responsibilities staff may have into account when setting up rotas, undertaking any changes in roles and responsibilities etc</li> </ul>
<p><b>Potential negative impacts that cannot be mitigated</b></p>	<p>There are no potential negative impacts that cannot be mitigated</p>

**Other Implications:**

27. 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	Safeguarding responsibilities will be built into the service specification for

	the care provider
Public Health	No significant implications arising from this report
Climate change	No significant implications arising from this report
Carbon emissions	The building will be designed and constructed to Building Regulations, particularly Part L Consideration of Fuel and Power which will result in lower carbon emissions

#### **WHAT HAPPENS NEXT:**

28. Should Cabinet approve the business case for supported living accommodation at Lindon Farm, the next steps will be:

- Detailed design and specification (to Aug 2016)
- Planning application (Sept – Dec 2016)
- Building contractor tender to market and award (Dec – Feb 2017)
- Support provider tender to market and award (Dec – Feb 2017)
- Construction (Apr 2017 – Summer 2018)
- Residents move in (Summer 2018)

#### **Contact Officer:**

Kathryn Pyper, Senior Programme Manager, Adult Social Care  
Tel: 020-8541-7076 e-mail: kathryn.pyper@surreycc.gov.uk

#### **Consulted:**

The following have been consulted on the business case:

- Victoria Young, County Councillor
- Liz Uliasz, Deputy Director, Adult Social Care
- Helen Atkinson, Strategic Director, Adult Social Care and Public Health
- Sheila Little, Director of Finance (Investment Panel)
- Wil House, Finance Manager, Adult Social Care
- John Stebbings, Chief Property Officer (Investment Panel)

#### **Annexes:**

- Annex A – Current placements for young people and adults with autism and high support needs
- Annex B – Site map
- Annex C – Outline design
- Annex D - Capital and revenue impact (in part 2 – item 18)

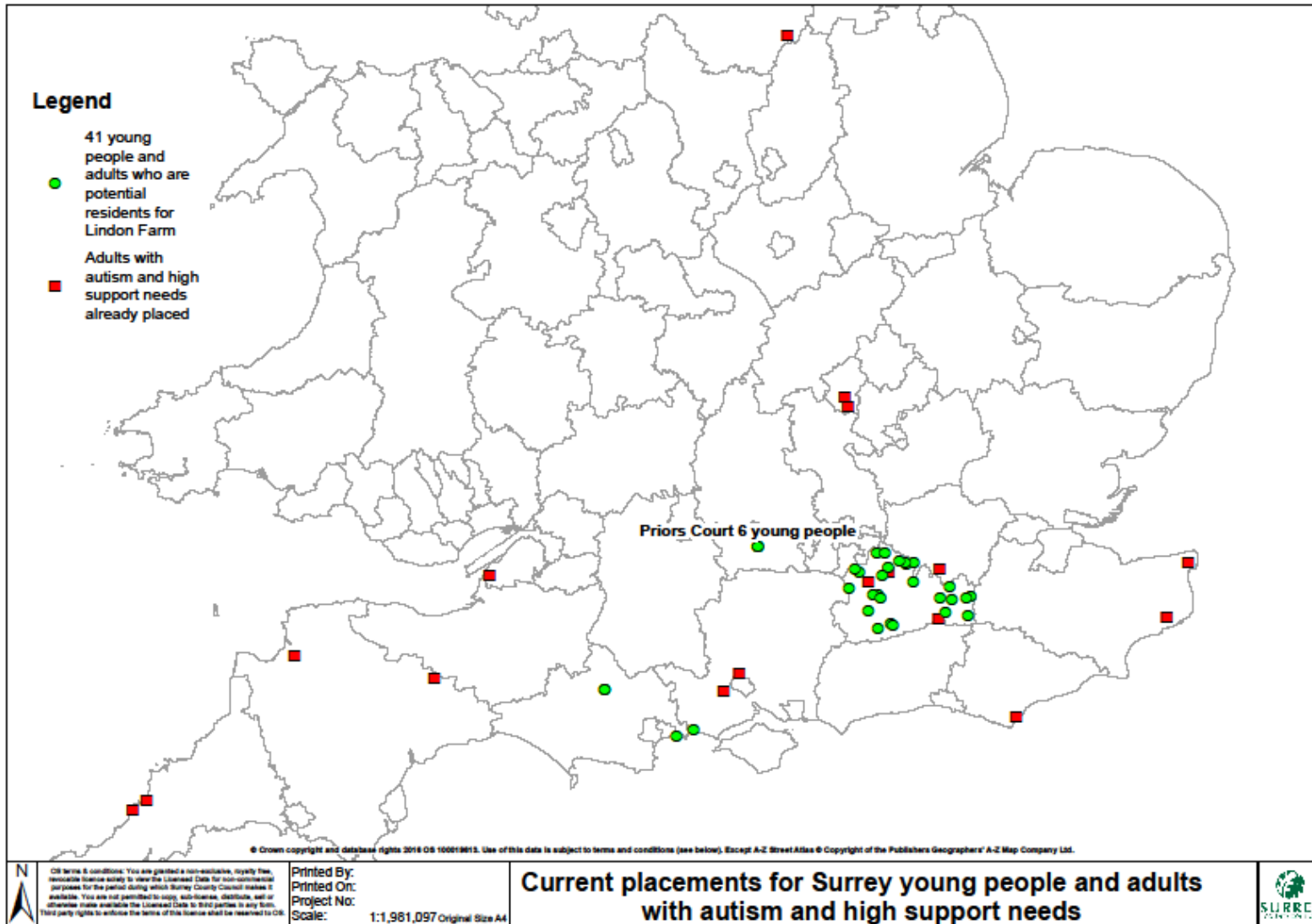
#### **Sources/background papers:**

- SEND 16-25 Needs Assessment 2013
- Cabinet paper - 29 July 2015 – Acquisition of premises in Alfold, Cranleigh

# Current placements for Surrey young people and adults with autism and high support needs

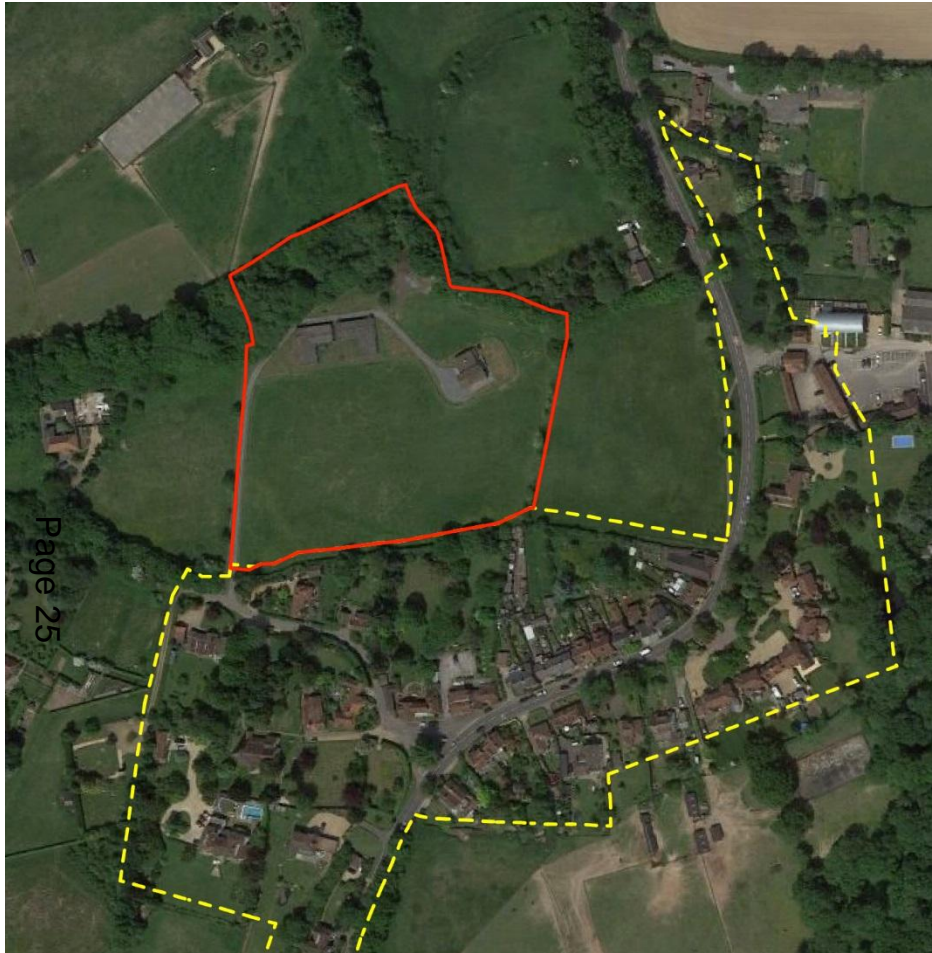
Annex A

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# Lindon Farm – Site Map



The red solid boundary marks Lindon Farm

# Annex B



Lindon Farm - Outline Design

Annex C

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SURREY COUNTY COUNCIL

CABINET

DATE: 21 JUNE 2016

REPORT OF: MR JOHN FUREY, CABINET MEMBER FOR HIGHWAYS,  
TRANSPORT AND FLOODING

LEAD OFFICER: JASON RUSSELL, ASSISTANT DIRECTOR HIGHWAYS AND  
TRANSPORT

SUBJECT: HIGHWAY & TRANSPORT ASSET MANAGEMENT STRATEGY



#### **SUMMARY OF ISSUE:**

Surrey was one of the first authorities to develop an Asset Management Plan in 2005 (STAMP). The strategy was refreshed in 2014 and now must be revised again so that it is in line with best practice.

The Department of Transport (DfT) have introduced changes to the way they fund local highway authorities (the 'Incentive Element'), which means that those who are not applying sound asset management principles will receive a 15.5% reduction in highway maintenance funding by 2021. In terms of the funding Surrey receives, this would mean a reduction in funding of £4.3 million over this period if we cannot demonstrate we are applying an effective approach.

Operation Horizon is forecast to reduce the length of Surrey's road network that is in need of structural repair from 17% in 2013 to 12% in 2018. As a result of the success of this programme, our depreciation modelling indicates that over the next 15 years we should rebalance levels of investment between roads and other assets to achieve the greatest overall benefits for Surrey in the long-term.

To address these issues, this report seeks approval to implement a new 15-year Highways and Transport Asset Management Strategy.

#### **RECOMMENDATIONS:**

It is recommended that Cabinet:

1. Approves the 15-year Highway & Transport Asset Management Strategy (**Annex 1**).
2. Approves the revised allocation of capital budgets from 2017 onwards as outlined in paragraph 20.
3. Agrees that minor future amendments to the strategy can be made by the Strategic Director of Environment and Infrastructure in consultation with the Cabinet Member for Highways, Transport and Flooding.

## **REASON FOR RECOMMENDATIONS:**

To ensure that we manage our assets effectively with the resources available, and that this is aligned to our business plan, delivers the councils corporate goals, and reflects national best practice.

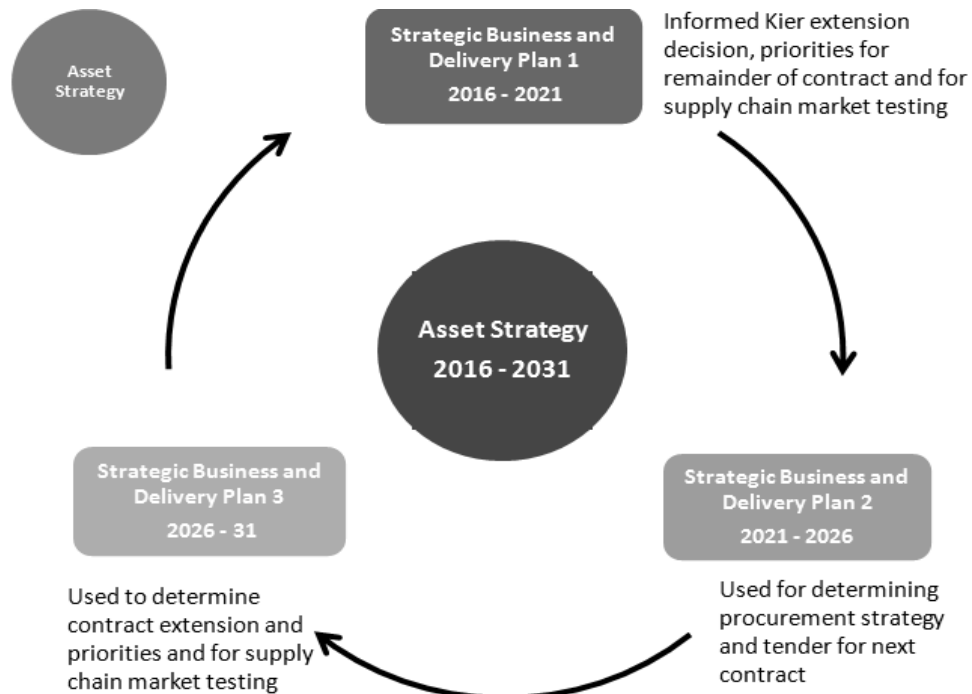
The success of Operation Horizon to reduce the length of the network in need of structural repair to 12% means we can now rebalance investment across the different asset types to achieve the best outcomes for Surrey over the next 15 years.

To enable us to demonstrate to the Department for Transport (DfT) that we have embedded asset management principles into our core policies and procedures. This will help deliver value for money and ensure our DfT funding allocations are not reduced unnecessarily.

## **DETAILS**

1. Asset management has been widely accepted by central government as a means to deliver a more efficient and effective approach to the management of highway infrastructure assets, through longer term planning, ensuring standards are defined and achievable for available budgets.
2. The DfT have introduced the Incentive Element to the Maintenance Block Grant. Highway Authorities will be ranked as Band 1, Band 2 or Band 3, with Band 1 being those judged to be the worst performing. Band 1 authorities will receive a 15.5% reduction in highway maintenance funding by 2021. In terms of the funding Surrey receives this would mean a reduction in funding of nearly £8 million over this period if we are rated as Band 1 and £4.3 million as Band 2. Surrey is currently rated as Band 2, and we are aiming to be Band 3 by 2017. If we remain at Band 2 we would lose £24 million in funding over the 15 year life of the strategy if the DfT continues with this approach.
3. Surrey was one of the first authorities to develop an Asset Management Plan in 2005 (STAMP). We used sound asset management principles in the development of the innovative Horizon programme which began in 2012. This programme was designed to reduce the length of the network in need of structural repair from 17% to 12% over 5 years by resurfacing around 10% of the worst condition roads.
4. At the time that Horizon was conceived annual programmes of work were the norm in the highways industry. Surrey recognised the benefits that a long term programme of works, focused on the right things would bring. For example, contractors would be able to give discounts due to long term continuity of works and specialist programmes of work such as those on concrete roads could be developed.
5. Horizon is on track to achieve all its critical success factors, and we are now able to consider a different investment strategy based on the same successful procurement principles.
6. This strategy is designed to support the delivery of the service's 5-year Strategic Business Plan 2016-21. The business plan sets out how our activities align to the

council's corporate priorities and ensures that these drive what we do. At a high level, it sets out what the service is going to do, how we are going to do it and the way in which we will measure our performance. The business plan will be reviewed annually in line with the corporate budget setting timetable. It will be reissued every 5 years in alignment with our procurement cycle and this strategy is intended to determine the programmes of work we will need to procure:



7. This strategy therefore contains our investment plans for our assets for the next 15 years. It has been developed by:

a) undertaking depreciation modelling of all our assets over this period. We have assessed the current condition of our assets and used the best practice Highways Maintenance Efficiency Programme (HMEP) lifecycle toolkit to predict how this is expected to change over the short, medium and longer term.

b) assessing the impact of different states of condition of our highway assets on the council's key priorities. This started with assessing the needs of our users and the levels of service required from our assets to meet these needs and then aligning them with the council's corporate goals.

c) consultation with Members to determine their priorities using a consultation tool called 'YouChoose'. This was used to gather Members' views on the prioritisation of funding allocations across the different asset types. The tool sets out the current spending allocation across each asset and forecasts the impact this level of spending will have on the asset's condition in future. Users were then given the opportunity to reallocate funding elsewhere, based on the needs of their constituents and the local area. The impact of their changes was shown in the tool, helping Members to understand how different funding levels can impact on the overall condition of the highways network. The results from this consultation showed that in the view of Members, pavements were the main asset type requiring additional spend with drainage the second priority.

8. This has led to a recommendation of a rebalancing of investment which will provide the best outcomes for Surrey over the 15-year period.
9. The intention is to deliver the strategy through 5 year capital programmes of work using the successful procurement approach established by Operation Horizon starting in 2017. The strategy itself will be reviewed annually in line with the corporate budget setting timetable and refreshed every 5 years as we recognise that things can change over time. This will align with the business plan and procurement cycle described in paragraph 6.
10. The approach we are taking is designed to ensure that Surrey is able to maximise the level of grant funding we receive from DfT.

### **CONSULTATION**

11. Consultation was undertaken with Members as set out in 7c.

### **RISK MANAGEMENT AND IMPLICATIONS:**

12. In order to effectively manage Highways & Transport assets in Surrey (valued at approximately £7.8 billion) it is essential that the proposed strategy is approved. Failure to do so could result in financial and operational risk to the council.
13. The risk to the service in not doing so is that we would not be able to deliver the outcomes set out in our business plan (**Annex 2**). In particular the development of 5 year capital programmes, based on user and engineering need and the value for money these have been proven to deliver would be at risk.
14. Failing to adopt the strategy would mean we are not able to meet the requirements set out by the DfT to receive a full allocation of capital funding.
15. The strategy is based on the following assumptions:
  - funding continues by the DfT on broadly the same lines and there is no reduction in the allocation we receive, including our achieving a Band 3 rating in 17/18 and maintaining this.
  - funding continues to be available for more significant works, such as the Local Growth Fund resilience funding and the Challenge Fund.
  - no allowance has been made for any significant damage caused by severe weather events.

The delivery of the strategy may be at risk to varying degrees, in the event that any/all of the above becomes an If any/all of these risks materialise, unless additional funding is provided by central government and/or the council, the programmes of work described in paragraph 9 would be reviewed.

### **Financial and Value for Money Implications**

16. The strategy aims to ensure the most cost effective use of available resources through the identification and completion of programmes of work based on sound asset management principles.

17. The investment strategy proposed is based on our current budget. This will not be sufficient to prevent deterioration of all our assets. Investment has been targeted to minimise revenue pressures caused by the need to keep the network safe as further deterioration occurs.
18. Investment has also been targeted to minimise revenue pressures caused by the need to keep the network safe and we do not expect the revenue requirement to increase as a result of this strategy.
19. In the modelling we have assumed that funding will continue to be available for more significant works, such as the Local Growth Fund resilience funding and the Challenge Fund. Therefore no allowance has been made for significant single projects requiring large investment.
20. The proposed capital budget allocations for 2017/18 onwards are shown in the table on the next page. On 22 March 2016 Cabinet agreed to increase highway maintenance spend in 2016/17 by £5m and to make an offsetting reduction to 2017/18, which results in the budget below. In addition, future spend is expected to be supplemented by an allocation from the DfT's "pothole action fund". For 2016/17 this allocation is £1m. In future years we understand from the DfT that funding will be awarded through a competition, rather than formula based, therefore we do not know how much funding we are likely to receive.

Asset Type	2017/18 Proposed (rebalanced) budget allocations (£m)*	* 2018/19 onwards proposed (rebalanced) budget allocations** (£m)	Total 15 year budget (£m)**	Impact to asset
A/B Roads	3.21	4.67	69	Overall condition will generally improve – reinforced by recent Operation Horizon investment.
C/D Roads	6.65	9.69	142	Overall condition will generally improve – reinforced by recent Operation Horizon investment.
Pavements	3.00	3.00	45	This level of investment will provide relatively stable condition Pavements have been identified as a key priority.
Drainage	1.60	1.60	24	Asset condition will remain fairly stable based on what is known..
Structures	3.00	3.00	45	This level of investment will slow down asset deterioration and will begin to move the condition of structures towards a more stable base which is easier to manage at a strategic level.
Safety Barriers	1.10	1.10	17	Good overall improvement to the asset, allowing increased focus on safety critical barriers.
Traffic Signals	1.20	1.20	18	This level of investment will stabilise condition over the next 15 years.
Embankments	0.30	0.30	5	Evidence indicates that proposed spending is broadly appropriate but we will continue to improve our data
<b>TOTAL</b>	<b>20.06</b>	<b>24.56</b>	<b>364</b>	
<p>* £5 million was moved from the 2017/18 highways maintenance budget into 2016/17 therefore the 2017/18 budget is reduced by £5 million</p> <p>**excludes inflation beyond MTFP</p>				



### **Section 151 – Officer Commentary**

21. The Highways & Transport asset management strategy aims to improve value for money through more efficient and effective management of highway assets. Implicit within this is a re-allocation of capital expenditure across asset types (roads, pavements, drainage, etc.) from 2017/18 onwards. The proposed budgets are set out in the table at paragraph 21. These changes are not expected to have a significant impact on the Council's revenue expenditure, however adopting the strategy is expected to strengthen its position in terms of DfT capital grant funding.

### **Legal Implications – Monitoring Officer**

22. The County Council has a statutory duty under s41 of the Highways Act 1980 to maintain the fabric of the publicly maintainable highway, which includes drainage. The County also has a duty under s130 to assert and protect the right of the public to the use and enjoyment of any highway. The County's Highways and Transport Asset Management Strategy seeks to determine how the County will of necessity prioritise and deliver the work required to satisfy these statutory duties. This is also necessary in order to demonstrate that DfT requirements for funding are met.

### **Equalities and Diversity**

23. The policy has been screened by the Directorate Equalities Group. Their finding is that there are no direct equalities and diversity implications in creating and managing the asset management strategy.

### **WHAT HAPPENS NEXT:**

24. Subject to Cabinet approval we will re-profile the spend across the asset types in accordance with recommendations set out in the strategy and develop 5 year programmes of work. There will be a supply chain procurement exercise in the Summer so that we are ready to start to deliver these programmes in 2017.

25. Engagement with local committees will continue during this process regarding the programmes, particularly focussed on pavements, carriageways structures and drainage.

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#### **Contact Officer:**

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#### **Consulted:**

- H&T Member Reference Group
- EPEH Board
- Investment Panel
- Local Committee Chairs
- Strategic Director Environment & Infrastructure
- Finance
- Legal

#### **Background Papers:**

- HMEP Transport Infrastructure Asset Management Guidance

- National Code of Practice for “Well Maintained Highways”
- National Code of Practice for “Well Maintained Structures”
- National Code of Practice for “Provision of Vehicle Restraint Systems for Local Authorities”
- Benchmarking with other Highway Authorities
- Asset valuation and deterioration data produced for HM Treasury Whole of Government Accounts
- Highways and Transport Strategic Business Plan (5 year)

**Annexes:**

- Annex 1 – Highways and Transport Asset Management Strategy (15 year)
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# HIGHWAYS AND TRANSPORT ASSET MANAGEMENT STRATEGY

Surrey County Council

June 2016



SURREY

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# Executive summary

Surrey County Council's corporate strategy '[Confident in Surrey's future: Corporate Strategy 2016-21](#)' sets out the Council's priorities and strategic goals. These are:

**Wellbeing** – Everyone in Surrey has a great start to life and can live and age well

**Economic Prosperity** – Surrey's economy remains strong and sustainable

**Resident Experience** – Residents in Surrey experience public services that are easy to use, responsive and value for money

These goals need to be delivered against the backdrop of increasing demand and reductions in funding.

Managing a highways network the size of Surrey is complex and challenging. As Highway Authority and Lead Local Flood Authority, we are responsible for assets with a gross replacement cost of £7.8 billion, including over 3,000 miles of roads, 1,800 bridges and structures and 3,262 miles of pavement. Most of the assets we look after are obvious to users (roads, pavements, bridges, tunnels, street lights and so on). However we also manage assets that are less visible, such as embankments and safety barriers. Few of our assets are in an 'as new' state and with a limited budget we have to prioritise our work to achieve best value.

The network is heavily trafficked reflecting Surreys' high economic output, used daily by the majority of the travelling public for commuting, business, social and leisure activities. At a local level it also helps to shape the character and quality of the environment. The successful management of our highway infrastructure therefore plays a vital role in delivering the broader outcomes set out in the Council's overarching goals.

Our response to this challenge can be found in our [5 year strategic Business Plan 2016-21](#), which aligns all our activities to the delivery of the Council's corporate goals, setting out how, over the next 5 years we will:

- Improve and grow Surrey's highway infrastructure;
- Maintain and operate the network;
- Develop our service.

One of the key drivers to the successful delivery of the business plan is the service wide embedding of our new 15 year Asset Management Strategy. Surrey was one of the first authorities to develop an Asset Management Plan in 2005 (STAMP) and it was refreshed again in 2014. This strategy is aligned with best practice set out in the [Highways and Infrastructure Asset Management Guidance](#) published by the UK Roads Liaison Group (UKRLG) and the Highways Maintenance Efficiency Programme (HMEP), including

- Consulting with members and users to determine their priorities.
- Continuing with the completion of a physical network inventory and assessment of current condition;
- Undertaking depreciation modelling of all our assets over a 15 year period;
- Assessing the impact of different states of condition of our assets on the Council's key priorities;

We already have a proven track record of the application of sound asset management principles delivering value for money. In 2012 17% of Surrey's road network was in need of structural repair. We developed the innovative [Horizon](#) programme to reduce the length of the network in need of structural repair to 12% over 5 years by resurfacing around 10% of the worst condition roads. At the time that Horizon was conceived, annual programmes of work were the norm in the highways industry; working in partnership with our Highways contractor we recognised the benefits that a long term programme of works would bring. For example, contractors would be able to give discounts due to long term continuity of works and specialist programmes of work could be developed.

Horizon is on track to achieve its critical success factors and we are now able to consider a different investment strategy applying the same successful procurement principles. What we can achieve is of course dependent on the level of funding we receive. Improvements to our highway assets are funded from our capital budget, which is largely made up of two grants from central government – the Maintenance Block Grant and the Integrated Transport Grant. A recent change in the way the former is paid has resulted in more certainty over the funding we can expect to receive over the course of the parliament. This means we can plan over time with more confidence, although the funding is not ring fenced to us and some aspects are competition based and so there is less certainty for some parts of the funding.

The government has introduced an [Incentive Fund](#) element to the grant which now directly links our funding to the ability to demonstrate sound asset management. Highway Authorities will be ranked as Band 1, Band 2 or Band 3, with Band 1 being those judged to be the worst performing. Band 1 authorities will receive a 15.5% reduction in highway maintenance funding by 2021. In terms of the funding Surrey receives this would mean a reduction in funding of nearly £8 million over this period if we are rated as Band 1 and £4.3 million as Band 2. Surrey is currently rated as Band 2, and we are aiming to be Band 3 by 2017. If we remain at Band 2 we would lose £24 million in funding over the 15 year life of the strategy if the DfT continues with this approach.

We have considered four scenarios when developing our investment strategy:

<b>Scenario one</b> – our current asset investment levels	<b>Cost p/a:</b> (£24.6m)
<b>Scenario two</b> – doing the minimum to meet statutory requirements,	<b>Cost p/a:</b> (£16.6m)
<b>Scenario three</b> – maintaining current condition levels,	<b>Cost p/a:</b> (£29.9m)
<b>Scenario four</b> – re-balancing investment levels across the different asset types.	<b>Cost p/a:</b> (£24.6m)

Taking into account current financial constraints we believe that Scenario four offers the best option. Investment can be rebalanced as the success of [Operation Horizon](#) enables us to reduce spending on roads and increase spend on pavements, structures, traffic signals and barriers. We believe that within the funding constraints of the County's Medium Term Financial Plan (MTFP), this will provide the best outcomes for Surrey over the 15-year period. The investment strategy proposed is will not be sufficient to prevent deterioration on all our assets. Investment has also been targeted to minimise revenue pressures caused by the need to keep the network safe as further deterioration occurs and we do not expect the revenue requirement to increase as a result of this strategy.

In the modelling we have also assumed that funding will continue to be available to us for more significant schemes through bidding for funding from the Local Growth Fund and the Challenge Fund. We have also assumed that we will achieve Band 3 status from 2017 and will therefore receive the full share of the DfT Incentive Fund and that we will receive similar levels of funding from the Pothole Action Fund as in 2016. No allowance has been made for significant single projects requiring large investment.

The modelling assumes normal deterioration patterns, and no allowance has been made for any significant damage caused by severe weather events so in the event of a severe weather event, if central government and/or the council do not provide additional funds the programmes of work described in this plan will be suspended to deal with any unforeseen damage to the network.

Whilst we have modelled the strategy over a 15-year period, we of course recognise that things can change over time; we could get a greater or lesser share than anticipated from the DfT competition based elements of the Maintenance Grant or council priorities could change. Therefore we will review our budgets annually in line with corporate budget setting arrangements and will refresh our modelling every 5 years in line with our strategic business plan review timetable.

There are also numerous ongoing improvement activities within the service to ensure effective delivery of the strategy. These include organisational design based on a commissioning approach and the development of a whole service performance framework, ensuring delivery of the business plan and end to end processes.



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# 1. User Needs and Delivering Outcomes

Surrey’s highways are used daily by the majority of the travelling public for commuting, business, social and leisure activities. How we prioritise our investment must take our users’ needs into account. We also need to ensure that what we do is aligned with the Council’s corporate strategy and delivering the broader outcomes contained within it. Our 5 year business plan sets out our high level aspirations and shows how what we do will ensure that Surrey’s highways assets support the strategic objectives for the entire county.

This strategy exists to set out our approach to delivering our strategic goals and the key improvement activities that need to take place to enable this.

## 1.1. Asset Management Policy

The highway asset is the most valuable one under our control and is crucial to facilitate safe movement, which enables Surrey to be the largest net contributor to the UK economy outside of London. We have a key role to play in meeting the strategic goals set out in our corporate strategy. We will therefore ensure that we are supporting the Council’s overarching aims, as detailed below. We will continually review our progress in this and take actions through our review mechanisms to identify improvement initiatives where necessary.

### 1.1.1. Supporting Wellbeing

Our network is relied on by thousands of people and businesses every day. Our service supports the people of Surrey by making streets safe and reliable, offering more travel choices, making them sustainable and providing residents with access to schools, health services and care. The quality of the highways can have a direct impact on people’s ability to live independently and on the choices people make in moving around the county.

### 1.1.2. Supporting Economic Prosperity

The highways and transport infrastructure we build and maintain provides the foundation of a strong economy in Surrey, creates routes in to businesses, jobs for residents and access to homes and communities where people want to live. Improving Surrey’s highway network is one of the Council’s key objectives in building the local economy. This includes capital investment in new schemes, as well as a more network oriented approach to asset management. We aim to deliver value today whilst planning and investing for the future.

### 1.1.3. Supporting Resident Experience

Residents are at the heart of how services are designed and delivered; with appropriate influence, control and choice on issues that are important to them. Our professional service provides high quality, innovative solutions that ensure Surrey residents get value from the network now and in the future. We aim to work closely with partners to deliver the best outcomes for our residents, delivering to their needs and priorities. We will utilise new technologies to improve the way services are delivered and communicated.



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Strategic Director of  
Environment and Infrastructure



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Assistant Director  
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## 1.2. Residents' and service users' priorities

Our approach and how we achieve these ambitions is guided by residents, service users and Members who help us to identify the priority activities for the service and how we best achieve Surrey's goals.

### 1.2.1. National Highways and Transport Public Satisfaction Survey (NHT)

NHT data is invaluable in identifying the preferences of customers, with analysis conducted to identify key drivers for overall levels of satisfaction with the Highways network. The survey is conducted across residents of a number of councils on an annual basis. We recognise the value of this feedback and the ability to understand how we are performing relative to others. The results provide indicative themes of where the council is making a positive impact and where further work is required. Surrey's overall satisfaction levels with regards to Highway maintenance and condition issues within the survey have improved by 10% since the survey started in 2009. Figure 1-1 shows a number of areas where we have made significant improvements:

**Figure 1-1 – Areas where customer satisfaction measured by the NHT survey has improved**



In the latest survey we ranked 18<sup>th</sup> out of 27 County Councils that took part for overall satisfaction across the survey so there are still improvements that we need to make.

Highways maintenance comes out as a clear priority, with drainage, pavements and road safety also high priorities for maintaining service levels.

This is important to understand in managing the asset network as a whole. Budget constraints limit what can be spent across the entire network. Invariably, when funding is required to increase in one area it must reduce elsewhere to make up for this. By having a clear view of what level of service is required of each asset we are able to make more informed views on how best to allocate funding across the network.

### 1.2.2. Consultation with Senior Members and Officers

Whilst the NHT survey data can provide some insight into the needs and priorities of Surrey's residents, there are additional channels through which further feedback can be obtained. We have engaged with our senior Members and officers through a consultation event, allowing their views to act as another factor in shaping our strategy.

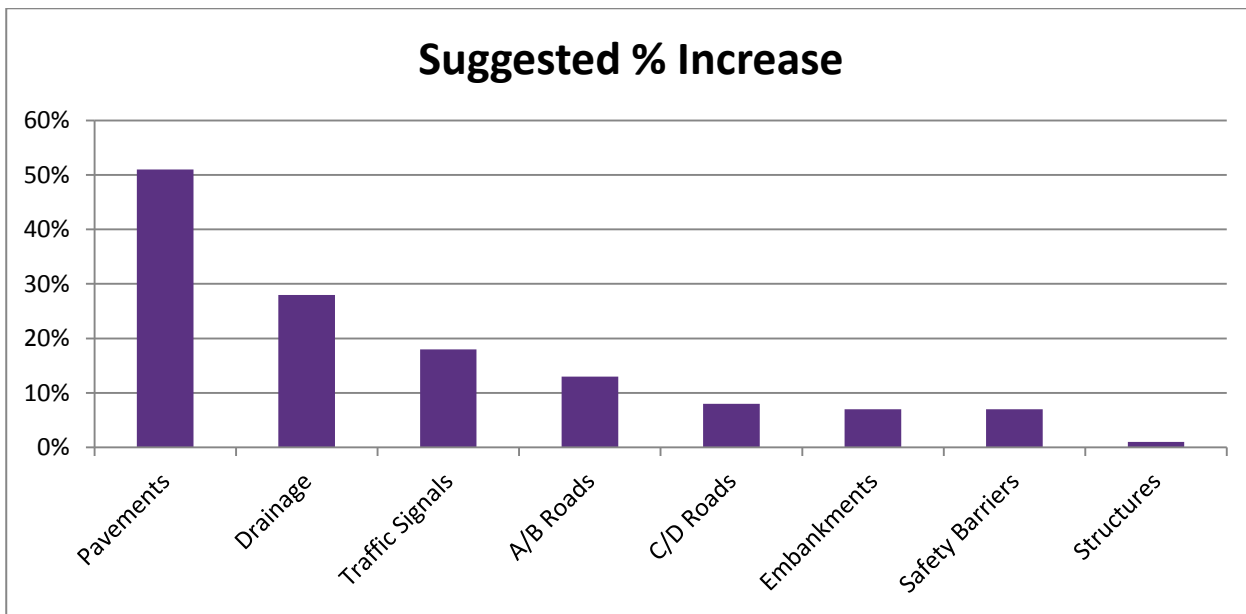
We used a consultation tool called *YouChoose*, developed specifically for local authority consultations, to gather senior Member's and officer's views on the prioritisation of funding allocation across highways assets. The tool sets out the current spending allocation across each asset and forecasts the impact this level of spending will have on the asset's condition in future. Users were then given the opportunity to reallocate funding elsewhere, based on the needs of their constituents and the local area. The impact of their changes was shown in the tool, helping Members to understand how different funding levels can impact on the overall condition of the highways network.

The results from this consultation are taken into account in presenting the public view of highways asset priorities, further helping us to understand how funding should be allocated across highways assets. The results are not representative of actual asset condition, but do give a clear indication of which assets are



most important to users. Figure 1-2 shows the average percentage increase desired based on the responses of senior members.

Figure 1-2 Member Consultation budget



The results show that our senior Members and officers place a high priority on more investment in pavements, with drainage also seen as key (perhaps as a result of flooding damage caused in recent years). These results differ slightly from the NHT survey results; the former places a lower priority on maintaining A and B roads, while the latter puts it firmly at the top of the priority list.

This disparity in results is not necessarily unusual, in that the NHT survey respondents are members of the general public and may place different levels of priority on asset types compared with Members. Members are more likely to have greater insight into the strategic view of the Highways and Transport plans, with an understanding of which assets have been earmarked for greater investment. Operation Horizon is a prime example, through which we have reduced the percentage of roads in need of structural repair from 17% in 2013 down to 13% by 2014/15; We will monitor future NHT surveys to ensure that this is leading to rising levels of satisfaction with the condition and accessibility of our roads. This may well explain why roads are not seen as a significant priority by Members as they understand the investment that has already been made, though users will only just be feeling the benefits.

It is important to balance both sources of information against each other as well as using empirical data such as condition data and knowledge of deterioration patterns in order to make the most appropriate decisions for the highway network.



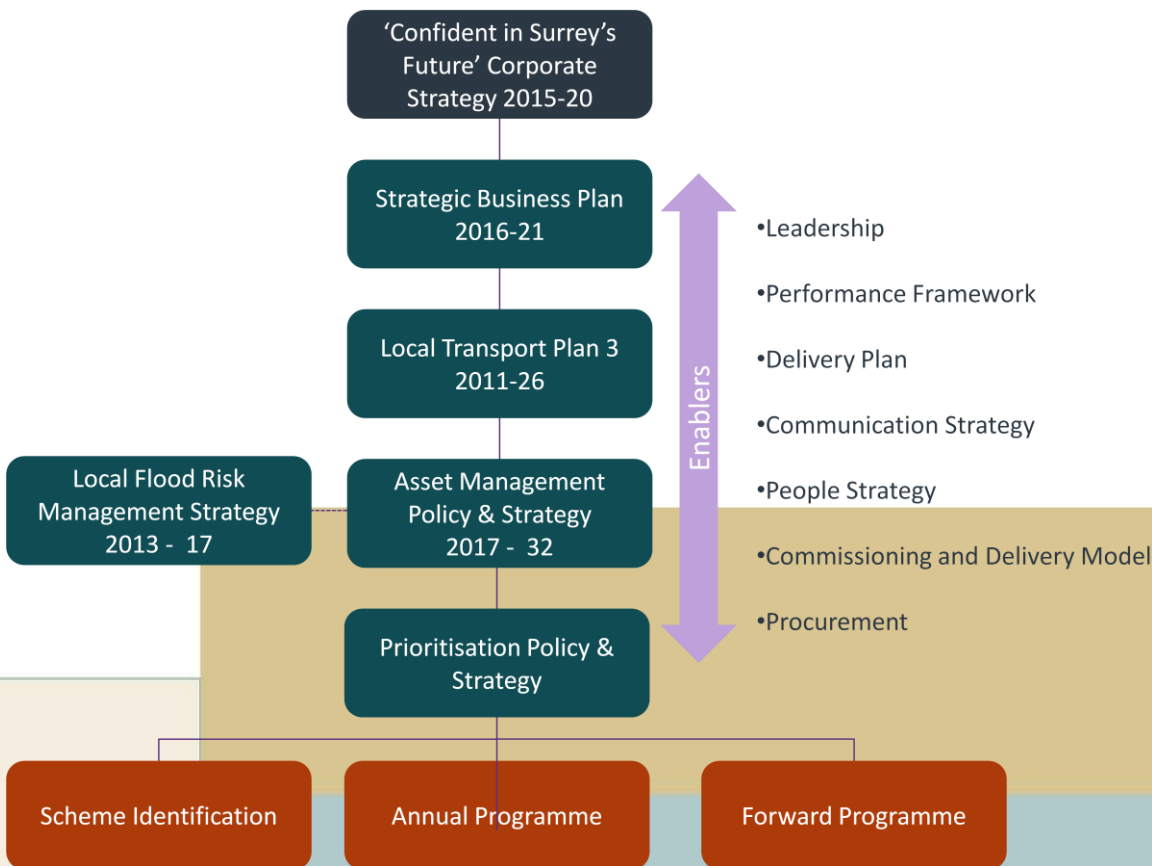
## 2. Approach to Managing Assets

In alignment with the [Highways and Infrastructure Asset Management Guidance](#) document published by the UK Roads Liaison Group (UKRLG) and the Highways Maintenance Efficiency Programme (HMEP) in 2013, our approach brings together a range of factors that influence asset management priorities.

### 2.1. Asset Management Framework

In accordance with the guidance stated above, we have aligned our strategy to key documentation within the organisation to ensure that not only are we aligned to the corporate vision and strategic goals, but that the planning and enablers required are in place and operating effectively. Figure 2-1 below identifies these key elements and how they are aligned with one another.

**Figure 2-1 Asset Management Document Hierarchy**



The corporate strategy sets the direction and context of the organisation and defines the Council's priorities. The strategic business plan sets out how our activities align to the delivery of the corporate priorities and ensures that this drives what we do. The asset management strategy and policy support the delivery of business plan and our Local Transport Plan. They set out our approach to asset management, performance, data and lifecycle planning. We also provide links to supporting documentation where relevant. The following sections begin with our overall approach.

### 2.2. Starting with user needs

Putting the needs of service users first is central to asset management. In practice, this means prioritising our efforts based on those activities that provide the greatest value to Surrey residents.

In developing Surrey's Highways Maintenance Asset Management Strategy, we have sought to engage with as wide an audience as possible and obtain information from a range of sources in order to better understand how highways assets contribute to achieving better outcomes for Surrey.

These sources include:

- Customer insight and resident satisfaction surveys undertaken by Surrey Council – including customer contact centre trends;
- Member's feedback on local priorities;
- Feedback from Local Highways Officers and area teams;
- National Policy and Priorities from partners such as the Department for Transport and Highways England;
- Regional Priorities set out by District and Borough Councils, Local Enterprise Partnerships and neighbouring County Councils;
- National and Regional highways surveys (e.g. NHT);
- Surrey County Council's Corporate Goals.

Section 1.2 of this document provides further explanation around how we have used surveys of local residents, in particular the NHT survey, as well as consulting with local Members to better understand the priorities of the areas they represent.

In addition to this we need to consider wider priorities set by national and local bodies. For example, Local Enterprise Partnerships (LEPs) present one of the most significant sources of capital funding. Their priorities reflect the national policies set by the Department of Transport and Highways England. It is important that, where appropriate, we align ourselves with these priorities, ensuring that we act at the forefront of best practice.

## 2.3. Understanding our assets

As the authority responsible for the condition of Surrey's Highways network, our primary duty is to protect users of our network, by keeping the network safe and ensuring appropriate protections are in place to reduce the risk of harm. This can mean conducting proactive work that may not be seen as a priority to residents in order to reduce risk and costs. Some assets are more visible than others. For example, people tend to notice defects in the highways more regularly than safety barriers or drainage. Drainage defects only become apparent when there is a situation requiring their efficient operation. However, this does not mean that they should be deprioritised. It is important that all assets meet, at the very minimum, statutory safety conditions.

To understand how much work we need to do to maintain Surrey's assets requires a good understanding of the current condition and how this is expected to change over the short, medium and longer term. We have used a wide range of asset condition modelling tools to analyse and understand what the demand will look like for each asset class. Section 3 provides further information on the current state of Surrey's assets and describes the forecast deterioration rates of each asset type based on specific funding scenarios.

## 2.4. Capital and Revenue Spend

By having a clear understanding of the forecast asset deterioration we are able to assess how different levels of funding can impact on this condition forecast. Some assets will require significantly greater investment to improve their condition than others. The balance between capital investment (work that provides long term maintenance/improvement e.g. resurfacing a road) and ongoing revenue investment (shorter term improvement e.g. filling potholes) must also be understood.

By providing initial capital investment the longer term revenue investment is likely to be reduced, potentially reducing the whole life cost of the asset. Conversely, if the asset is deteriorating but does not receive capital investment, it is more likely that ongoing revenue costs are greater, leading to a potentially greater whole life asset cost.

We must ensure that we balance the revenue and capital spend to ensure we are delivering the best value for the residents of Surrey. If capital investment is not supported by adequate ongoing revenue spend then the initial investment value may be reduced. Similarly, high levels of revenue spend needed to maintain assets that require capital investment may lead to disruption on the network, in the way that regular patching of roads does.

## 2.5. Levels of service

How we plan our maintenance work is a key element of our asset management strategy. To do this effectively we need to understand the varying needs and expectations of our residents and service users as these will reflect our service delivery standards.

To keep the whole network in its current condition will cost £30m capital investment per year over the next 15 years. However, standards for highways assets will vary according to their use and the risks involved.

If, for example, the condition of well used pavements needs to improve to ensure safe passage and encourage sustainable transport for commuters, school children, leisure walkers; the allocation of funding to this asset will also need to increase, which will mean having to reduce spending elsewhere. By setting standards appropriate to the use of specific parts of the network we are better equipped to understand and meet the demand and user priorities for each asset type in the most efficient way.

## 2.6. Prioritising our efforts

Our analysis has drawn together the priorities of highways service users with the current and forecast condition of our assets in order to determine what service levels Surrey Highways and Transport needs to provide.

To support our decision making, as previously described we have engaged with council Members, public and private sector partners and Surrey residents on their priorities. From this analysis we have been able to identify which parts of the network require the most attention from a service user's perspective, the priority areas for further investment and the level of service that residents want from the network. All of these things are essential in shaping the asset management strategy and funding plans.

The allocation of our asset maintenance budget is based on this analysis and also on opportunities to improve outcomes for Surrey i.e. improving wellbeing or resident experience by effectively allocating our funding across the asset network.

In prioritising the funding applied to each asset we must also understand the impact different levels of funding will have on each asset. Some assets will only require a relatively small amount of funding to significantly improve their condition. Whilst this may be a large percentage increase in funding the actual amount required may be small in comparison to other assets. In the same way, other assets may require significant amounts of investment to drive any tangible improvement in condition, but this may be seen as a relatively low percentage increase due to the already high budget.

We must also understand where we are able to reduce funding without having a significantly adverse effect in order to improve condition in other areas.



## 3. Overview of Assets and Analysis

Managing a highways network the size of Surrey is complex. It involves the maintenance of a number of different asset types. Some assets may be used by individuals more regularly than others. People's demands on assets will also vary based on their individual needs.

When we talk about highway assets we are most commonly referring to the roads, pavements, bridges, traffic signals and street lights<sup>1</sup> that you can see as you move around Surrey. We also manage a number of assets that are less visible to users, although they still play a very important role in the efficient operation of the highway network. These assets include embankments, safety barriers and drainage. If the condition of any of these assets deteriorates significantly there will be a significant impact to the network. There are a number of smaller assets that we also focus on, for instance traffic signs; we will analyse these using the same approach going forward.

The purpose of this strategy is to specify the solutions that will enable the council to manage its highway assets in the most efficient and effective way, allocating funding appropriately and ensuring that users' needs are met by taking a long term planning approach. To enable us to do this, we must take a holistic view of all of our assets and understand the general condition of each. Taking into account the needs of highway users, the condition of the highway assets and budgetary constraints, we have assessed a number of options to identify the most appropriate asset management budget. We will continue to measure the condition of our assets in line with national best practice to monitor performance against identified targets.

. This section focuses primarily on our capital budget which is allocated for significant maintenance and repair, however we have also taken account of the revenue impacts of all of the proposed scenarios and have attempted to identify capital strategies which will not negatively impact on the level of revenue required for smaller scale and ongoing costs such as filling potholes, cleaning bridges and cleaning gullies. This section gives an overview of each highway asset and describes the current condition of each asset category individually. Further information on each of the asset categories can be found at Annex A. . These summaries also include detailed information on the depreciated value of our assets.

### 3.1. Roads

The roads that run through Surrey have among the highest levels of use in the UK, providing access to jobs, schools, services and businesses for a wide range of users. The high levels of use make roads the primary asset that we manage, consuming the largest capital spend of all our highways assets.

An increased level of spending on roads in the past 3 years as part of our Operation Horizon programme has led to a significant improvement in road condition which has fallen from 17% in "red" condition to 13%.

For the purposes of this strategy roads have been split in to two broad groups: A/B Roads and C/D Roads. The current MTFP spending on roads provides an allocation to all roads of £19.5m per annum which is spent at an approximate ratio of 1/3 on AB roads and 2/3 on CD roads (CD roads make up over ¾ of our total network length). All of the data was modelled using UKPMS software and the HMEP lifecycle planning tool.

<sup>1</sup> street lights have not been modelled as part of this strategy as they are managed by SKANSKA by way of a private finance initiative (PFI)

### 3.1.1. A/B Roads

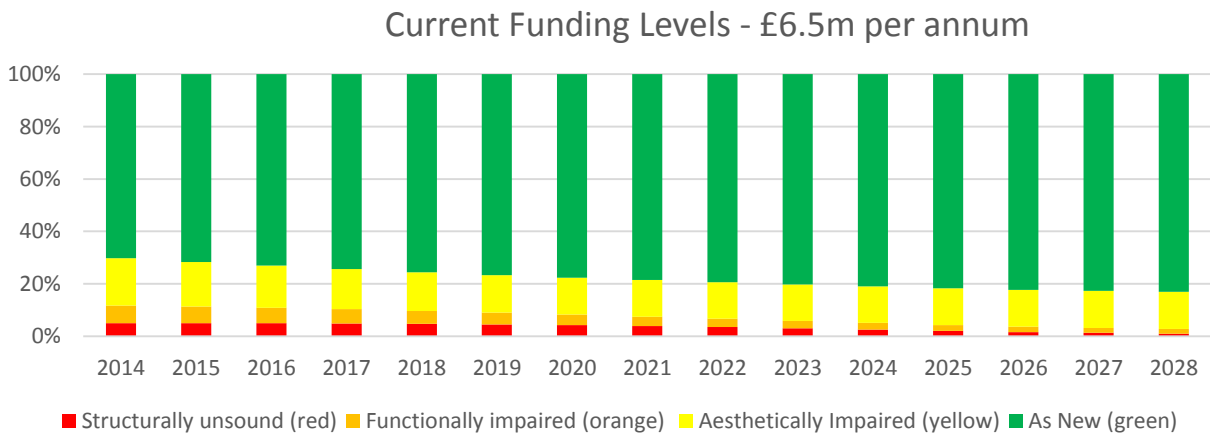
A/B Roads provide routes which generally allow traffic to move faster over longer distances or link larger villages to the main highways network, consisting of both single and dual carriageways.

The A/B Roads which run through our county are well constructed, designed to carry a wide range of vehicle types and generally in good condition. Around 5% of A/B Roads fall within the red condition class, meaning they require structural maintenance with a further 7% falling into the amber condition rating meaning they require lesser level repairs such as surface treatments to increase their longevity.

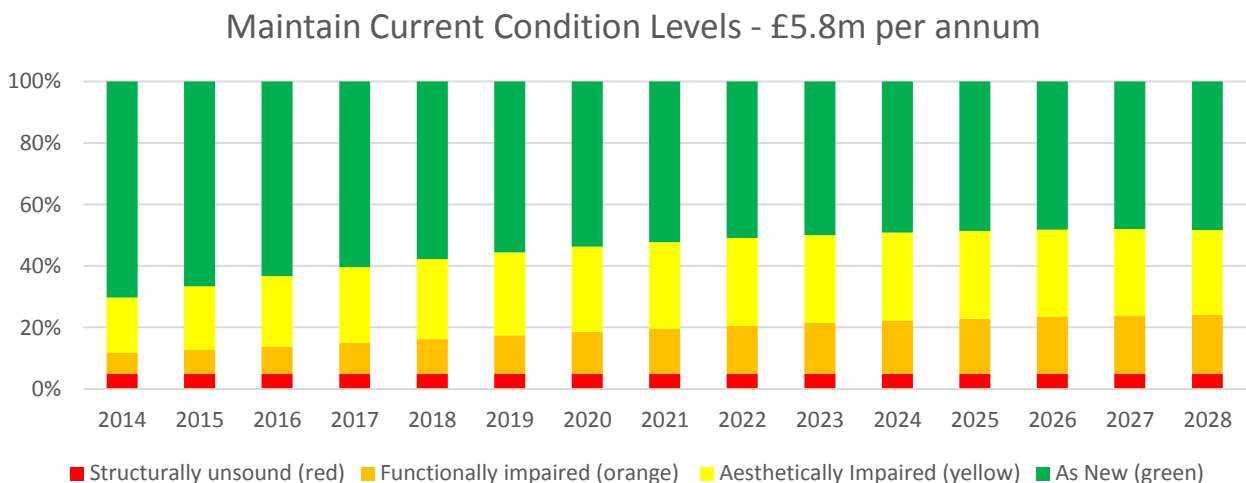
Current spending of around £6.5m per annum is leading to an improvement in overall condition across the next 15 years, indicating that some investment could be re-prioritised elsewhere to support other assets.

Figure 3-1 shows the asset condition based on the current level of spending while Figure 3-2 indicates condition levels where funding is allocated to maintain current condition levels in terms of the % of the network in 'red' condition. Current funding will increase the condition of the asset. [Operation Horizon](#), Surrey's £100m scheme to resurface roads across the county, has played a significant role in increasing the condition of the A and B roads. As a result, we believe that some of the budget for A/B Roads can be reallocated to other assets without significant negative impact on road condition.

**Figure 3-1 A/B Roads – Current Funding Levels**



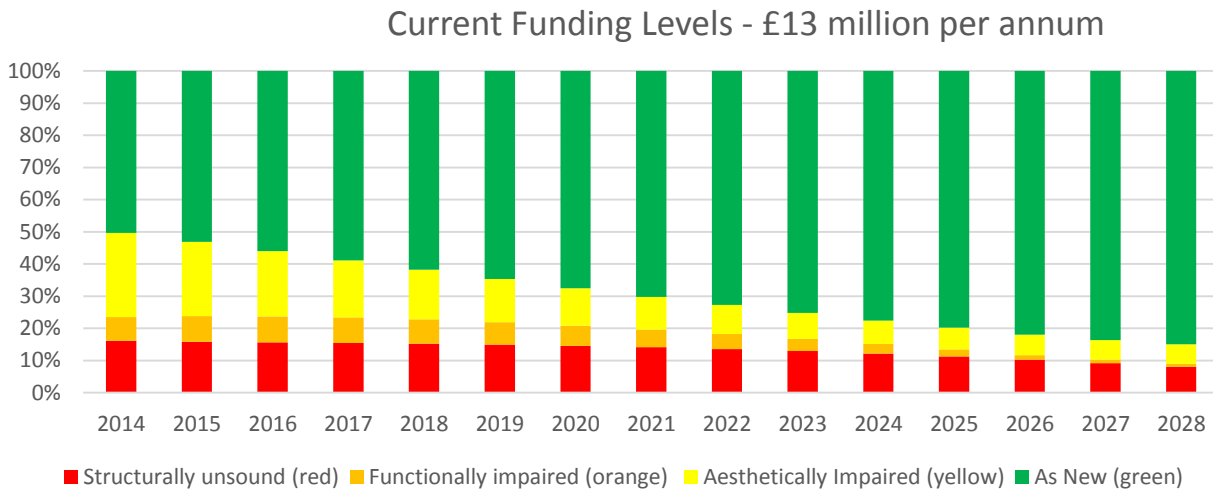
**Figure 3-2 A/B Roads - Maintain Current Condition Levels**



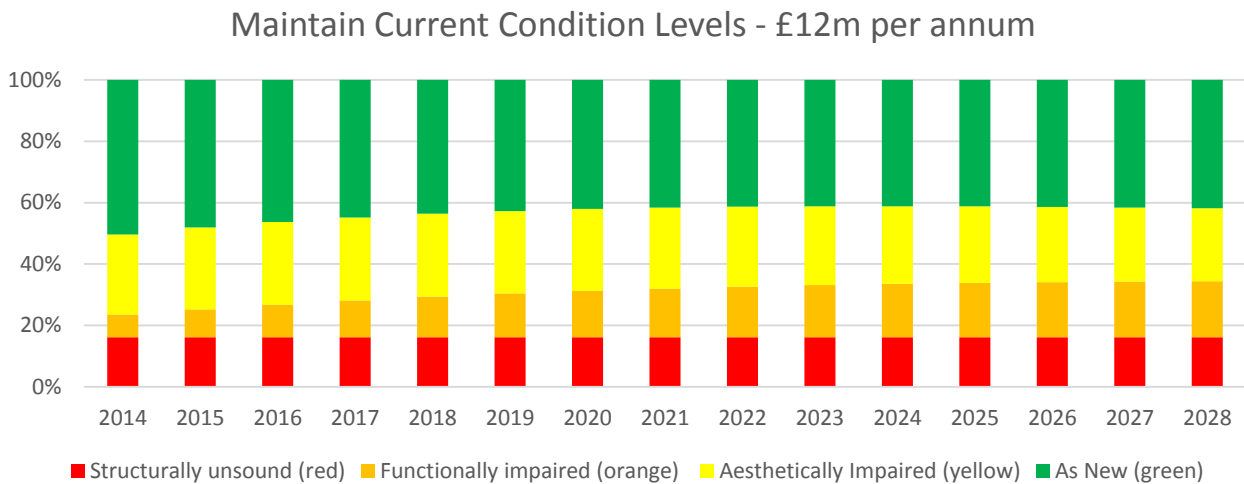
### 3.1.2. C/D Roads

C/D Roads are generally smaller roads which may link smaller villages or run through housing estates. The condition level of our C/D Roads is not as high as our A/B Roads, with around 16% of C/D Roads falling within the red condition class and a further 7% falling within the amber class. However, current spending of £13m per annum will lead to a clear improvement in condition, which will be especially pronounced compared to A/B Roads as the C/D Roads are starting from a lower condition level. The overall trends are similar to those identified for A/B Roads, allowing a similar approach to be taken. Figure 3-3 shows that by maintaining current spending the condition of the asset will increase significantly, indicating again that we may be able to reallocate some of this spending to other assets

**Figure 3-3 C/D Roads – Current Funding Levels**



**Figure 3-4 C/D Roads – Maintain Current Condition Levels**

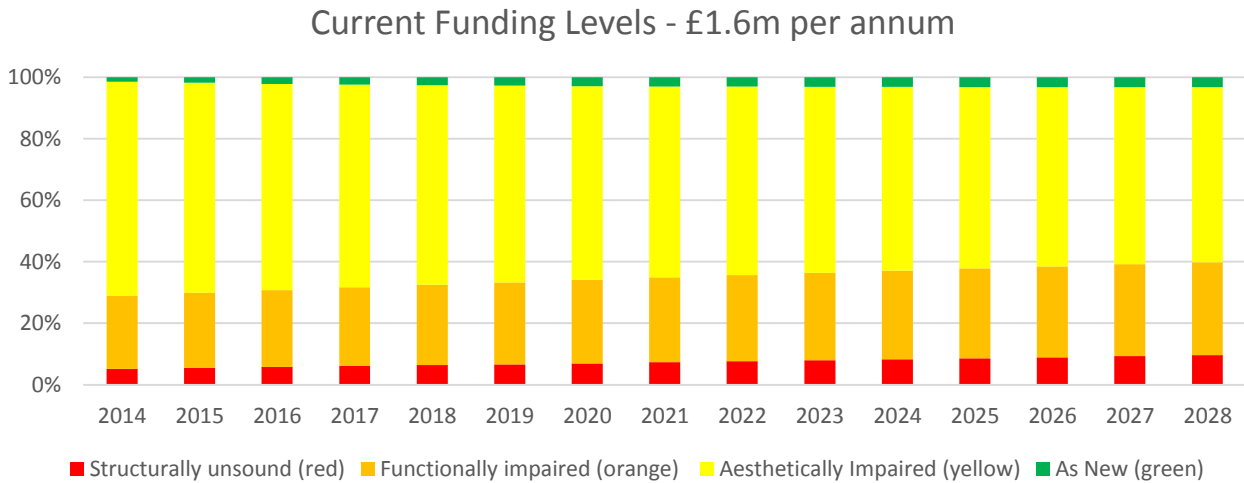


### 3.2. Pavements

Pavements provide restricted parts of the highway for pedestrians, which cannot be used by vehicles, other than designated cycle ways for cyclists. Pavements provide clear and safe passage for a wide range of users with different needs and requirements. As with roads, all of the data was modelled using UKPMS software and HMEP lifecycle planning tools.

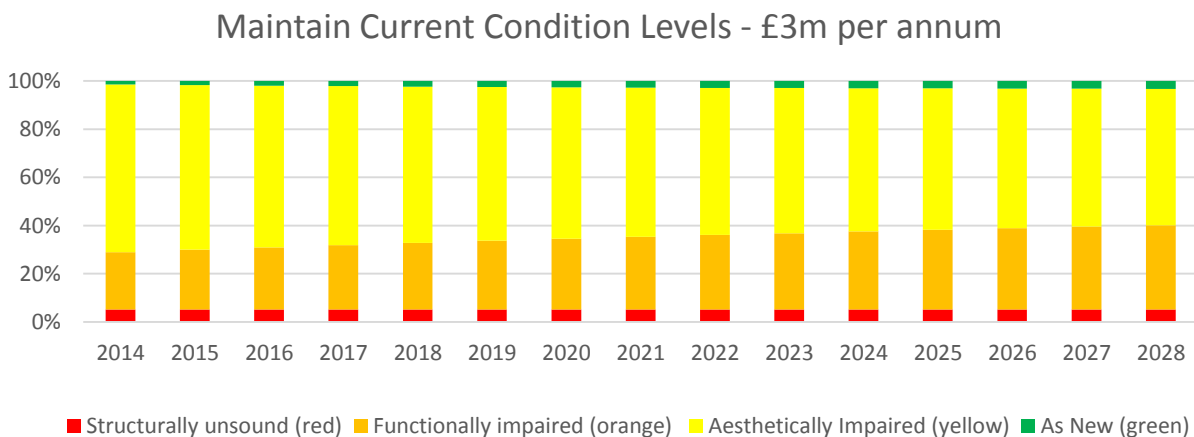
The analysis shows that significant investment in pavements is required as the current spending level of £1.6m per annum (Figure 3-5) is insufficient to fulfil a basic level of service. Pavements are subject to few statutory obligations so a level of judgement has been used around the criticality of the network and the potential impacts were certain stretches to become unsound.

**Figure 3-5 Pavements – Current Funding Levels**



Although there is forecast to be a slight increase in ‘as new’ pavements with current spending levels, the level of ‘structurally unsound’ pavements will increase. It should be noted, however, that the majority of Surrey’s pavements fall into the ‘aesthetically impaired’ category.

**Figure 3-6 Pavements – Do Minimum to Meet Statutory Obligations**



The annual spend required to maintain the current condition of pavements is higher than current funding, leading to an increasing gap between the two scenarios. Maintaining current funding indicates that the number of pavements that will become structurally unsound over the 15 year period will double from 5% to 10%. Funding will therefore need to almost double in order to maintain the condition at its current level.

These results are particularly important given the high impact that pavements footpaths have on users based on the NHT data, in terms of accessibility, condition and provision. The need for investment also reflects the responses provided in the Member Consultation, where pavements were considered to be the main priority area for investment.



### 3.3. Drainage

Drainage assets remove surface and flood water from the highways and away from buildings. The majority of the drainage network is underground, meaning it is not immediately obvious to the majority of highway users. Drainage plays an important role in the rate at which other assets deteriorate; for example, roads depend on the drainage network to remove surplus water from the road surface.

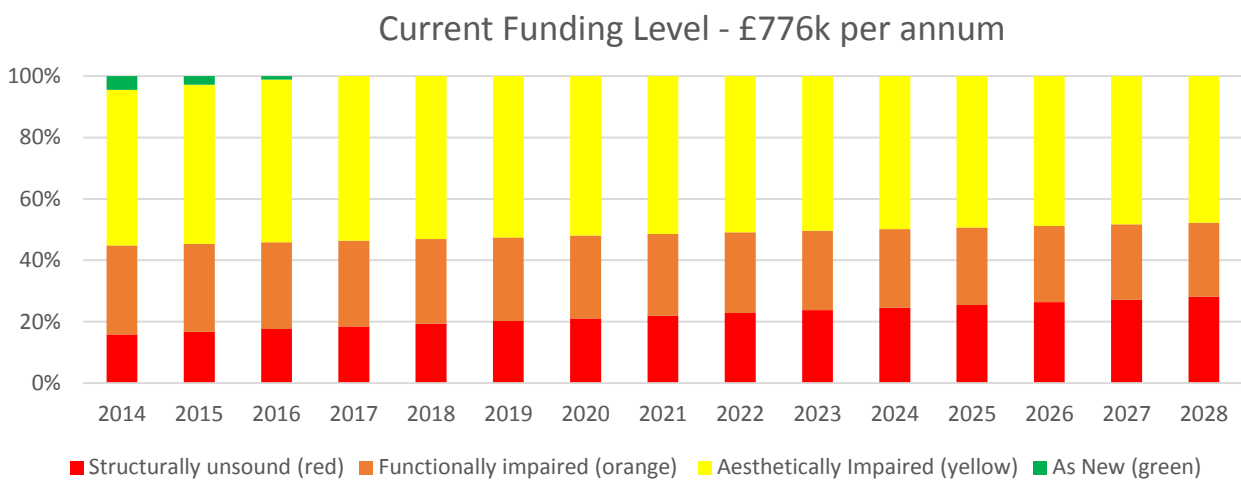
As with most of the UK, the drainage assets in Surrey require further mapping to develop a fully accurate picture of their location and condition, making it difficult to determine the scale of the asset and investment required. Therefore our analysis is based on the highest impact of flooding (wetspots) in Surrey, which is estimated to form up to 10% of the network. The data was modelled using a bespoke software database.

The NHT survey highlights the need to maintain service levels for drainage which is supported by the Member’s Consultation that identifies drainage as a key priority. This may be in response to recent flooding in Surrey, highlighting the importance of effective drainage.

Around 40 new wetspots emerge each year, 25% of which require capital treatments. Other wetspots are either dealt with through revenue funds – gully cleaning etc. or are the responsibility of other parties, water companies, private landowners for instance.

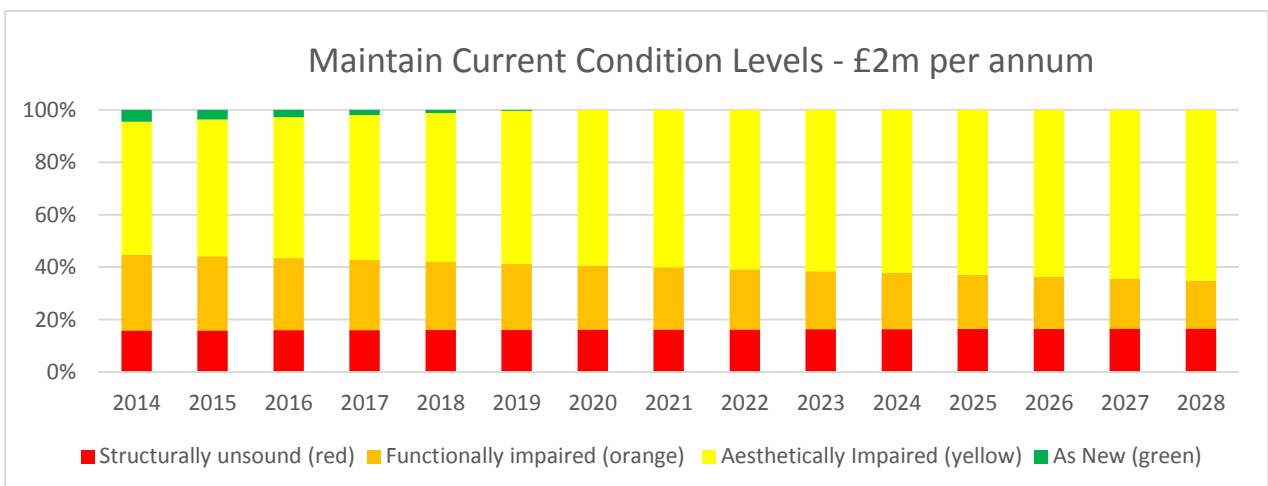
The MTFP allocation for drainage is £776k per annum. Spend at this level has been modelled and the results are shown at Figure 3.7. This indicates significant deterioration of the drainage asset over a 15 year period.

**Figure 3-7 Drainage - Current Funding Levels**



In order to maintain current condition levels (figure 3-8), the annual budget would need to increase by 160% from £776k to £2m.

**Figure 3-8 Drainage – Maintain Current Condition Levels**



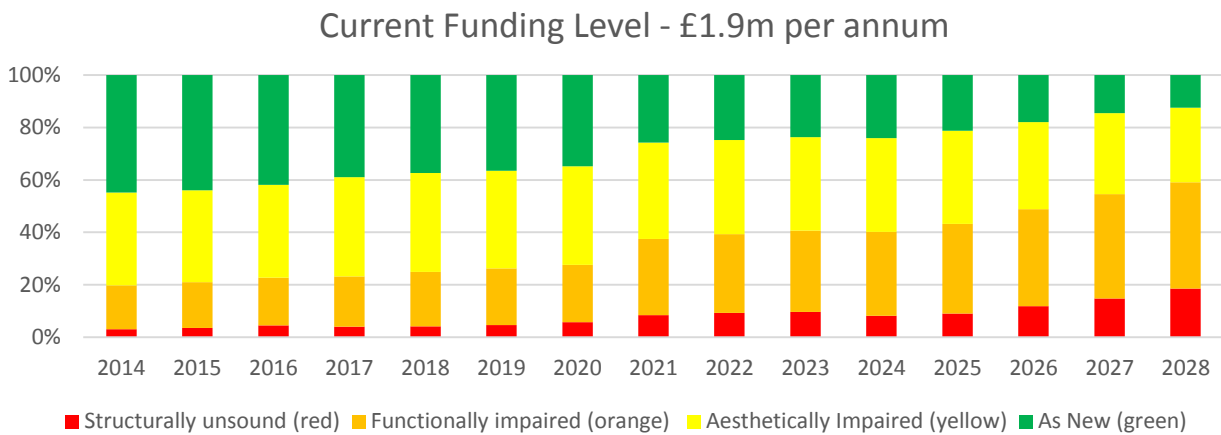
### 3.4. Structures

Structures are the bridges, culverts, chambers, subways and retaining walls that support the roads and pavements. Many structures in Surrey are managed by third parties such as Network Rail and Highways England. This removes principal responsibility from the Council, although regular liaison with these third parties is essential to ensure that work across these assets is effectively coordinated. We use Bridgestation to model all of our Structures assets.

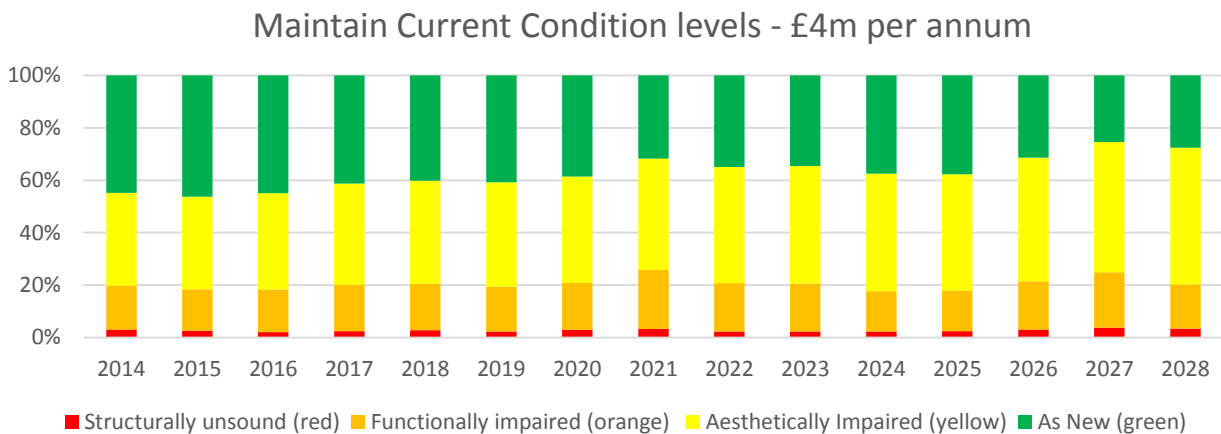
The current level of spending on structures is £1.9m per annum, as shown in Figure 3.9. There is a funding gap of over £10.5m over 5 years to maintain current condition levels. This indicates we will need to increase spending significantly, particularly given existing issues with accessibility and weight restrictions across the county.

There are few specific measures of satisfaction with structures but there are certainly impacts for wellbeing, prosperity and resident experience. Structures are often situated at a pinch point (a bridge or tunnel), meaning that their ongoing availability is essential in ensuring the smooth flow of the network. The focus should remain on maintaining the condition of these assets.

**Figure 3-9 Structures Condition - Current Funding Level**



**Figure 3-10 Structures – Maintain Current Condition Levels**



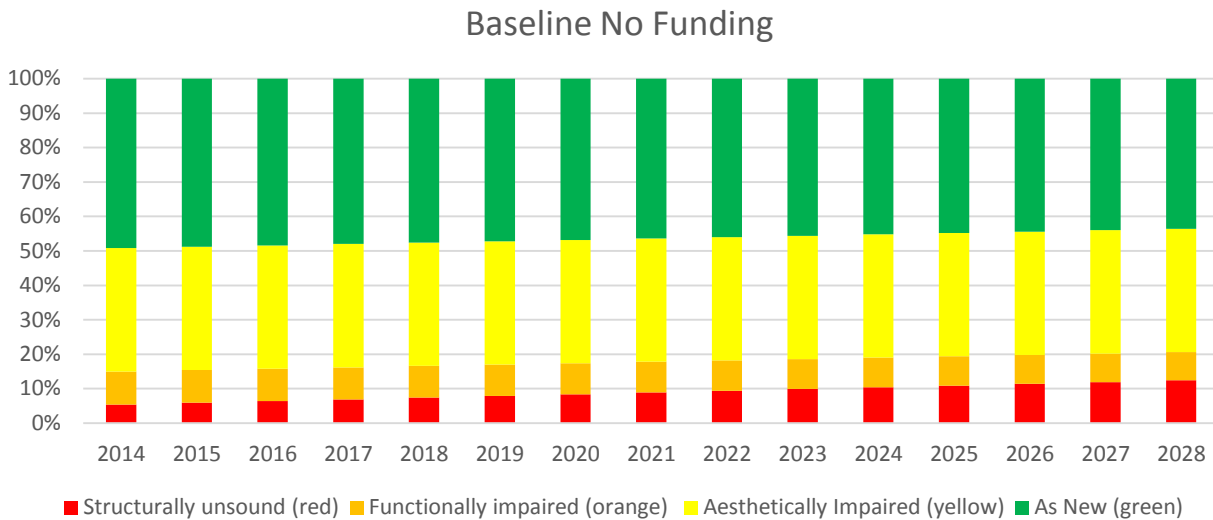
There is a risk that once remedial work has been undertaken on a structure it is not actively managed until its condition deteriorates again. We will need to ensure an appropriate level of revenue funded maintenance in order to provide value to the residents of Surrey.

### 3.5. Embankments

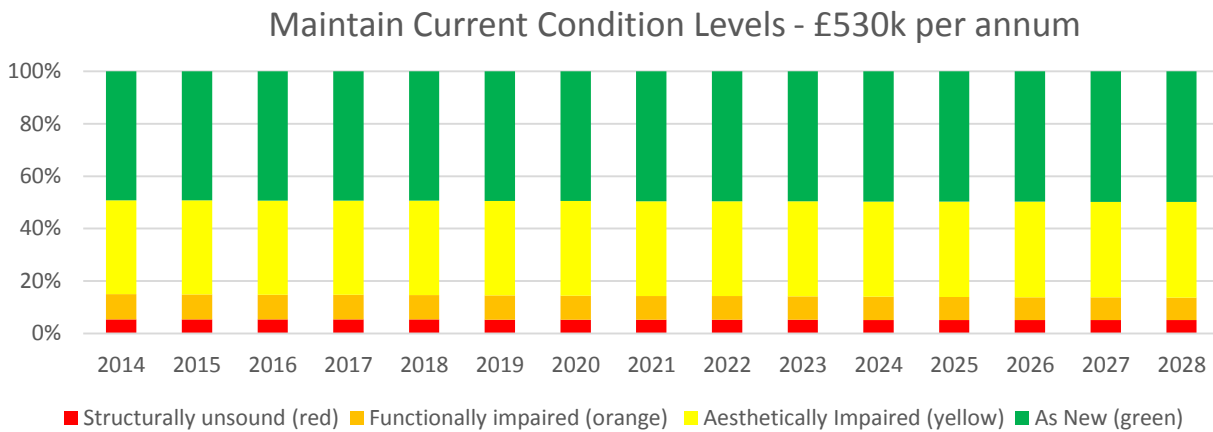
Embankments refer to engineered and natural slopes and cuttings made in the landscape to support roads and pavements. Up until now the capital spend has been taken from the structures budget when required, placing additional pressure on the management of the Structures asset and only allowing for a reactive approach to maintenance of embankments. There is now a recognition that we need to treat embankments as a separate asset class.

The chart at figure 3-11 gives an indication of the deterioration of the embankment asset that we could see over a 15 year period and figure 3-12 provides an indication of the cost to maintain embankments in their current condition .

**Figure 3-11 Embankments Condition - Current Funding**



**Figure 3-12 Embankments – Maintain Current Condition Levels**

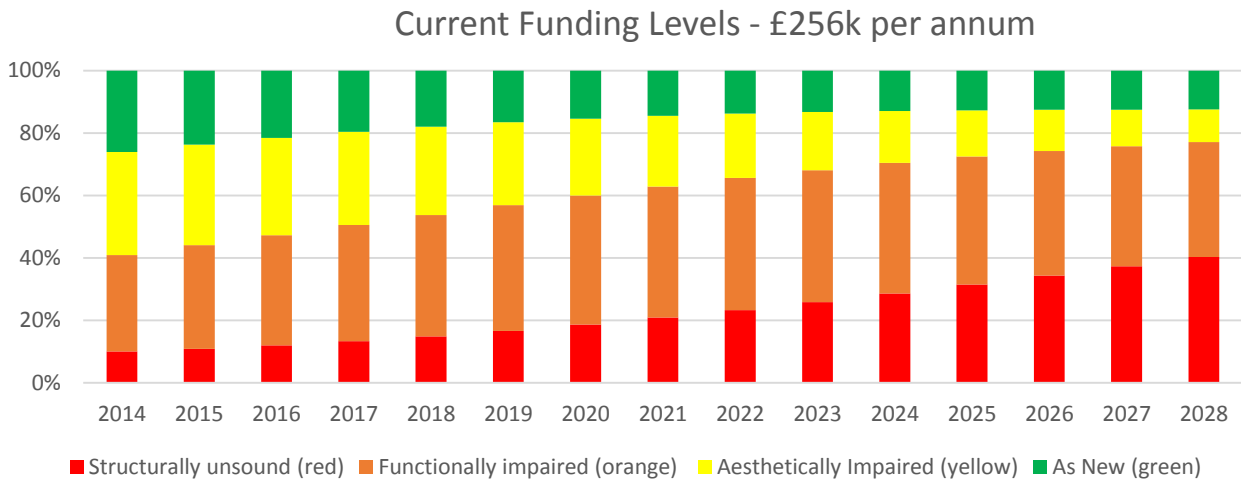


As embankments are a new asset class there is limited data available which specifically refers to embankments as a separate asset in terms of both available condition data and funding requirements. More work will be carried out in future to better understand the condition forecast and funding scenarios to enable use to develop a more planned strategy for managing this asset.

### 3.6. Safety Barriers

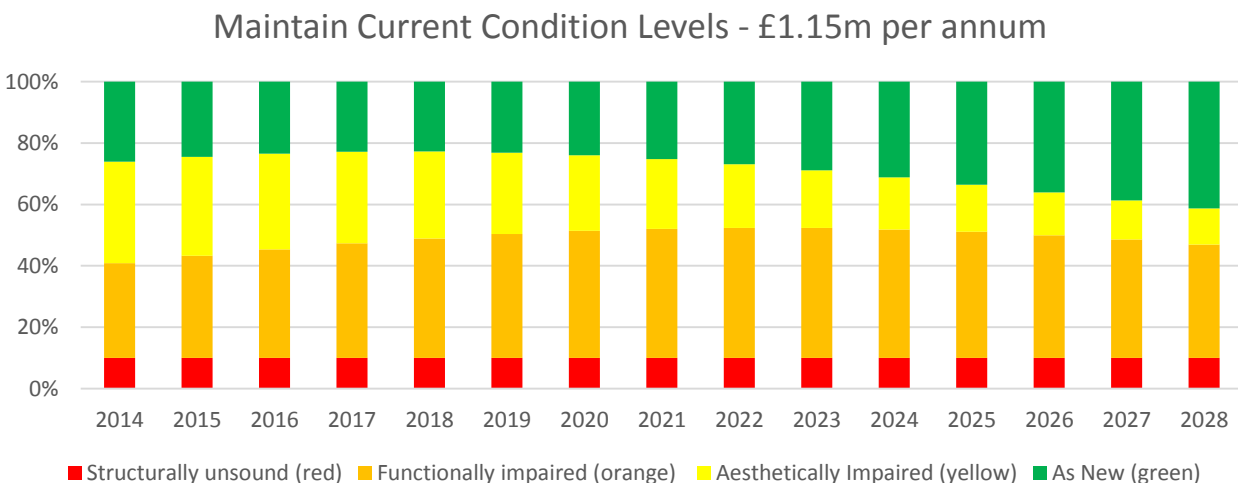
Safety barriers are a vehicle restraint system intended to reduce the number and severity of injuries in the event that a vehicle leaves a road and would otherwise encounter a hazardous feature, protecting both vehicle occupants and features located behind the barrier. As safety barriers are purely for protective purposes in most instances the asset may never need to be used for its intended purpose. We use a bespoke database to model the data. Safety barriers are not seen by road users as a high priority, given that they are only perceived as adding value in the rare instance of a vehicle leaving the road. However, they are important in mitigating the risk of serious injury or death to users of the highways network. Even small increases in funding can have a significant impact on the asset condition.

**Figure 3-13 Barriers Condition - Current Funding**



As shown in Figure 3-13, current funding levels will lead to a significant decline in the condition of the asset, so an increase in funding will be required. Figure 3-14 indicates the positive impact that an increase in funding can have, with a shortfall of £4.5m identified across 5 years to achieve this outcome.

**Figure 3-8 Barriers – Maintain Current Service Levels**



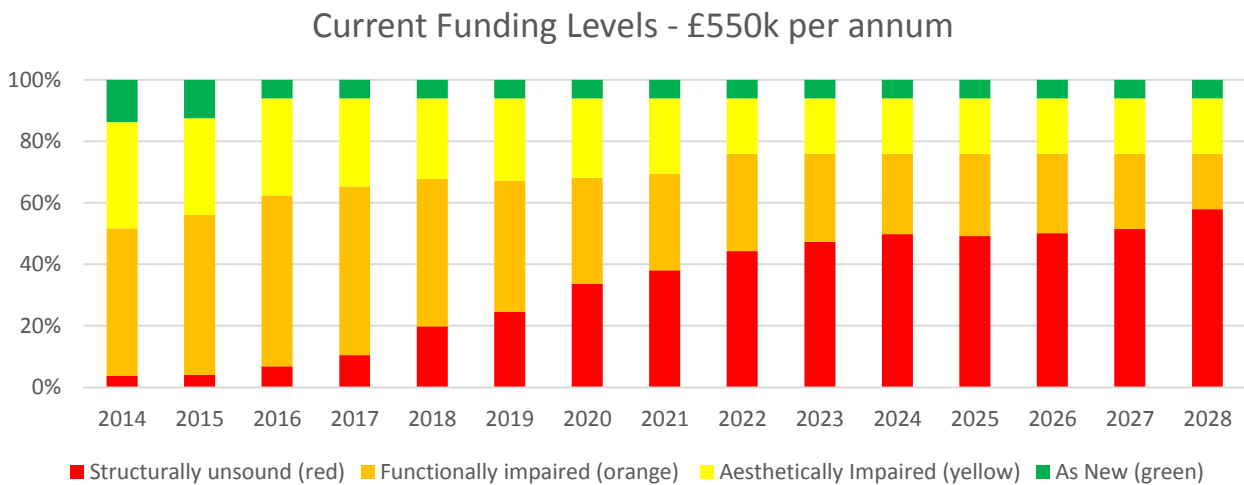
### 3.7. Traffic Systems

Traffic systems provide traffic control and intelligent information systems to keep traffic moving around the highway network. Traffic systems are essential to maintain the smooth flow of traffic safely around Surrey. We use a bespoke database to model our data. The budget for traffic systems covers a range of equipment, including pedestrian crossings, junctions, variable message signs, rising bollards, bridge height warning signs, fire station wig-wags and car park guidance systems. The condition of the assets is assessed against a number of criteria such as obsolescence, electrical safety, structural safety and the method of control.

Due to their technical complexity and technological focus, traffic systems have by far the shortest life span of all asset types and therefore any reduction in funding leads to rapid deterioration of the assets.

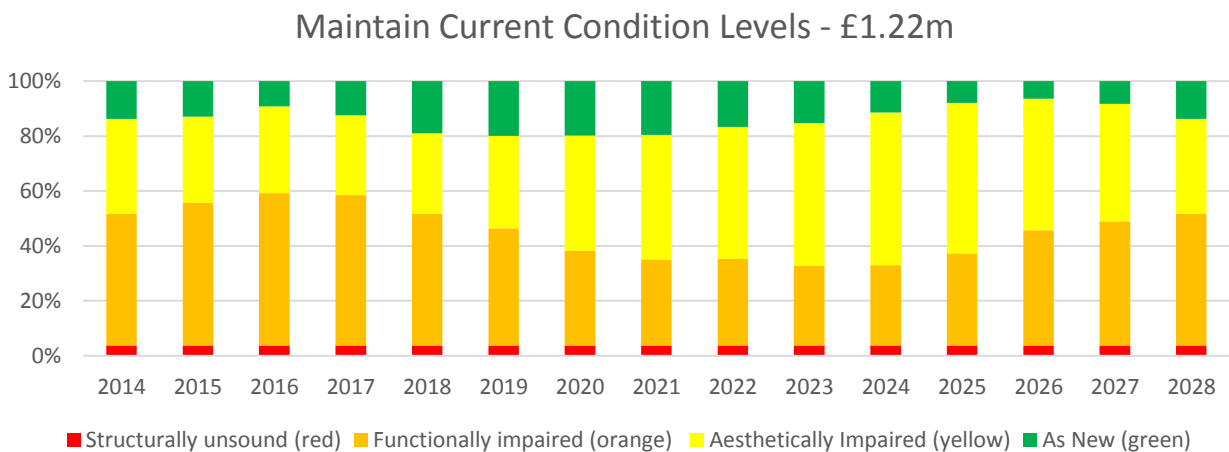
Figure 3-15 indicates that the current level of funding will lead to significant deterioration to the asset over 15 years, with the percentage of the asset in red condition increasing from 4% to 58% over this period.

**Figure 3-15 Traffic Systems Condition - Current Funding**



Given this shorter lifespan, funding may need to vary year to year to address issues as they arise so we will we will build this principle into our approach.

**Figure 3-16 Traffic Systems – Maintain Current Condition Levels**



Traffic systems are similar to barriers in the sense that relatively small increases in the annual budget will make a significant impact on the condition of the network over a 15 year period, meaning even a minimal increase in funding will have a significant impact. Traffic systems are vital in keeping traffic moving and reducing congestion, both of which are key factors in meeting our strategic outcomes.

## 4. Scenarios and Recommendations

In previous sections we have set out what we are aiming to achieve and our approach for doing so. In this section we identify in more detail how we will prioritise investment across the next 15 years.

### 4.1. Forward Look 15-Year Scenarios

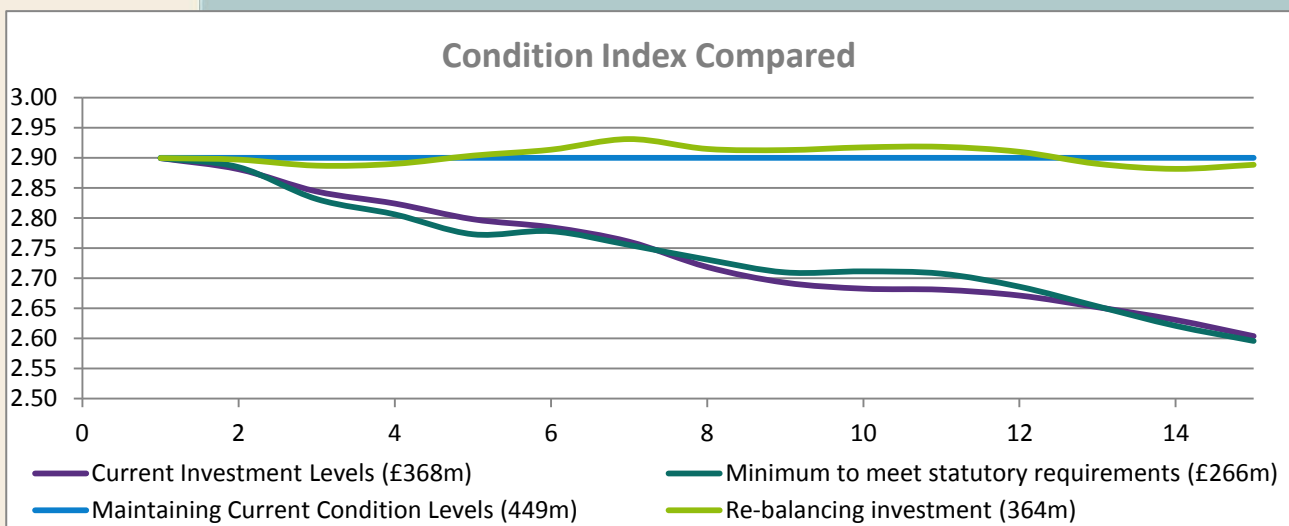
The findings from the analysis in [Section 3](#), as well as the views of users and Members shown in [Section 1.2](#), clearly justify a change in the spend profile across the identified asset types. The previous section has shown that different assets react differently to changes in funding and some require only modest investment to effect a significant improvement in asset condition. The challenge is to balance the needs of our users with the budgetary constraints we are working within and the impact that funding allocations will have on the assets. Figure 4-1 summarises five investment scenarios, where a condition index (CI) has been calculated to indicate the overall condition of each asset type. For example, if the condition for an asset was 100% red (structurally unsound), the CI would be 1, whereas if the asset condition was 100% green (as new), the CI would be 4 – indicating that the higher the CI, the better the condition.

**Figure 4-1 Scenario Summary Table**

Scenario	Current condition index (CI) exc. Embankments	Overall condition index (CI) - Year 15 exc. Embankments	Overall Spend
Scenario 1 – Current funding Levels	2.90	2.60	<b>£368m</b>
Scenario Two - Minimum to meet statutory requirements		2.59	<b>£266m</b>
Scenario Three – Maintain current condition levels		2.90	<b>£449m</b>
Scenario Four – Rebalanced Funding		2.89	<b>£364m</b>

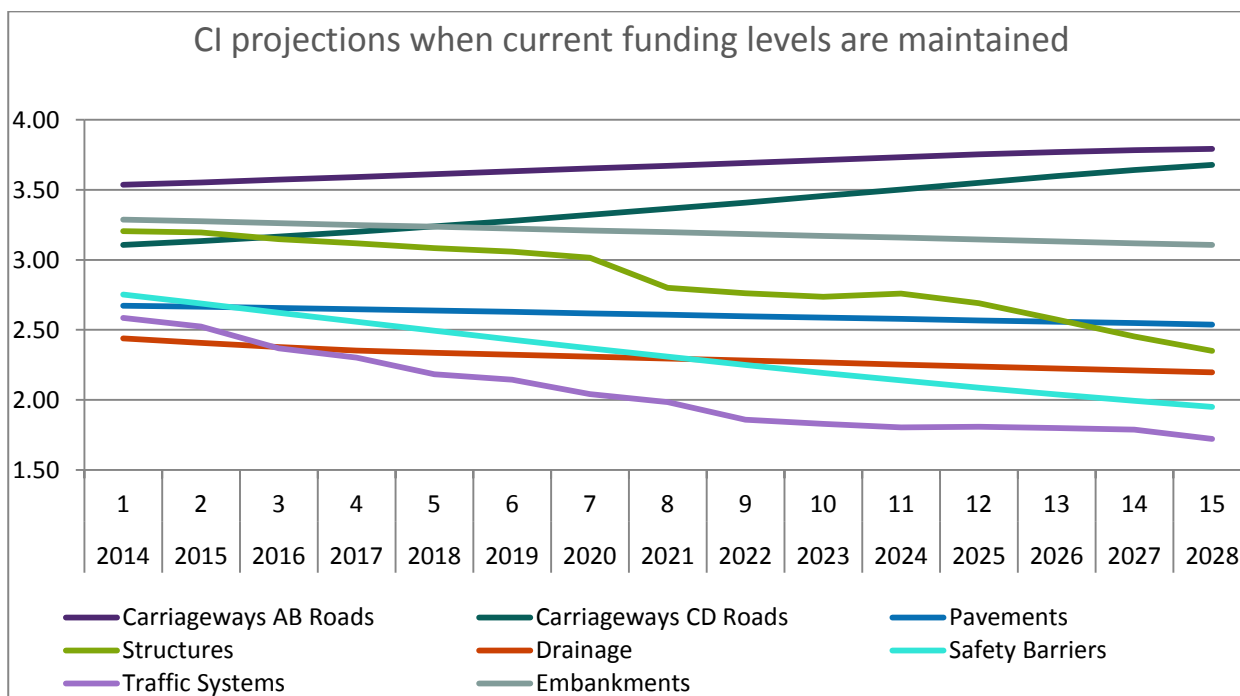
Figure 4-2 shows the different condition index projections over the next 15 years for each scenario, combining each network asset to give an overall view for the network. The cost of each scenario is also shown. A key principle of our approach is to consider the impacts of our decisions across the entire network rather than focusing on assets individually. This allows us to understand the interdependencies between different asset types and how these may be affected by changing funding levels. For example, a higher level of condition for our drainage assets will have a knock on effect in slowing deterioration rates of our roads.

**Figure 4-2 Scenario 15 Year Condition and Funding Projections**



If the current funding allocations per asset (scenario 1) were to continue unchanged for the next 15 years, we would see a dramatic reduction in the overall condition index of the network. The decrease in the CI from the current figure of 2.90 down to 2.60 is equivalent to over 30% of the network deteriorating down a category, for example from orange (functionally impaired) to red (structurally unsound). In terms of the effect on individual assets figure 4-3 shows that while condition levels on all types of roads would improve over 15 years, the condition of assets such as structures, traffic signals and safety barriers would significantly deteriorate over 15 years.

**Figure 4-3 Scenario 1 Current Funding Levels – projected changes to asset CI’s over 15 years**



In order to do the minimum to meet statutory requirements, approximately £266m of spending is required across 15 years, an average of around £18m per year. This scenario produces a similar reduction in network condition as maintaining the current asset funding allocations, however the spend in this scenario is not as uniform across the years as scenario 1. In this scenario the initial spend per year would be lower than in scenario 1 but towards the end of the 15 year period would rise higher than scenario 1.

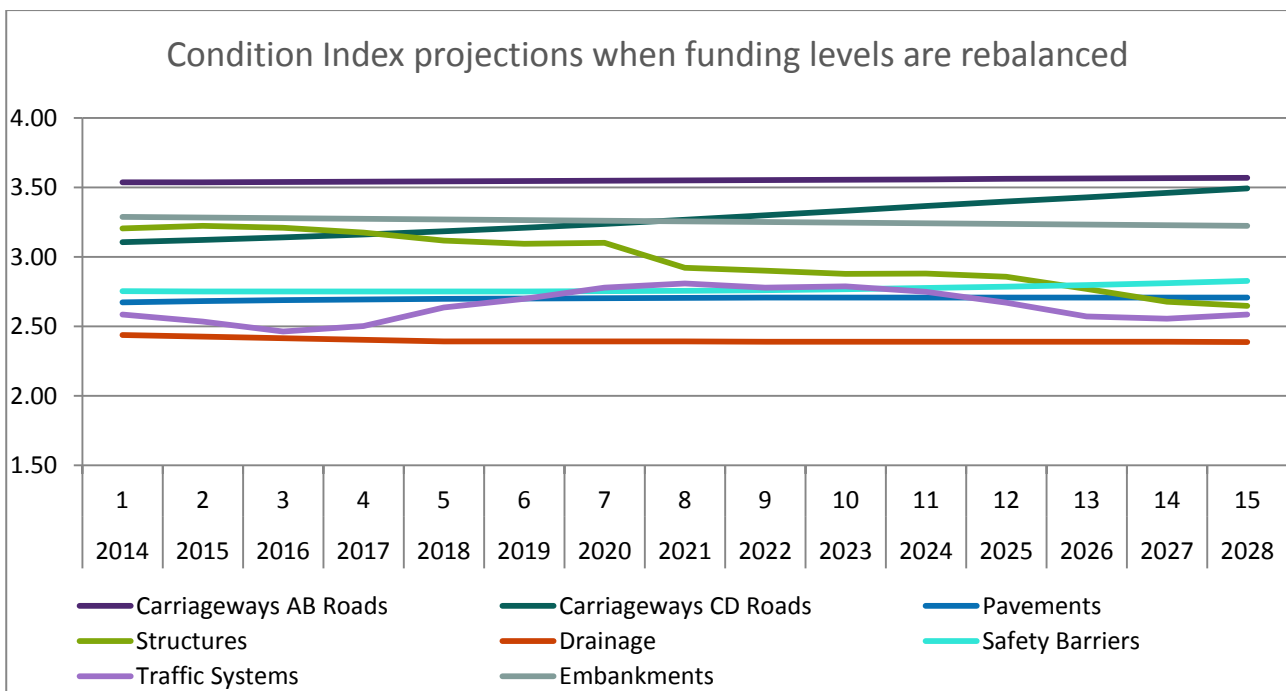
Maintaining current condition levels (preventing the percentage of the asset assessed as structurally unsound from increasing) is listed as Scenario 3, and is the most expensive of the three scenarios at a cost of £449m across 15 years. As with Scenario 2, while in the initial years a level of funding marginally lower than the current budgets will be sufficient to maintain condition, the failure to invest in the maintenance of assets in the short term would cause the budget to increase rapidly each year with an average budget of £30m per annum being required over the 15 year period. By changing the way we allocate funds across the different assets we can proactively manage the network and prevent this high-cost approach being realised.

## 4.2. Recommendations and Achieving Outcomes

As we have to manage our service within the constraints of the MTFP we have developed a spend profile that makes effective use of existing funding available. This scenario reflects the spending required to maintain the network in its current state rather than improve overall condition, while also avoiding the significant deterioration of the network identified in scenarios 1 and 2 and the increased costs identified in Scenario 3. We are focused on the key priorities of our users, acknowledging work already completed and the current relative condition of each asset.

Figure 4-4 demonstrates that this scenario projects that the condition of most assets will remain fairly stable over a 15 year period. There is clear improvement in the condition of C&D roads, while there is deterioration of condition within the structures asset. Any deterioration will have to be managed by taking a risk based approach to identification of schemes and also considering other sources of funding such as LEP bidding where appropriate.

**Figure 4-4 – Condition Levels for proposed scenario – rebalanced funding**



We will monitor the performance of our approach to ensure the desired levels of service are being achieved, taking action where necessary to deliver our strategic goals. There are a number of factors included in the investment decisions proposed including:

- Recognising the success of Operation Horizon and forecast improvements in roads, we are reducing our spending slightly. However, we understand the importance to our users, and so we will also be bidding for other sources of funding (e.g. LEP, DfT Challenge fund) in order to carry out larger scale improvements alongside our maintenance programme.
- Both users and Members have identified pavements as key, hence why we are significantly increasing investment in this area;
- Structures clearly need more investment to prevent long-term increases to costs and to minimise the risks of weight & width restrictions, lane closures and bridge closures.
- Traffic signals also emerged as priority for our Members and our users, so we will significantly increase our spending in this area;
- Drainage was identified as a priority by Members, and alongside increasing the spend on highway wetspots we will also be looking at other areas of funding for more significant works for instance LEP Resilience funding.
- Safety Barriers will also benefit from increased funding without it being a significant drain on the overall budget;
- We will develop a better understanding of the requirements for embankments, including a specific budget allocation while our knowledge of the asset increases;



- We will continue to manage our assets to ensure the budget is allocated as effectively as possible, not only to minimise the budget required, but also to minimise costs elsewhere; Focusing on assets that minimise the annual spend on insurance claims as a result of accidents;
- Minimising the risk of the budgets required to meet minimum obligations or maintain service
  - Ensuring that revenue spending is minimised
  - levels spiralling;
  - Impacts to the depreciated value of our assets

The proposed capital budget allocations for 2017/18 onwards are shown in the table below. On 22 March 2016 Cabinet agreed to increase highway maintenance spend in 2016/17 by £5m and to make an offsetting reduction to 2017/18, which results in the budget below. In addition, future spend is expected to be supplemented by an allocation from the DfT's "pothole action fund". For 2016/17 this allocation is £1m. In future years we understand from the DfT that funding will be awarded through a competition, rather than formula based, therefore we do not know how much funding we are likely to receive.

An indicative spend per year is shown, however in practice we aim to develop five year programmes of work for each asset within each assets total five year budget allocation. For some assets we may not spend a fifth of their total allocation each year as it may be more efficient and effective to have different sized programmes each year, however over a five year period spend on each asset will be equal to five times the "proposed spend per year" value shown in figure 4-5.



Figure 4-5 Scenario Four – Adjusted Budget

Asset Type	2017/18 Proposed (rebalanced) budget allocations (£m)**	* 2018/19 onwards proposed (rebalanced) budget allocations*** (£m)	Total 15 year budget (£m)***	Impact to asset
A/B Roads	3.21	4.67	69	Overall condition will generally improve – reinforced by recent Operation Horizon investment.
C/D Roads	6.65	9.69	142	Overall condition will generally improve – reinforced by recent Operation Horizon investment.
Pavements	3.00	3.00	45	This level of investment will provide relatively stable Pavements have been identified as a key priority.
Drainage	1.60	1.60	24	Asset condition will remain fairly stable based on what is known.
Structures	3.00	3.00	45	This level of investment will slow down asset deterioration and will begin to move the condition of structures towards a more stable base which is easier to manage at a strategic level.
Safety Barriers	1.10	1.10	17	Good overall improvement to the asset, allowing increased focus on safety critical barriers.
Traffic Signals	1.20	1.20	18	This level of investment will stabilise condition over the next 15 years.
Embankments	0.30	0.30	5	Evidence indicates that proposed spending is broadly appropriate but we will continue to improve our data
<b>TOTAL</b>	<b>20.06</b>	<b>24.56</b>	<b>364</b>	

\* £5 million was moved from the 2017/18 highways maintenance budget into 2016/17 therefore the 2017/18 budget is reduced by £5 million

\*\*excludes inflation beyond MTFP

## 5. Organisational Change and Building the Team to Deliver

In support of our core asset management activities, we will be undertaking a number of internal activities to enable our asset management team to deliver effectively. In using the [Highways and Infrastructure Asset Management Guidance](#) document published by the UK Roads Liaison Group (UKRLG) and the Highways Maintenance Efficiency Programme (HMEP) we have identified a number of opportunities for improvement and will also utilise standards set out in [ISO 55000](#), which identifies key principles to consider in implementing an effective approach to asset management. Our projects and initiatives to deliver this are focused on the following outcomes:

- Creating clear lines of decision making and delegated responsibilities;
- Having a clear and agreed plan in place, with changes justified through a controlled process;
- Measuring performance against a set of benefits and monitoring using detailed and regular KPIs;
- Ensuring the asset management team is linked up effectively to internal and external stakeholders;
- Maximising utility gained from the systems across the organisation.

The service is also undergoing a change programme to ensure it has the capability and skills that supports the delivery of its 5 year Strategic Business Plan. This includes:

- Functional organisational design based on a commissioning approach to create a more outcome based service;
- The development of a Delivery Plan which will set out the detail of what we intend to do to deliver our business plan
- Service wide [performance framework](#) and benefits mapping to evidence the delivery of our business plan and the Council's corporate goals and to drive continuous improvement. Section 6 describes the development of our performance framework in more detail;
- Development of a more efficient and effective works ordering function with clear client and deliverer roles and responsibilities and change control process design;
- External stakeholder mapping and engagement plan;
- Internal communications plan;
- Customer Service Excellence accreditation;
- Development and implementation of our [People Strategy](#);
- Development and implementation of a service wide Quality Management System.

These initiatives support a range of improvement activities identified by the asset team, including (ranked in order in terms of the magnitude of change required):

- Performance – benefits mapping aligned to performance measures and realisation, audit programmes and link to others;
- Investment & Budgeting – Create SLAs, integrate budgets together, base decisions on whole life capital costs, exert more change control, justify decision making, bidding for future funding, asset teams to control budgets;
- Capability – collaboration, flexible and dedicated resource, more control;
- Process – senior engagement, agreement, consistency, link teams together, action list, change control, processes
- Communications – web page, Q&As, workshops, meetings, communicate remits of each team, wider stakeholder engagement, champions of the network,
- AM Systems/Technology – integrate asset systems to link together, records, simple system,
- Policy & Strategy – Allow for changes, define responsibilities, ensure senior support;
- Data – conduct more surveys and actually use the data in decision making.

We conducted a Maturity Assessment with the team to support the identification of these initiatives and identify the key areas of priority for improvement in the short to medium term

## 6. Performance Management and Governance

The business plan for the service is underpinned by a Performance Management Framework. This sets out a series of performance measures across all our activities which will be used to demonstrate that we are achieving the objectives of the business plan and delivering the Council's corporate goals. It will allow us to identify risks to service delivery and highlight opportunities. Progress against the framework will be scrutinised on a regular basis with quarterly reporting to the Service Leadership Team. Implementing this framework is an ongoing process and we will continue to adapt our approach as we mature.

Included within the framework is a series of measures against the delivery of the asset management strategy. These will be used to monitor our progress against the delivery of the objectives set out in the strategy on a number of levels.

### 6.1. Performance of our strategy

We will continue to understand the user needs for highways to ensure the strategy is correctly focused, as well as remaining aligned to wider Council and corporate priorities. We will work to prioritise those activities understood to increase public satisfaction, maintain our customer focus and ensuring that everything we do is aligned to the needs of highways users.

We will take an engaging approach to delivering our plans and updating the strategy, ensuring we hear your views before making significant changes. The strategy will be reviewed annually and aligned to the 5 year business plans developed for the service. We will continue to integrate into our thinking information from the NHT survey, customer satisfaction surveys, the customer contact centre and other sources of engagement. By doing so the asset management strategy will remain relevant and aligned to the changing needs of Surrey. Progress will be published on our website and all users will be able to actively engage in the formation of the ongoing strategy.

### 6.2. Performance of our assets

Using the baseline developed in our asset data, we will develop forecasts for future condition based on the level of investment provided. This will then be reviewed on an annual basis to assess any under- or over-performance for each asset against the needs of the users. Where this is the case, lessons learned will be gathered to understand why this has occurred and suggested activities to either improve the situation or maximise an opportunity with a view to reducing whole life costs of the asset.

This will enable future forecasting to be completed more effectively with a view to improving accuracy in the longer term. Where assets are shown to be consistently underperforming, more detailed diagnostics will be completed to understand why and to develop remedial activities specific to that asset. We will continue to work with partners to identify innovative solutions to these challenges, constantly seeking to increase the value to the residents of Surrey.

There will be monthly works scheduling progress meetings to review the delivery to plan and the updated condition forecasts will be reviewed at board level annually, where changes will be agreed. Any changes to the strategy will also be reflected in adjustments in investment priority.

### 6.3. Performance of our team

We will seek to continually improve the tools, systems and processes available to each asset team and identify lessons learned as more information becomes available. We will repeat a maturity assessment on an annual basis to assess our level of maturity against our original plan, helping us to set out new or revised improvement activities for the future.

We will work with the asset management teams to help them manage their priorities and to build resilience in their approach when these priorities may conflict with each other. This will also allow for flexibility within the team going forward. The maturity assessment completed will be shared the senior leadership team on an annual basis and there will also be quarterly reviews of progress in delivering organisational change and operational improvement.

## 6.4. Knowledge sharing and support

Surrey is committed to the development and implementation of good practice and benefits from lessons learnt at National, Regional and Local levels. Officers from Surrey County Council regularly contribute to and attend:

- National and regional conferences;
- The Chartered Institute of Public Finance and Accountancy (CIPFA) Highways Asset Management Planning Network
- SEASIG (South East Area Service Improvement Group) Customer Service Group
- The South East 7 Alliance
- National Traffic Managers Forum
- Annual Local Authority Road Maintenance Survey
- Local Authority Bridges Groups

Furthermore, Surrey is committed to the sharing of knowledge and experiences in implementing asset management with other Highway Authorities across the Country. To this end, officers from Surrey present examples of good practice nationally at workshops and conferences and are active members of many knowledge sharing and improvement forums;

- UK Roads Board
- Road Condition Management Group (SCC Chair)
- HMEP Advocate – our Assistant Director has lead work on improving Client/Contractor/Supplier relationships, and on business change, including the development of a strategic peer review for highway authorities.
- Case study on Asset Data included in UKRLG Highway Infrastructure Asset Management Guidance
- MSc in Highway Engineering – Surrey played a key role in the development of this Brighton University course and provide ongoing input with colleagues leading modules and presenting lectures
- South East Traffic Managers Group (SCC Chair)
- South East Permit Scheme Governance Board (SCC Chair)

## 7. Programme Planning and Supporting Documentation

In delivering our strategy, we have developed a series of documents that set out how we will allocate funding to target the areas that require the most focus. The documents discussed below support the achievement of this objective and are updated annually to ensure we are adapting to ongoing changes in the condition of our network and the priorities of users.

### 7.1. Scheme Identification

To ensure capital funds are spent in the most effective way, robust systems for scheme identification and assessment are required. The Capital Prioritisation Policy can be found [here](#). We will make specific decisions on how to utilise the allocated budget using this approach to prioritisation, ensuring that we remain focused on delivering the goals and objectives set out in this strategy.

### 7.2. Annual Programmes

Surrey's major maintenance is planned in advanced and several programmes have been devised to support our strategic aims to maintain our highways assets. Our annual programme sets out all planned work for the year ahead and provides a baseline against which we can periodically assess performance to ensure we are delivering as required. We have made available our annual programmes on a borough-by-borough basis. Further details on each of these annual programmes can be found [here](#).

### 7.3. Forward Programmes

Forward programmes look to build greater resilience in to the network, providing a preventative approach to highways asset maintenance. We have taken an innovate approach to plan further in advance than just for the year ahead, setting out a provisional programme across the next five years. This ensures that we are proactive in our approach and can make informed decisions for the future. Of course the programme will be subject to change dependent on how far we are achieving our goals, and being flexible is a key element in delivering our strategy. Further information can be found [here](#).



# 8. Asset Summaries



## 8.1. Roads

### Inventory

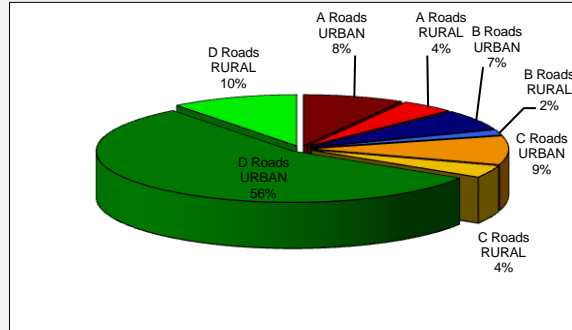
When we talk about roads we are referring to the surface and structure of the part of the road constructed for use by vehicular traffic. Surrey County Council has responsibility under section IV of the Highways Act 1980 to maintain highways in Surrey that are “maintainable at the public expense”. In Surrey this covers a network of 4857km (3018 miles) which is classified as;

618km of A roads (384 miles)

399 km of B roads (248 miles)

627km of C roads (390 miles)

3213 km of D roads (1996 miles)



We have good basic inventory data however we need to fully integrate the different systems we use so that maintenance history and inventory data are held together.

### Condition

We have good knowledge of the condition of our road network.

All 'A', 'B', and 'C' roads are surveyed by mechanical scanning (SCANNER) on a rolling programme:

- 100% of 'A' roads over 2 years in both directions
- 100% of 'B' roads every year in one direction
- 50% of 'C' roads in one direction each year

'D' roads are surveyed by visual inspections (CVI), and we survey 25% of the network each year.

This means that:

- All 'A' and 'B' roads have been scanned within 2 years
- All 'C' and 'D' roads have been scanned within 4 years

This data is held in UKPMS, and the data for A, B and C roads provide the data for SDL 130-01 and 130-02 (formally NI 168 & 169), there is no national requirement to collect condition data on the D road network, however we believe it is essential in order to prioritise carriageway maintenance and to understand the maintenance issues and financial aspects of our carriageway network.

Based on the latest condition survey figures 2015/16

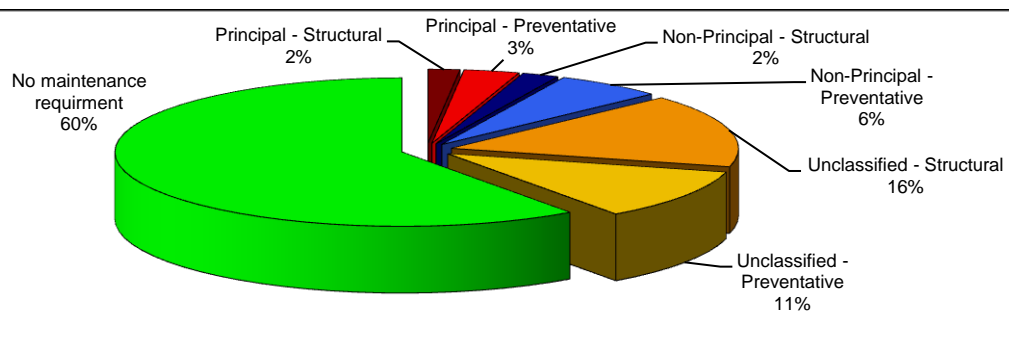
3.5% of our principal network (A roads) requires structural maintenance – 34 lane km (21 miles)

5% of our non-principal network (B & C roads) requires structural maintenance – 60 lane km (37 miles)

16% of our unclassified network (D roads) requires structural maintenance – 461 lane km (286 miles)

When we add in roads which require preventative maintenance in order to prevent them from deteriorating to the level where they require structural maintenance and also include scheme efficiencies, the overall maintenance requirement on Surrey's roads is;





**Work Types**

The capital road maintenance programme comprises of two main budget headings, Major Maintenance and Surface Treatment.

Major Maintenance is carried out to roads that have underlying structural problems and in general one or more layers of the carriageway surface are removed and replaced. Due to the complex nature of these schemes they can often involve road closures or temporary traffic lights being put in place to control traffic during the works. To save money and minimise disruption, we try, where possible, to coordinate this work with other schemes such as pavement, drainage or road improvement works.

Surface Treatments are preventative maintenance schemes that are carried out when the road is starting to deteriorate in order to prevent the carriageway failing to the level where more expensive Major Maintenance treatments are required. Surface Treatment encompasses treatments that improve the skid resistance and increase the lifespan of the road generally by adding either a surface dressing or a micro asphalt to the surface. Where there are areas of failure in the road (potholes etc) we carry out local structural repairs or patching works prior to the surface dressing. Surface treatments are a relatively cheap, quick and efficient option for helping to provide a well maintained and safe road network and increase the lifespan of the road in much the same way that preservatives increase the life of woodwork.

**Valuation**

From 2013 Surrey County Council carried out a Valuation of their road asset based on the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice using the calculations developed by the Highways Asset Management Financial Information Group (HAMFIG). Using this methodology the Gross Replacement Cost for Surreys road asset in 2015 has been calculated at;

**£7,129,747,000**

**Backlog**

Based on the known maintenance requirement detailed in the Condition section above, the cost to carry out the back log of works required on Surreys Road Network has been calculated at;

**£294,698,000**

**Key Issues**

- Currently we do not have all sections of road that require maintenance on our forward works plan; this is an area we are working to address within the term of this strategy.
- Currently updating our inventory data with maintenance history is not an integral part of our process, this is an area we need to address within the term of this strategy.

## 8.2. Pavements and Cycleways

### Inventory

Pavements are the part of the highway reserved for use by pedestrians, adjacent to and sometimes contiguous with the pavement. A 'Cycleway' is regarded as a dedicated section of Pavement that is for use by non motorised cycles. It is estimated that there are over 5000 km of Pavements in the County of which over 177km has a shared 'Cycleway'. Accurate, complete and comprehensive inventory data on Pavements and Cycleways is essential so that asset management processes for managing the network can be established. It is only when the full inventory data, including condition assessments, is available that an overall view and consistent management approach can be achieved and critical decisions made. It is at this stage that some of the more advanced asset management processes such as deterioration modelling; asset valuation and risk management can be implemented.

We now have a well-structured inventory database of Pavements and Cycleways that has the capability to be fully integrated with a range of systems our contractors or we use so that maintenance history and inventory data are held together.

### Condition

Historically our condition data for pavements was limited to category 1\* and category 2\*\* pavements, however, a complete network survey of pavements was started in 2010 and completed in November 2015. This was done by visual inspection using nationally agreed parameters. This survey also recorded the condition of the shared Pavements and Cycleways.



North St, Guildford before and after photos

\*Busy urban shopping and business areas, and main pedestrian routes linking interchanges between different modes of transport, railways, bus termini, main bus routes etc

\*\* Medium usage routes through local areas feeding into primary routes, local shopping centres, large schools and industrial and commercial centres etc.

This completed condition survey found

6% of Pavements were classed as Structurally Unsound (Red) – 290km (180 miles)

26% of Pavements were classed as Functionally Impaired (Amber) – 1283km (797 miles)

67% of Pavements were classed as Aesthetically Impaired (Yellow) – 3313km (2059 miles)

1.5% of Pavements were classed As New (Green) – 74km (46 miles)

Work Types
<p>The capital Pavement maintenance programme comprises of two main budget headings, Reconstruction and Preventative Maintenance.</p> <p>Reconstruction is carried out to Pavements and Cycleways that have underlying structural problems and in general one or more layers of the Pavement or Cycleway surface are removed and replaced. Due to the complex nature of these schemes they can often involve temporary traffic lights being put in place to control traffic during the works. To save money and minimise disruption, we try, where possible, to coordinate this work with other schemes for instance carriageway, drainage street or street lighting replacement.</p> <p>Preventative maintenance schemes which utilise materials such as slurry seals, are carried out when the Pavement or Cycleway is starting to deteriorate in order to prevent the pavement failing to the level where more expensive Reconstruction treatments are required. Preventative maintenance encompasses treatments that improve the skid resistance and increase the lifespan of the Pavement and / or Cycleway. Preventative maintenance treatments are a relatively cheap, quick and efficient option for helping to provide a well maintained and safe Pavement and Cycleway network and increase the lifespan of the Pavement and Cycleway in much the same way that preservatives increase the life of woodwork.</p>
Valuation
<p>From 2013 Surrey County Council carried out a Valuation of their pavement asset based on the Chartered Institute of Public Finance &amp; Accountancy (CIPFA) Code of Practice using the calculations developed by the Highways Asset Management Financial Information Group (HAMFIG). Using this methodology the Gross Replacement Cost for Surreys Pavement asset for 2015 has been calculated at;</p> <p style="text-align: center;"><b>£963,355,000</b></p>
Backlog
<p>Based on the known maintenance requirement detailed in the Condition section above, the cost to carry out the back log of works required on Surreys for our Pavement Network has been calculated at;</p> <p style="text-align: center;"><b>£77,958,000</b></p>
Key Issues
<ul style="list-style-type: none"> <li>• Currently we do not have all sections of Pavement that require maintenance on our forward works plan; this is an area we are working to address within the term of this strategy.</li> <li>• Currently updating our inventory data with maintenance history is not an integral part of our process, this is an area we need to address within the term of this strategy.</li> </ul>

## 8.3. Drainage

### Inventory

Drainage assets are an integral part of Surrey County Council's highways. Drainage asset data consists of gullies, soakaways, ditches, Inspection pits, grips, channels, drains, grills and outlets.

There are approximately 159, 400 gully grates in the county. Each location is recorded on our GIS system.

There are approximately 8421 soakaways in Surrey. Soakaways are present across the county, however the bulk lies on the chalk strata to the north east of the county. These soakaways vary from conventional ringed units to deep borehole soakaways. There are also numerous Victorian/Edwardian deep shaft soakaways, which can be around 10m deep.

Ditch ownership has always been a controversial subject. A recent survey has concluded that while the county has a history of stepping in and maintaining any ditch in order to keep the highway safe, it actually owns only 31km of ditches countywide. The locations of the county owned ditches are recorded on our GIS system.

The county has a database of sections of highway that flood, which have been termed 'wetspots'. At some of these locations, surveys have been carried out and GIS records of all drainage attributes are held for these locations. The coverage of the drainage data for these wetspots is very small compared to the whole network with around 60 wetspots mapped to date.



Unless included as part of the wetspot data inventory, pipes, inspection pits, grips, interceptors, channels and french drains are not recorded on any asset registers.

### Condition

In general, the highway drainage is functional over most of the road network. There is no routine programme for condition assessment. Once a wetspot has been identified an investigation will be carried out and the condition ascertained to check eligibility for the capital drainage programme.

All sections of highway that flood are recorded on a Wetspot database. Even when a capital or locally funded scheme has taken place, the wetspot remains on the system but with a 'reduced risk score'. If in years to come the flooding problem reappears, engineers can look back over the data and assess if remedial works are again necessary or if some other action such as an increased maintenance regime is more appropriate.

There are currently 1054 wetspots recorded in on the wetspot database. 353 of the wetspot locations are reported as suffering from current flooding, 317 are listed as dormant (no reports of flooding in the

past 3 years) and 97 are recorded as works in progress or pending review following recent works. The remaining 287 are currently at a reduced risk status. Of the 353 locations, 200 have been attributed to highway problems and form our capital forward works programme.

**Work Types**

The damaged systems associated with the top scoring wetspots are addressed under a capital drainage investment program. Current funding levels enable us to deal with 7 to10 wetspots per year.

Small, low scoring wetspots schemes are sometimes addressed with funding from local office or members allocations.

Routine maintenance is carried out on gullies, soakaways, ditches and grips. Other drainage assets are dealt with on a reactive basis.

**Valuation**

Without an accurate inventory it is impossible to provide a valuation of the drainage asset, however from 2013 Surrey County Council carried out a Valuation of their carriageway asset based on the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice using the calculations developed by the Highways Asset Management Financial Information Group (HAMFIG). Using this methodology the Gross Replacement Cost for Surrey’s Linear items which includes for drainage as well as kerbs, road studs and line marking associated with road hierarchy, was calculated, it has been assumed that the drainage element comprises of 75% of the total figure which for 2015 gives a value of;

**£1,877,400,000**

**Backlog**

Details of the highway drainage assets held by highway authorities are generally very limited. There are inherent difficulties with the inspecting and recording sub-surface assets, which can be complicated by connections and interactions with non-highway drainage systems. These issues have been further compounded due to the responsibility for highway drainage assets being transferred between multiple organizations since the 1980s.

As such, accurate knowledge regarding the location and condition of the whole highway drainage asset is not realistic so alternative methods are generally used to provide indicative information on the state of highway drainage across the county.

With this in mind, we have estimated the cost to carry out the current back log of works required on our Drainage Asset as;

**£36,750,000**

**Key Issues**

- All known flooding wetspots are recorded, however it should be noted that new wetspots appear annually, and the rating/importance of individual wetspot locations can change from year to year.
- As knowledge of the drainage system increases, it has been identified that other sections of highway suffering from construction saturation should be identified, recorded and analysed.

## 8.4. Pumped Drainage Systems

### Inventory

There are pumped drainage systems provided in seven pedestrian subways and five highway underpasses.

The seven pedestrian subways each have two pumps.

Four of the five highway underpasses have three pumps and one has two. In addition each pumping station has a significant amount of associated infrastructure, including buildings, land and electrical apparatus, all of which also requires regular maintenance.



### Condition

The pumps in the five pumping stations on the A331 Blackwater Valley route and at Tongham Interchange are coming to the end of their life and this is identified in the OHC risk register as flooding on this length of high-speed dual carriageway is a significant safety issue.



The associated infrastructure, i.e. buildings, land and electrical equipment etc., together with the reed beds and other sustainable drainage features constructed as part of these works, are significant and there is a need to provide ongoing maintenance and replacement over time.

The sharing of asset condition data and inventory information, together with the identification of maintenance responsibilities, are duties included in the Flood and Water Management Act 2010. As the 'lead local authority' for flood and water management in Surrey, we are continuing to work closely with partners and stakeholders to ensure the risk of highway flooding, and other forms of flooding, are mitigated.

Work Types
<p>The majority of underpass pumps at Sunbury Cross have been replaced and, with comparatively new infrastructure, should not be of concern in the near future.</p> <p>The pumps on A331 Blackwater Valley route and at Tongham Interchange are generally in a poor condition. Capital replacement and reactive maintenance works have been identified, prioritised and are ongoing.</p> <p>Maintenance on the Rive Ditch and siphons has been identified and works are now being programmed, with successful partnership joint funding secured.</p>
Valuation
<p>Not available</p>
Backlog
<p>The current level of funding is insufficient to address the immediate issues highlighted above.</p> <p>Replacement of each defective pump is currently being reviewed and a business case is being prepared for 20 year asset plan.</p> <p>The works required to the reed beds at the Canal Trough have not yet been calculated.</p>
Key Issues
<ul style="list-style-type: none"> <li>• The urgent replacement of five pumps will place a considerable strain on the highways maintenance budgets.</li> <li>• There is a telemetry system at the five pump stations located in the BVR, and at the Sunbury Cross subways complex. This notifies the specialist pump contractor of faults at these pump stations. This is currently being reviewed as part of the Kier contract extension.</li> <li>• An ongoing maintenance regime should to be put in place so that all the stations can be serviced to the required operational levels. Routine servicing / maintenance will ensure that any problems with the equipment are identified at an early stage and actions taken to rectify them long before they cause issues with either the general public or traffic.</li> </ul>

## 8.5. Structures

### Inventory

There are over 2,500 bridges and structures carrying or crossing County roads, footpaths, bridleways or byways in Surrey.

There are approximately 1300 structures on the County Road network, of which Surrey County Council are responsible for about 1100.



A highway structure is defined as:

- a) A bridge, culvert, chamber or subway under or over the highway with a composite span of 1.5metres or more.
- b) Retaining walls, where the height of retained fill measured between lower ground level and upper ground level is 1.37metres or more.

### Condition



We have good knowledge of the condition of our structures stock.

#### Inspections

Structures are inspected every two years and subject to a Principal Inspection, very detailed, every six years.

The condition of the bridge stock is measured using the CSS Bridge Condition Index (BCI) which is generated by inspection results. A BCI is generated both for all of a structures elements (BCI<sub>lav</sub>) and for also just the critical structure elements (BCI<sub>crit</sub>), ie main beams.

The CSS Bridge Condition Indicators have been in use for a number of years. The 2006 BCI<sub>lav</sub> score was 90.45 and BCI<sub>crit</sub> 81.52. The current (April 2016) BCI<sub>lav</sub> score is 88.11 and BCI<sub>crit</sub> score is 78.05. This trend is likely to continue as long as current levels of funding are maintained.

#### Assessments

Bridges are assessed for their load carrying capacity, with the Code of Practice for the Management of Highway Structures stating structural reviews should take place at 12 year intervals.

A structural assessment has been carried out for 99% of the structures on the County road network which are the responsibility of the County Council. A majority of these assessments took place in the 1990's in preparation for the introduction in 1999 of 40tonne vehicles in the UK.



56 structures are currently assessed as substandard in accordance with the Highways England Standard BD21, ie they are not considered capable of carrying vehicle up to 40tonnes in weight.



These substandard structures are managed by Surrey and/or Network Rail, either by the imposition of weight restrictions or more regular and targeted inspections, where appropriate.

Pressures on the capital bridge strengthening budget has lead to the majority of bridges not having had either assessment reviews or re-assessments for over 18 years.

### Work Types

#### Revenue activities

Inspections of structures and minor maintenance.

#### Capital activities

Structures requiring strengthening, refurbishment or replacement. The strength assessments of bridges

### Valuation

From 2013 Surrey County Council has carried out a valuation of their Structures asset based on the Chartered Institute of Public Finance & Accountancy (CIPFA) *Code of Practice on Transport Infrastructure Assets* using the calculations developed by the Highways Asset Management Financial Information Group (HAMFIG).

For the County road structures, the Gross Replacement Cost was calculated in 2015 as;

**£445,400,000**

### Backlog

The Depreciated Replacement Cost, taking into account condition, was calculated in 2015 as;

**£379,359,600**

### Key Issues

- The condition of our bridge stock is deteriorating and more under-strength bridges are coming to light when old strength assessments are updated with current condition factors. The backlog of strength assessment reviews mean Surrey may have more sub-standard bridges than currently recorded.
- Surrey has currently managed to keep a number of sub-standard bridges in service without imposing weight restrictions by using an increased level of inspection and monitoring in accordance with National Guidance. This can only be used in the short term, however, and so a failure to invest in bridge replacements or strengthening will eventually result in the imposition of further weight restrictions and reduce network availability.
- Weight and/or width restrictions have an impact on local communities and highway users. Local committees are reluctant to impose permanent weight restrictions and yet temporary restrictions are only valid for eighteen months. There is a growing problem of being able to finance and programme these additional works, particularly given ecological, planning and railway possession issues.
- A number of substandard bridges are owned by Network Rail. Network Rail are only required to provide bridges to carry loading of 24t, as highway authority Surrey are responsible for any additional funding to strengthen a railway bridge to 40t.

## 8.6. Earthworks and Embankments

### Inventory

The council is responsible for the management and maintenance of earthworks across the County. These include engineered embankments and cuttings as well as natural slopes.

An inventory has not yet been created for this asset type although there is a database of slopes with known problems. Work has been carried out to produce a risk classification for these slopes in accordance with the Highways Agency publication HD41/03 "Maintenance of Highway Geotechnical Assets".



To date 103 sites have been surveyed which incorporate 222 individual slopes. A further 50 sites are in the process of being assessed.

### Condition

Of the 222 slopes surveyed last year, 135 were classified as 'low' risk according to HD41, 81 as 'medium' risk, 2 as 'high' risk and 4 as 'severe' risk. In addition, there are 6 sites that have already been identified for remedial works.

### Work Types

Historically, there has been no asset management plan for highway slopes. Maintenance has been carried out on a reactive basis only. This means that work is only carried out when a failure has occurred. Remedial measure may take years to put in to place because funding has to be allocated. The travelling public suffer delays and inconvenience which impacts on quality of life and the economy.

Recently, funding was made available to begin to address this issue. A risk analysis of slopes is being carried out to prioritise remedial works. This work needs to be extended to include all highway earthworks.

Remedial work for slopes will depend on an analysis of specific sites. Geotechnical solutions could include re-grading, soil nailing and reinforced earth. Structural solutions would include retaining structures of various types.

### Valuation

Not yet available

<b>Backlog</b>
Unknown
<b>Key Issues</b>
<ul style="list-style-type: none"><li>• An asset management plan needs to be developed and put in place to address the backlog of highway earthworks issues. Identification of problems at an early stage is essential to prevent disruption to the highway network.</li><li>• Asset data collection needs to continue and inspection and monitoring programmes put in place.</li></ul>

## 8.7. Safety Barriers

### Inventory

The Surrey Highway Network has approximately 94km of vehicle safety barrier, with 85km on A roads and 9km on B, C & D roads.



Surrey's safety barrier asset primarily consists of Tensioned Corrugated Beam (TCB), Open Box Beam (OBB) and Un-tensioned Corrugated Beam (UCB) types of barrier system. The barrier systems have a mixture of full height and ramped ends.

### Condition

The entire Safety Barrier asset has now been observed by either a superficial, medium level or detailed survey carried out by either by Surrey County Council or their Engineering Consultants. Identifying the condition of every barrier has enabled each to be assigned a priority rating depending on risk ratings for both road factors and hazard factors. The four priority levels are Red for the highest priority and Green for the lowest with High Amber and Low Amber for the medium priority barriers.

At present it has been calculated that 18km of safety barriers are considered in Red condition and require immediate attention 53.5km of safety barriers are in medium priority condition (Amber rating) and 21.4km are in good (Green condition).

### Work Types

Two types of works are carried out on safety barrier assets.

1. Revenue Maintenance

Defective elements of barrier systems are identified that can be repaired or replaced to ensure continued operational integrity of the system.

Tensioned Corrugated Beam (TCB) barrier systems require re-tensioning every two years to ensure it is maintained correctly and increase the likelihood that it will perform correctly. There is a two yearly re-tensioning programme in place to

2. Capital Replacement

Where the condition of a barrier has deteriorated too far or repairs cannot be made, the barrier must be considered for replacement or removal.

Priority of replacement is assigned by considering the condition of the safety barrier and the risk attributed to it, for example: a safety barrier identified to be in the worst condition (red) in a high risk location is prioritised over a barrier of similar condition in a lower risk location

Valuation
<p>Based on an average cost from previous capital replacement works of £393 per Meter, the 94kms of vehicle safety barrier in Surrey is valued at:</p> <p style="text-align: center;"><b>£37,000,000</b></p>
Backlog
<p>Based on condition data currently available the current backlog estimate is:</p> <p style="text-align: center;"><b>£23,929,000</b></p>
Key Issues
<ul style="list-style-type: none"> <li>• Much of the barrier in Red condition is at the approaches to Highways England bridges. The responsibility for safety barriers at all sites where Highways England roads border Local Highway Authority roads is currently being discussed nationally between Highways England and Local Highway Authorities. Should Surrey be required to be responsible for safety barriers at these border locations, then considerable strain would be put on the capital budget.</li> <li>• Tensioned Corrugated Beam (TCB) is no longer installed on Surrey's network due to the additional maintenance costs these barrier systems require. There is currently approximately 26km of existing TCB on Surreys Roads. The estimated cost for the replacement of all tensioned systems in Surrey is £8,800,000, therefore while the overall condition of a TCB system remains good it is cost effective to continue with the maintenance regime.</li> <li>• Condition data will be integrated into the asset management system to ensure that a maintenance and condition history is well managed and maintained.</li> </ul>

## 8.8. Traffic Control Systems

### Inventory



Surrey County Council has responsibility for all Traffic Control Systems on the public highway.

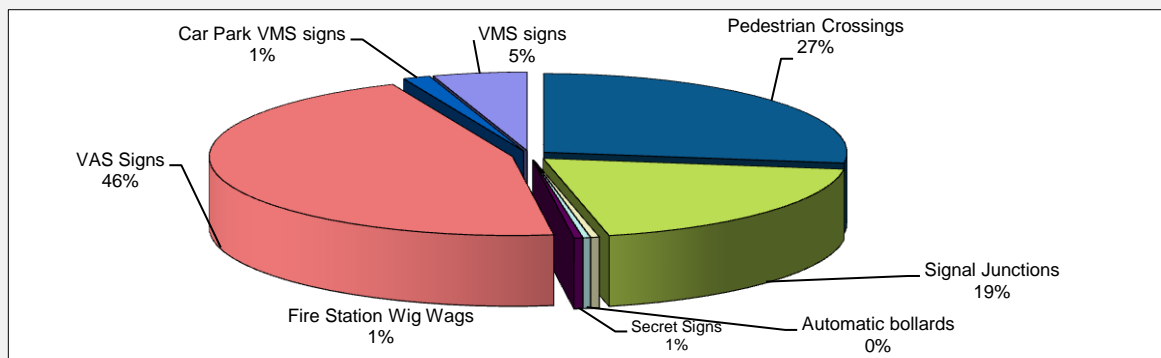
These comprise the following equipment (as at July 2015)

Pedestrian Crossings	357	(Pelicans, Puffins, Toucans etc)
Signal Junctions	254	(Junctions & Equestrian Crossings)
Fire Station Wig Wags	6	(Alternating reds at Fire Stations)
Automatic bollards	5	Bus access control
Secret Signs	6	Overheight vehicle etc.

Many signal installations on high(er) speed roads incorporate high level (gantry) overhead signals. In addition, there are the following which are included in "Intelligent Information Systems"

Some of these are the responsibility of the Safety Engineering, Road Safety team

Car Park Counting Systems	23	
Car Park VMS signs	36	Occupancy
VMS Signs	66	Variable Message Signs – Highway / travel advice
VAS signs	600	Vehicle Activated Signs – Speed reminders etc
School crossing patrol (Wig Wags)	232	serving 113 Schools



An equipment inventory is kept for each installation and most have a Site Layout Drawing available with equipment locations.

Condition
<p>The equipment is of varying age and condition and maintained and inspected at regular intervals by our specialist contractors.</p> <p>There are strict guidelines and (legal) standards appertaining to the signal operation. Maintenance is based on meeting these standards to ensure safety for all road users, especially those with sight or other physical impairment.</p> <p>Much of the equipment is at its maximum serviceable life and requires replacement. We are therefore working through a programme of complete refurbishments of junctions and other equipment.</p>
Work Types
<ul style="list-style-type: none"> <li>• Day to day fault resolution – lamp, detector, other equipment repair or replacement</li> <li>• Chargeable fault repairs – replacing equipment after RTC, damage by “others”, beyond serviceable life.</li> <li>• Complete or partial Refurbishment of installations, and modifications if applicable</li> <li>• Periodic routine inspections Electrical (five year) inspections</li> <li>• School crossing patrol (Wig Wags) inspections, reprogrammed annually, faults repaired in accord with priority and available budget.</li> <li>• VAS inspections</li> </ul>
Valuation
<p>From 2013 Surrey County Council carried out a Valuation of their traffic signals asset based on the Chartered Institute of Public Finance &amp; Accountancy (CIPFA) Code of Practice using the calculations developed by the Highways Asset Management Financial Information Group (HAMFIG). Using this methodology the Gross Replacement Cost for traffic signals asset for 2015 has been calculated at;</p> <p style="text-align: center;"><b>£18,200,000</b></p>
Backlog
<p>Based on condition data currently available the current backlog estimate is:</p> <p style="text-align: center;"><b>£11,956,000</b></p>
Key Issues
<ul style="list-style-type: none"> <li>• An increasing amount of aging stock (many in excess of 20 years old), combined with serious financial limitations is rapidly increasing the risk status of much of the equipment. The standard life expectancy of traffic signals is 10 to 15 years.</li> <li>• In the next couple of years we are projecting a large increase in “red sites”, ie sites that will be becoming critical due to safety or obsolescence issues.</li> <li>• Sites with obsolete controller equipment cannot be adjusted for optimum traffic flow.</li> <li>• All highway users are affected when traffic signals are not operating to their best.</li> <li>• Obsolete remote monitoring equipment no longer able to communicate faults, so we do not always know about a problem straight away.</li> <li>• Obsolete Bridge Height Warning signs no longer maintainable, leading to bridge strike incidents</li> <li>• Older controllers unable to exploit “green” technology (such as extra low voltage)</li> <li>• Recent changes in legislation mean that Pelican crossings are now obsolete. Refurbishments of crossings therefore cost more as they need to be converted to Puffins or Toucans</li> <li>• Historical under funding has resulted in increased pressure on asset.</li> </ul>

## 8.9. Street Lighting

### Inventory

#### Number of Units:

Total Lighting Units: 89000

(Exceeds column no. due to multiple lamp installations & other mounting types)

Illuminated street furniture (inc Bollards, Belisha beacons): 17,500

Generally inventory is very good. Confidence in no. of units etc high. The street lighting inventory was validated through the replacement programme and a full survey was commissioned to cover the Illuminated Street Furniture in 2014.

Inventory reports from the "Geoworks" system can be extracted in 'real-time'.



### Condition

#### Street Lighting:

The councils Column Replacement Program has now been completed with columns either replaced or renovated to meet the relevant standards

Detailed condition data is populated in the "Geoworks" database. Information from visual inspections is used to populate the database. This activity is ongoing. Any identified defect from these inspections will either initiate a repair or further (structural) inspection.

Routine maintenance continues to be undertaken and the programme continues for structural inspection, electrical testing and bulk lamp change and clean.

Routine activities operate at the following frequencies\*

12 yearly Structural Inspections

6 yearly Electrical Tests undertaken

4 yearly Bulk lamp

(\*frequencies relate to street lighting columns)

#### Illuminated Street Furniture:

This was excluded from the PFI replacement programme and is managed on a dedicated revenue budget to cover monitoring, scheduled maintenance and reactive repairs.

The 2014 survey identified that a significant proportion (approx 25%) of assets were in poor condition with a similar number in excellent condition.

There is no planned/capital replacement programme and assets are only replaced once they are life expired (either through deterioration or damage).

Many signs and bollards no longer require illumination following changes in regulations however the significant cost of disconnecting the power supply makes a de-illumination programme prohibitive.

### Work Types

On the 1st March 2010 Surrey County Council entered into a groundbreaking contract to transform the County's street lighting system with the biggest rollout of new energy saving technology in the country. The contract will see private sector consortium Skanska Laing install white lights to replace the current inefficient orange glow street lamps.

In the first five years of the contract all of the county's 89,000 lights have been upgraded – 70,000 being



replaced and 19,000 refurbished. This will lead to savings of around 60,000 tonnes of carbon and 150 million kilowatt hours over the 25-year contract.

Individual lighting columns will be remotely controlled from a new control centre near Guildford. The amount of power used on the network will be monitored and operators will be able to vary the lighting as required, saving energy and money.

The new remote control technology will also mean that lights can be repaired more quickly and efficiently, enabling broken and faulty lights to be automatically reported via the system.

Work on the project started in Reigate & Banstead, Guildford and Spelthorne in March 2010.

The initial cost for replacing the street lights and setting up the central system is being met by a £78.2 million Government grant.

Energy cost for the period April 2015 to February 2016 is £3.1m against planned costs of £3.0m for the period.

**Valuation**

In 2013 Surrey County Council carried out a Valuation of their Lighting asset based on the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice using the calculations developed by the Highways Asset Management Financial Information Group (HAMFIG). Using this methodology the Gross Replacement Cost for Surreys Lighting asset has been calculated at;

**£129,045,000**

**Backlog**

PFI Lighting Columns : None

Illuminated Street Furniture: tbc

**Key Issues**

- Street Lighting is a high-energy user. We need to continue assessing how our energy use can be reduced and thus SCC's carbon footprint minimised.

## 8.10. Traffic Signs

Inventory
<p>Surrey has responsibility for maintaining a wide range of signs throughout the county that includes everything from small signs to direct pedestrians through to large advance direction signs on the principal road network.</p> <p>Following a Survey conducted in 2015 We now hold inventory data for over 111,000 signs across the county with comprehensive coverage on all classifications of road the county The survey data has not been validated but we have an ongoing programme address this during the term of the LTP.</p>
Condition
<p>A basic condition assessment was conducted as part of the 2015 Survey, this shows that</p> <p>2 % are in need of repair</p> <p>10% are in a serviceable condition</p> <p>88% are in a Good/ OK condition</p>
Work Types
<p>We do not have a regular programme of sign replacement or cleaning. Currently signs are replaced on a purely ad-hoc basis when identified by inspections, following reports from the public or as the result of a Road Traffic Collision (RTC).</p>
Valuation
<p>In 2016 Surrey County Council carried out a Valuation of their Signs asset based on the Chartered Institute of Public Finance &amp; Accountancy (CIPFA) Code of Practice using the calculations developed by the Highways Asset Management Financial Information Group (HAMFIG). Using this methodology the Gross Replacement Cost for Surreys Signs asset has been calculated at;</p> <p style="text-align: center;"><b>£62,700,000*</b></p> <p style="text-align: center;">(includes illuminated signs managed as part of the street lighting contract)</p>
Backlog
<p>Based on condition data currently available the current backlog estimate is:</p> <p style="text-align: center;"><b>£24,800,000</b></p>
Key Issues
<ul style="list-style-type: none"> <li>To be able to maintain our sign asset to a higher standard we need comprehensive inventory and condition information. Now we have this data it can be used to develop cleaning and maintenance programmes, valuation of the inventory and calculating future maintenance costs.</li> </ul>

## 8.11. Arboriculture

### Inventory

Compared to neighbouring counties, Surrey has a high population of trees. It is very difficult to quantify how many highway trees the Authority has an interest in and there could well be several million.



The tree population inventory is captured by means of aerial photography and more recently a popular internet search engine, provides spatial data, by means of an interactive street view application. Capturing the tree cover by refreshing the aerial photography once every five years, is the only truly efficient way of monitoring the ever changing tree population, by allowing overlay comparisons to be made.

To put things into perspective we estimate if all the highways trees in Surrey were placed end to end laying down, they would likely stretch from London to New York. Standing side by side they would stretch from London to Aberdeen, such is the quantity of trees involved

### Condition

With such a vast quantity of trees one could easily become immersed in detail. There is a risk one would never gain a true picture of strategic priorities in order to manage risk from trees; which is the sole purpose of monitoring tree condition for a Highway Authority.

For this reason the Council does not attempt to operate a catalogue inventory of individual tree records requiring frequent interactions to maintain accuracy, primarily due lack of available resources.

Instead methodical inspections are carried out in line with [Government Circular 52/75](#), by two inspectors, at sufficient frequency to capture information relating to condition deterioration. These inspectors' prioritise potential threats to be resolved at a frequency of inspection as per the standards set out in the Code of Practice "Well Maintained Highways" (2005 edition). In addition, our Local Highway Officers are involved in pursuing customer enquires relating to highway trees. The Legal team support inspectors by serving Notice under S154 of the Highways Act 1980, on adjacent owners of trees that threaten safety of highway users.

The frequency of inspections depending on the Surrey Priority Network (SPN) Classification of the Carriageway, with SPN1,2&3 roads inspected over a 3 year cycle and SPN 4a & 4b roads are done over 5 years.

Tree condition is rated as high, medium or low priority, with extremely high priorities and emergency situations being fast-tracked through to maintenance teams, either direct from site or at weekly contract meetings. The remainder of defects identified from surveys form the basis of annual work programmes, delivered on completion of each annual inspection having identified strategic priorities to direct the maintenance operations.

The maintenance teams use portable digital technology to electronically update records on site as

defects are resolved to regularly update the central tree management database.

In addition the Council have programs of annual, biennial and cyclical maintenance to carry out regular tasks to maintain pedestrian access and manage ongoing risk of third party property claims.

### Work Types

The work involved requires specialist teams and equipment sourced through external suppliers. The type of work needs light plant such as power saws through to plant machinery ranging from 3.5 tonne tippers through to elevated platforms and wood chippers, grab loaders and occasionally cranes. The scope of work covers anything that resolves risk to highway users from trees or reduces the risk of damage from trees on Highway land falling onto properties. The work content includes felling, remedial pruning, grinding of stumps, in order to maintain sufficient clearance for normal highway use and avoid unplanned disruption of the network from tree failures, so far as possible.

### Valuation

Valuation of trees depends on the purpose for which the valuation is being made. However there are two main themes to valuation being the wood itself as a commodity and the contribution trees make to amenity and quality of life.

There is also the question of in the eye of the beholder, a tree obstructing daylight, blocking gutters dropping deadwood onto one's car is and roost to many birds fouling ones drive, is worth little if anything to the person affected. However to the person on the other side of the street who is not affected, it is worth a great deal as a visual amenity. This value of visual amenity benefit diminishes rapidly with distance from the tree, requiring a tree to be regularly viewed by someone or many for its presence to be valued at all.

In addition regardless of whether a tree is seen or not it has an intrinsic value to wildlife and impacts on the ecology of the habitat in which it exists. This also impacts on the environment that makes Surrey what it is.

Trees can be regard by Highway Authorities primarily as a liability to third party risk and obstruction to highway use, to be maintained at minimum cost, if at all and without need for asset renewal, or investment.

The value of amenity is indicated by the method prescribed by the London Tree Officers Association, referred to as the Capital Asset Valuation of Amenity Trees (CAVAT). Sampling using this method has produced some interesting results:

- a small ornament street tree, usually a cherry tree, has a mature value of approximately £3,000
- a medium size tree, maple, has a mature value of approximately £8,000
- a large tree, say a mature oak of average proportions, has a mature value of approximately £100,000

The Council is currently unable to calculate the CAVAT value of its entire tree asset but it is considered to be many millions of pounds.

### Backlog

The Service has significant Backlog and demand on resources such that our current order book is filled for the next year already with more surveys left to complete.

However, the planned approach of inspection is essential in order to manage risk. It ensures that situations seldom go unnoticed and are responded to in a timely manner, in proportion to the risk involved.

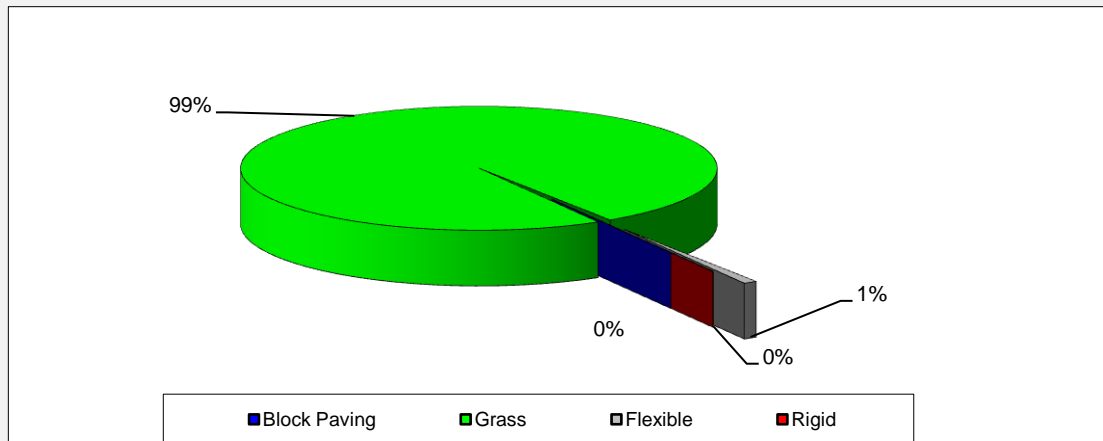
## Key Issues

- The interaction time between Inspection and response delivery is currently in excess of 6 months.
- The Council is exposed to significant third party claims if it fails to maintain its record of inspection and resolve risk from trees in a timely manner.
- The Council is exposed to significant third party claims if it fails to upkeep regular maintenance of trees influencing subsidence risk in urban areas.
- The population of trees in rural Surrey is self-perpetuating, by virtue of restricting grass cutting to selected locations. The most valued trees are those sited in urban areas where they are most likely to be of amenity value and benefit. However there is no managed planting in Urban areas to replenish losses sustained by ongoing maintenance leading to an overall decline in Urban populations.
- Pest and Disease outbreak has the potential to strike at any time and render significant quantities of trees unsafe, or to place public health at risk due to caterpillar infestations. Also, the threat of Ash dieback disease could significantly change the composition of our tree stock.
- The Corporate Arboricultural Policy, 2013, is risk based and the inspection regime identifies works on a priority basis. Although it now requires refreshing to reflect new working practices, the policy continues to define the over-arching principles of how we manage risk in a reasonable and practical way.

## 8.12. Grass Verges

### Inventory

The majority of verge adjacent to the adopted road network forms part of the public highway and is, therefore, the responsibility of Surrey County Council, as Highways Authority. A number of verge surfaces are identified including block paving, flexible and rigid construction and grass verge. However, grass verge constitutes about 99% of the entire 17 square kilometres of verge area on the highway network.



All grass verges are currently being surveyed and mapped on GIS as this is a significant and costly asset to manage and maintain. Areas of block paved, flexible and rigid construction have also been identified by aerial survey and similarly mapped.

### Condition

Grass verges are designated as either urban or rural and the maintenance regime (number of cuts per year) is dependent on this. Some areas of grass verge and planting are designated as Sites of Special Scientific Interest or otherwise protected by the Surrey Verge Habitat plan. In addition some verges are extensively planted under license, which though popular with residents, but can become a source of complaints as the verge grows and the planted areas die off so a timely response is planned and essential.

There is increasing damage to verges in urban areas due to vehicular parking and over run, mainly in heavily populated and commercial areas. Grass verges in rural areas, particularly on narrow lanes and roads, are continually affected by vehicles over running, causing 'rutting' and damage to the road edges. This is largely due to the volume of traffic experienced on the roads in Surrey and also the use of larger vehicles for home, commercial and agricultural purposes.

### Work Types

The council is responsible for ensuring that grass verges are maintained at a minimum frequency appropriate to ensure adequate safety and environmental standards for that location. The council does not maintain grass verges or other areas that are privately owned or administered by other authorities or organisations e.g. parks and public open spaces.

Between 2016 and 2020 the council is working in partnership with 10 of the 11 Boroughs and Districts within Surrey to provide the most efficient and effective grass cutting service within their own areas. The 11th District has remained under direct control of the council. Quality asset condition data and inventory information is being gathered and collected during the next two year in order to achieve this.

### Valuation

In 2015 Surrey County Council carried out a Valuation of their Verge asset based on the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice using the calculations developed by the Highways Asset Management Financial Information Group (HAMFIG). Using this methodology the Land

Value of Our Grass verges has been valued at;
<b>£470,000,000</b>
<b>Backlog</b>
Not known
<b>Key Issues</b>
<ul style="list-style-type: none"><li>• Vehicular damage to verges produces ‘rutting’ that may lead to claims for vehicle damage, personal injury and customer complaints.</li><li>• Grass cutting is a seasonal activity and weather dependent i.e. a long, wet summer leads to more growth and pressure for more cuts and vice versa.</li><li>• The location of many verges makes the Health &amp; Safety requirements and subsequent costs for traffic management disproportionate for the benefits well maintained verges brings to the street scene. Therefore much effort is made to co-ordinate maintenance activities between the Council, district and boroughs to ensure best value for money.</li><li>• Many Boroughs, District, Town and Parish councils increase their number of urban cuts to maintain a higher standard of finish which raises expectations which cannot always be met due to financial constraints and priorities.</li></ul>





**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 21 JUNE 2016**



**REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE**

**LEAD OFFICER: LAURA LANGSTAFF, HEAD OF PROCUREMENT**

**SUBJECT: AWARD OF A CONTRACT FOR SHORT TERM VEHICLE HIRE**

**SUMMARY OF ISSUE:**

Surrey County Council has various needs for vehicle access so that employees can carry out essential Council business. Access to vehicle hire provision ensures that services are supported to deliver statutory duties. This includes usage by adult and children's residential care homes, and the Surrey highways service..

The current contract for vehicle hire was directly awarded to the incumbent provider, Automotive Leasing on 1 August 2015. In preparation for the expiry of the current contract a competitive tendering process has been completed using a Crown Commercial Services Vehicle Hire Framework.

The outcome of the process is set out in this report. Due to the commercial sensitivity involved in the contract award process a Part 2 report has been produced. The Part 2 report details financially sensitive commercial information, including the prices and evaluation scores of all bidders.

**RECOMMENDATIONS:**

1. It is recommended that the contract is awarded to the following three suppliers
  - Lot 1: Europcar, for the provision of passenger car hire, light commercial vehicles, general on road and 4x4. The Contract is proposed to commence on 1 August 2016.
  - Lot 2: 4 x 4 with off road capability: Scot Group Ltd, trading as Thrifty Car and Van Rental are recommended for award. The Contract is proposed to commence on 1 August 2016.
  - Lot 3: UK Minibus hire: Sixt Hire Ltd is recommended supplier for award. The contract is proposed to commence on 1 August 2016.

## **REASON FOR RECOMMENDATIONS:**

A comprehensive procurement process using the Crown Commercial Services pre-established Vehicle Hire Framework was conducted. This has involved Surrey County Council conducting a mini-competition in accordance with Surrey County Council's own Procurement Standing Orders and also in adherence to the relevant legislative requirements. The recommendations provide best value for money for the Council following a combined quality/price evaluation process.

The bid from the preferred suppliers offers saving and value for money over the full contract term. Full financial details are included in Part 2 of this report. In summary, the lifetime contract value is £2.6m and this represents a saving of £48,000 in the first year.

The preferred suppliers have demonstrated they are able to deliver the high standard of service expected by Surrey County Council and will work with the Council over the full contract duration to make continuous improvements and add value.

## **DETAILS:**

### **Business Case**

This report recommends the award of vehicle hire contracts to ensure that Surrey County Council services:

- Adhere to the EU Procurement Contract Regulations (2015) and relevant Surrey County Council Procurement Standing Orders.
- Achieve the best value for money ensuring sustainability of Surrey County Council services.
- Ensure that all vehicles hired are safe, fit for purpose and emit lower levels of carbon emissions benefiting Surrey County Council staff and residents alike.

### **Background**

1. Surrey County Council has various needs for vehicles. Vehicle hire is designed to be used as a short term option for staff to deliver essential public services such as transport needs for adult and children's residential care homes and the Surrey Council highways for essential maintenance and repairs. An example of vehicle hire usage has been supplied by one of Surrey County Council's residential homes who support looked after children. This example cites the use of a hire vehicle in 2015 whilst waiting for the delivery of a vehicle using a long term lease arrangement, leaving the residential home without access to a dedicated vehicle. This coincided with the summer holidays and a hire vehicle was promptly booked to ensure the young people were able to access to their local communities, attend social work reviews, visit their families and essential medical appointments.
2. Current need is met by a total Surrey County Council fleet of 176 vehicles; of these 43 vehicles are procured on long term lease, 95 vehicles are owned by Surrey County Council and 38 are procured on short term hire arrangements although this is subject to fluctuations dependent on service needs.

3. The current contract for short term vehicle hire was directly awarded to the incumbent provider Automotive Leasing on 1 August 2015. This contract is due to expire and a new contract is required to meet the continuing vehicular business needs of Surrey County Council.
4. Vehicle hire is designed to be used as a short term option for staff to deliver essential public services. Short term vehicle access can be required when services are in the process of ordering lease vehicles but have to wait for delivery of the lease vehicle as this can take 8-12 weeks. Surrey Highways also use vehicle hire options while Surrey County Council owned vehicles are being repaired to ensure continuity of service.
5. If longer term options are required managers are required to consider a longer term lease contract, vehicle purchase options or using the existing pool car arrangements.
6. A full tender process, compliant with the European Public Procurement Regulations and Procurement Standing Orders, has been carried out.

### **Procurement Strategy**

7. An alternative option considered when completing the Strategic Sourcing Plan (SSP) involved sourcing one supplier to deliver vehicle hire, vehicle leasing and vehicle management and maintenance. This option was not pursued due to the limited number of suppliers providing all these services and the resultant lack of market competition.
8. Another, alternative option considered was to collaborate with other local authorities to aggregate demand. This option was not pursued as the other local authorities were not aligned to our time constraints or scope. However, Surrey County Council is keen to explore this option in the future and therefore we are recommending a contractual period of 1+1+1+1 years to allow future opportunities to collaborative.
9. After an options analysis it was decided to invite tenders via a mini competition through the Crown Commercial Service Vehicle Hire Services framework (ref. RM1062) for lots 1, 2 and 3 as this demonstrated best value for money from the options appraisal. It also allows for aggregation of demand with other public bodies in the future.

### **Use of e-Tendering and Market Management Activities**

10. In order to openly conduct the mini-competition, and invite only the pre-approved suppliers on the Crown Commercial Services Vehicle Hire Framework, Surrey County Council's electronic tendering platform was used.
11. Eight expressions of interest were received. Five companies subsequently submitted tender responses.

### **Key Implications**

12. By awarding a contract to the suppliers recommended for the provision of vehicle hire to commence on 1 August 2016, the Council will ensure that it can continue to provide its vehicle business needs to deliver essential services.

13. Performance has been designed within the contract to be monitored through a series of service levels. Please refer to table 1.

**Table 1: Service levels**

Service Levels				Service Credit for each Service Period
Service Level Performance Criterion	Key Indicator	Service Level Performance Measure	Service Level Threshold	
1 Achieve a no 'turn-down' hire service on the total core vehicle range.	98% of orders achieved	at least 98% at all times	98%	0.5% Service Credit gained for each one per cent below the specified Service Level Performance Measure
2.Achieve a 1-hour breakdown recovery service in the event of a vehicle breakdown	98% of breakdown incidents achieved	at least 98% at all times	98%	0.5% Service Credit gained for each one per cent below the specified Service Level Performance Measure
3. Achieve no vehicle breakdowns	99% of hires achieved	At least 99% at all times	98%	0.5% Service Credit gained for each one per cent below the specified Service Level Performance Measure
4.Achieve a 1-hour replacement vehicle service in the event that a vehicle breakdown is not repairable within 1 hour of attendance	98% of non-repairable breakdown incidents achieved	At least 98% at all times	98%	2% Service Credit gained for each one per cent below the specified Service Level Performance Measure
5.Maintain a complaints monitoring database	99% of hires fulfilled without complaint	At least 99% at all times	99%	2% Service Credit gained for each one per cent below the specified Service Level Performance Measure

14. The management responsibility for the contract lies with Transport Co-ordination Centre in the Travel and Transport Group. It will be managed in line with the Contract Management Strategy and plan as laid out in the contract documentation which also provides for review of performance and identified continuous improvements in performance.

### **Competitive Tendering Process**

15. The contract has been let as a competitive tendering exercise. It was decided that the best route to market was a mini-competition using the Crown Commercial Service Vehicle Hire Framework because it allows for aggregation of demand with other Public Bodies, whilst also recognising that different suppliers specialise in different services. An invitation to tender was available for download to all suppliers pre-approved on the Crown Commercial Service Vehicle Hire Services framework (ref. RM1062). Suppliers were given 23 days to complete and submit their tender. These tenders were then evaluated against agreed criteria and weightings with a 70% price and 30% quality ratio.

### **CONSULTATION:**

16. Representative internal stakeholders who use the current vehicle hire contract have been consulted with at all stages of the commissioning and procurement process including designing the specification, evaluating tenders and agreeing the contract award. This stakeholder engagement will increase the quality benchmark required, and shape the service delivered through the contract.

### **RISK MANAGEMENT AND IMPLICATIONS:**

17. As a call off contract from a pre-established framework there is no obligation for Surrey County Council to use the Contract and it can source alternative methods of vehicle hire.
18. All tenderers successfully completed satisfactory financial checks as well as checks on competency in the delivery of similar contracts at the initial framework stages.
19. The successful contractors will be required to perform against the service level credits stipulated in the Contract (see table 1). Service credits are a form of measuring performance. Performance below the service levels stipulated can result in financial penalties, which incentivises suppliers to deliver to the required standards as set out in the contract.
20. The following key risks associated with the contract and the contract award have been identified, along with mitigation activities:

Table 2: Identified risks and mitigation activities

	<b>Risk Description</b>	<b>Mitigation Activity</b>
Financial	Service budget is reduced	There is no commitment within this contract to use the contract, and there is no guarantee or predictions made of future usage or demand.

Reputational	Reduced contract value means the contractor places a less experienced team on the contract	Proportional contract management and monitoring of performance against the service level agreements will mitigate this risk.
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### **Financial and Value for Money Implications**

21. The annual spend during 2014/15 was £639,000 .
22. The bid from the preferred suppliers offers saving and value for money over the full contract term. Full financial details are included in Part 2 of this report. In summary, the lifetime contract value is £2.6m and this represents a saving of £48,000 in the first year. Full details of the financial implications are set out in the Part 2 report.
23. The new contract anticipates a decrease in the cost of this activity, as well as an improvement in the service levels being delivered under the new contract.

### **Section 151 Officer Commentary**

24. The Section 151 Officer supports the contract award detailed in this report. Expected costs and savings, set out in the accompanying Part 2 report, are based on current vehicle usage and could therefore change in the future. These estimated savings are spread across a number of council service areas, and where material it is expected that savings will be identified and reported through the in-year budget monitoring process. There is no obligation within the contract for the council to maintain current usage levels, for example if requirements change.

### **Legal Implications – Monitoring Officer**

25. The procurement complied with the Public Contract Regulations 2015 and the Council's Procurement Standing Orders.
26. The Crown Commercial Service's Framework Agreement RM1062 was used to identify best value.
27. Section 111 of the Local Government Act 1972 allows the Council to procure vehicles needed to help facilitate the discharge of its functions.

### **Equalities and Diversity**

28. An equalities impact assessment has not been completed as the results of this procurement process do not impact on any policy or other decisions and is neutral in any impact.
29. TUPE arrangements are not applicable to this contract.

### **Climate change/carbon emissions implications**

30. This contract will support the Greening Government Commitments of reducing CO2 emissions by the current target of 20% by ensuring that all the vehicles used in this contract are members of British Vehicle Rental and Leasing

Association that supports car hire and leasing companies to reduce their carbon emissions through appropriate sourcing of vehicles.

**WHAT HAPPENS NEXT:**

31. The timetable for implementation is as follows:

<b>Action</b>	<b>Date</b>
Cabinet decision to award (including 'call in' period)	30/06/16
'Alcatel' Standstill Period	27/06/16 – 08/07/16
Contract Signature	11/07/16
Contract Commencement Date	01/08/16

**Contact Officer:**

Sarah Reardon, Category Specialist, Tel: 020 8541 7972

**Consulted:**

Matthew Burnell, Local Delivery and Fleet Officer  
 Keith Baxter-Russell, Contracts & Control Team Leader  
 Paul Millin, Group Manager, Travel and Transport

**Annexes:**

N/A

**Sources/background papers:**

N/A

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**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 21 JUNE 2016**

**REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE**

**LEAD OFFICER: LAURA LANGSTAFF, HEAD OF PROCUREMENT**

**SUBJECT: AWARD OF A CONTRACT FOR LEASE AND FLEET MANAGEMENT**



**SUMMARY OF ISSUE:**

Surrey County Council has various needs for lease vehicles and fleet management services.

The current contract for lease and fleet management was awarded to Automotive Leasing on 1 August 2015. In preparation for the expiry of the current contract a competitive process in the form of a closed mini-competition was undertaken using a Crown Commercial Services Framework.

The outcome of the process is set out in this report. Due to the commercial sensitivity involved in the contract award process a Part 2 report details financially sensitive commercial information, including the prices and evaluation scores of all bidders.

**RECOMMENDATIONS:**

The contract for the provision of lease vehicles and fleet management services is awarded to Automotive Leasing Ltd (trading as Leaseplan).

**REASON FOR RECOMMENDATIONS:**

A comprehensive procurement process using a Crown Commercial Services Framework was conducted. This has involved conducting a mini-competition in accordance with Surrey County Council's Procurement Standing Orders and in adherence to EU Procurement Contract Regulations. The recommendations provide best value for money for the Council following a combined quality and price evaluation process.

The bid from the preferred supplier offers value for money over the full contract term. Full financial details are included in Part 2 of this report.

The preferred supplier has demonstrated they are able to deliver the high standard of service expected by Surrey County Council and will work with the Council over the full contract duration to make continuous improvements and add value.

<b>DETAILS:</b>
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### **Business Case**

1. This report recommends the award of vehicle lease and fleet management contact to ensure that Surrey County Council services:
  - Adhere to the EU Procurement Contract Regulations (2015) and relevant Surrey County Council Procurement Standing Orders.
  - Achieve the best value for money by contracting a centralised service underpinned by robust terms and conditions, maximum ceiling prices for spend and ongoing contract management arrangements ensuring sustainability of Surrey County Council services.
  - Have leased and fleet managed vehicles that are safe, fit for purpose and emit lower levels of carbon emissions benefiting Surrey County Council staff and residents alike.

### **Background and Options Considered**

2. Surrey County Council has various needs for work based vehicular access for employees. Lease vehicles and fleet management of Surrey County Council's owned vehicles are designed to support staff in delivering essential public services such as transport needs for adult and children's residential care homes and the Surrey highways for essential maintenance and repairs.
3. Under the current contractual arrangements Automotive Leasing provide 43 leased vehicles, which are provided with a comprehensive maintenance and service, including routine servicing, maintenance and replacement of mechanical parts and consumable parts such as tyres, exhaust and breaks and road tax.
4. The 95 vehicles which are owned by Surrey County Council are currently fleet managed by Leaseplan. This involves arrangements such as MoT tests, routine services and replacement of consumable parts due to wear and tear such as tyres.
5. A full tender process, compliant with the European Public Procurement Regulations and Procurement Standing Orders, has been carried out following the receipt of authority from the Council's Sourcing Governance Meeting (SGM) on 17 March 2016.

### **Procurement Strategy**

6. An alternative option considered was to source one supplier to deliver vehicle hire, vehicle leasing and vehicle management and maintenance. This option was not pursued due to the limited number of suppliers offering all these services and the likely lack of market competition.
7. Another alternative option considered was to collaborate with other local authorities to aggregate demand. This option was not pursued as the other local authorities were not aligned to our time constraints or scope. However, Surrey County Council are keen to explore this option in the future therefore,

we are recommending a contractual period of 1+1+1+1 years to allow future opportunities to collaboratively work together.

8. After an options analysis it was decided to invite tenders via a mini competition through the Crown Commercial Service Vehicle Lease and Fleet Management Framework (ref. RM3710) lots 1, 2 and 3 as this demonstrated best value for money from the options appraisal. It also allows for aggregation of demand with other public bodies in the future.

#### **Use of E-Tendering and Market Management Activities**

9. In order to openly conduct the mini-competition, and invite only the pre-approved suppliers on the Crown Commercial Service Framework. Surrey County Council's electronic tendering platform was used.

#### **Key Implications**

10. By awarding a contract to the supplier recommended for the provision of vehicle leasing and fleet management to commence on 1 August 2016, the Council will ensure that it can continue to provide its vehicle business needs to deliver essential services.
11. Performance will be monitored through a series of Service Levels as detailed in the contract to be reviewed at monthly operations meetings. Please refer to table 1.

**Table 1: Service levels**

<b>Service Levels</b>				<b>Service Credit for each Service Period</b>
<b>Service Level Performance Criterion</b>	<b>Key Indicator</b>	<b>Service Level Performance Measure</b>	<b>Service Level Threshold</b>	
1. Provide where applicable a free replacement vehicle in the event that a contract vehicle is off-road due to mechanical repair or breakdown	98% of orders achieved	at least 98% at all times	98%	0.5% Service Credit gained for each one per cent below the specified Service Level Performance Measure
2. Achieve a 1-hour breakdown service in the event of a vehicle breakdown	98% of breakdown incidents achieved	at least 98% at all times	98%	0.5% Service Credit gained for each one per cent below the specified Service Level Performance Measure
3. Achieve no vehicle breakdowns	90% of all lease vehicles achieved	at least 90% at all times	90%	0.5% Service Credit gained for each one per cent below the specified Service Level Performance Measure
4. Achieve a 1-hour replacement vehicle service in the event that a vehicle breakdown is not repairable within 1 hour of attendance	98% of non-repairable breakdown incidents achieved	at least 98% at all times	98%	2% Service Credit gained for each one per cent below the specified Service Level Performance Measure
5. Maintain a complaints monitoring database	99% of hires fulfilled without complaint	at least 99% at all times	99%	2% Service Credit gained for each one per cent below the specified Service Level Performance Measure

12. The management responsibility for the contract lies with Transport Co-ordination Centre in the Travel and Transport Group, that will be managed in line with the Contract Management Strategy as laid out in the contract documentation, which also provides for review of performance and identified continuous improvements in performance.
13. This is a one year contract with the potential to extend up to three further periods of 1 year each.

### **Competitive Tendering Process**

14. The contract has been let as a competitive tendering exercise. It was decided that the best route to market was a mini-competition using the Crown Commercial Service Vehicle Lease and Fleet Management Framework (ref. RM3710) because it allows for aggregation of demand with other Public Bodies, whilst also recognising that different suppliers specialise in different services.
15. An invitation to tender was available for download to all suppliers pre-approved on the Crown Commercial Service Vehicle Lease and Fleet Management Framework (ref. RM3710). Suppliers were given 23 days to complete and submit their tender. Tenders were then evaluated against agreed criteria with a 70% price and 30% quality weighting applied. The results are set out in the Part 2 report.

### **CONSULTATION:**

16. Representative internal stakeholders who use the current leasing and fleet management contract have been consulted with during all stages of the commissioning and procurement process, including designing the specification, evaluating tenders and agreeing the contract award. This stakeholder engagement will increase the quality benchmark required, shape the service delivered throughout the lifetime of the contract.

### **RISK MANAGEMENT AND IMPLICATIONS:**

17. As a call off contract from a pre-established framework there is no obligation for Surrey County Council to use the contract and it can source alternative methods of vehicle hire.
18. All tenderers successfully completed satisfactory financial checks as well as checks on competency in the delivery of similar contracts at the initial framework stages.
19. The successful contractors will be required to perform against the service level credits stipulated in the Contract (see table 1). Service credits are a form of measuring performance. Performance delivered below the minimum service levels can result in financial penalties, which incentivises suppliers to deliver to the required standards as set out in the contract.
20. The following key risks associated with the contract and the contract award have been identified, along with mitigation activities:

**Table 2: Risks identified and mitigation activities**

	<b>Risk Description</b>	<b>Mitigation Activity</b>
Financial	Service budget is reduced	There is no commitment within this contract to use the contract, and there is no guarantee or predictions made of future usage or demand.
Reputational	Reduced contract value means the contractor places a less experienced team on the contract	Dedicated contract management and regular performance review will mitigate this risk.

#### **Financial and Value for Money Implications**

21. Full details of the contract value and financial implications are set out in the Part 2 report.
22. The procurement activity has delivered a solution within and budget as set out in the Part 2 report.
23. Protected ceiling prices according to the type of vehicles required has formed part of the tender criteria. This has reduced the number of bidders but protected Surrey County Council from any price increases throughout the lifetime of the Contract.
24. The new centralised contract will mean Surrey County Council achieves best value for money, ensures that all vehicles used are fit for purpose, and will result in improvements in the service levels being delivered under the contract.

#### **Section 151 Officer Commentary**

25. The Section 151 Officer supports the contract award detailed in this report. Expected costs are set out in the accompanying Part 2 report, and based on current vehicle usage overall costs are not expected to materially change. There is no obligation within the contract for the council to maintain current usage levels, for example if requirements change in the future.

#### **Legal Implications – Monitoring Officer**

26. The procurement complied with the Public Contract Regulations 2015 and the Council's Procurement Standing Orders.
27. The Crown Commercial Service's Framework Agreement RM3710 was used to select potential suppliers to identify best value.
28. Section 111 of the Local Government Act 1972 allows the Council to procure vehicle leases and fleet management services to facilitate the discharge of its functions.

### **Equalities and Diversity**

29. An equalities impact assessment has not been completed as the results of this procurement process do not impact on any policy or other decisions and is neutral in any impact.
30. TUPE arrangements are not applicable to this contract.

### **Corporate Parenting/Looked After Children implications**

31. No significant implications arising from this report.

### **Safeguarding responsibilities for vulnerable children and adults implications**

32. No significant implications arising from this report

### **Public Health implications**

33. No significant implications arising from this report

### **Climate change/carbon emissions implications**

34. This contract will support the Greening Government Commitments of reducing CO2 emissions by the current target of 20% by ensuring that all the vehicles used in this contract are members of British Vehicle Rental and Leasing Association who support car hire and leasing companies to reduce their carbon emissions through appropriate sourcing of vehicles.

### **WHAT HAPPENS NEXT:**

35. The timetable for implementation is as follows:

<b>Action</b>	<b>Date</b>
Cabinet decision to award (including 'call in' period)	30/06/16
'Alcatel' Standstill Period	27/06/16 – 08/07/16
Contract Signature	11/07/16
Contract Commencement Date	01/08/16

#### **Contact Officer:**

Sarah Reardon, Category Specialist, Tel: 020 8541 7972

#### **Consulted:**

Matthew Burnell, Local Delivery and Fleet Officer  
Keith Baxter-Russell, Contracts & Control Team Leader  
Paul Millin, Group Manager, Travel and Transport

#### **Annexes:**

N/A

#### **Sources/background papers:**

N/A

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**SURREY COUNTY COUNCIL****CABINET****DATE: 21 JUNE 2016****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 the Annual Report of the Shareholder Board (Annex A) is endorsed and that Cabinet present the report to Council at its meeting on 12 July 2016.

**REASON FOR RECOMMENDATIONS:**

To inform the Council about the activities of the Shareholder Board.

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.

**DETAILS:**

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. It 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 responsibilities and powers include:
  - appointing and removing directors;
  - approval of annual business plans; and
  - reviewing the financial and overall performance of trading companies.
2. 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.

3. The Shareholder Board comprises 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).
4. 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.
5. The Annual Report of the Shareholder Board is attached as Annex A to this report.

#### **CONSULTATION:**

6. 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:**

7. 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**

8. The Shareholder Board is responsible for monitoring the financial performance of companies in which the council owns shares 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**

9. 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**

10. 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**

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

**WHAT HAPPENS NEXT:**

The annual report of the Shareholder Board will be presented to Council at its July meeting.

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**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

Financial year 2015/16

June 2016



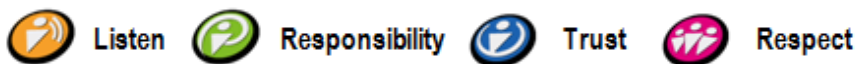
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The council has created trading companies and made investments to enhance the financial resilience of the council.



*Our Corporate Strategy, Confident in Surrey's future*



The council's strategic framework for innovation and investment is supporting the development of new ideas and approaches to enhance the financial resilience of the council. 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 financial returns delivered from innovation and investment will help to ensure that we continue to deliver quality services at the right cost for our residents.

The Shareholder Board is an example of best practice governance. It provides effective oversight and alignment with the strategic objectives and values of the council. The Board safeguards the council's interests and takes decisions in matters that require the approval of the council as owner or as a shareholder of a company.

The Annual Report of the Shareholder Board provides an overview of the progress we have made in developing new models of delivery and enhancing the financial resilience of the council.



David Hodge  
Leader of Surrey County Council

# 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).

### Members

- Leader
- Deputy Leader
- Cabinet Member for Business Services & Residents Experience
- Chief Executive

### Advisors

- Deputy Chief Executive
- Director of Finance (Section 151 Officer)
- Director of Legal & Democratic Services (Monitoring Officer)
- 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 Term 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 council's 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 Council's Shareholdings

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

### Cabinet Decision To create a company or invest in shares

Regeneration	Service Delivery	Trading	Investment
Bandstand Square Developments Ltd	Babcock 4S	S.E. Business Services Ltd	FutureGov
	Surrey Choices	TRICS Ltd	Halsey Garton Property
			Municipal Bonds Agency

The decision to create a company or to invest in shares is taken by Cabinet or in accordance with delegated decision-making, 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 financial resilience in the longer term.

# THE SHAREHOLDER BOARD

## The Council's Shareholdings

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%
Municipal Bonds Agency	Minority*

\*Will depend on total equity raised

### 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,

<u>Decision</u>	<u>Rationale</u>
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)

<u>Decision</u>	<u>Rationale</u>
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-minimis 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. To ensure that it is the council that takes decisions that may involve substantial financial risk (rather than the Directors alone).
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 next section of the report. 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.

Company	Page
Surrey Choices Ltd	10
S.E.Business Services Ltd	12
Halsey Garton Property Ltd	14
Bandstand Square Developments Limited	15
Babcock 4S Limited	17
TRICS Consortium Limited	19
FutureGov. Ltd	21
Municipal Bonds Agency	22



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 to 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,
- A reduction in the cost of services, that were previously delivered in-house 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 are now three tiers of management across the business and use of agency staff has reduced with increases to the permanent staffing.

The company are putting in place changes to improve the internal controls and governance environment following growing concerns expressed by both Internal Audit and the Shareholder Board and the report of the external auditors, Grant Thornton, which identified a number of weaknesses. The Directors have made changes to the overarching governance within the company, taking on board advice from the auditors to improve the visibility and collective responsibility for the company’s financial performance. Improvements include regular meetings with the auditor to track progress with the plans being monitored by the Shareholder Board on a regular basis.

The company delivers services to the council under a commissioning contract; this is currently a block arrangement meaning that the risk of any volume increase rests with the company rather than with the council. Over the last year the number of new referrals from the council has significantly increased and this has contributed to a deteriorating financial situation, such that a loss is expected for this first full year of trading. The Shareholder Board is satisfied that these cases would have created a volume pressure within the council under previous arrangements and that the company is providing the additional services at a lower cost compared to the previous in-house provision. Discussions have concluded between the company and the Adults commissioning team to agree appropriate adjustments to the block contract.

The Shareholder Board are sufficiently encouraged by the progress made by the Directors to believe that a credible recovery plan is achievable to return to profitability. The company has further developed their financial plans for the forthcoming year which will continue to be reviewed by the Shareholder Board.

# S.E.BUSINESS SERVICES LTD



Cabinet Approval	March 2013
Ownership	100%
Date of Incorporation	June 2013. Commenced Trade in December 2013
Council Investment	£100 Share Capital
Directors	Liz Mills, Laura Langstaff & Steve Ruddy

## 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 was selected to provide these services under contract in April 2014.



# S.E.BUSINESS SERVICES LTD

## Council Investment

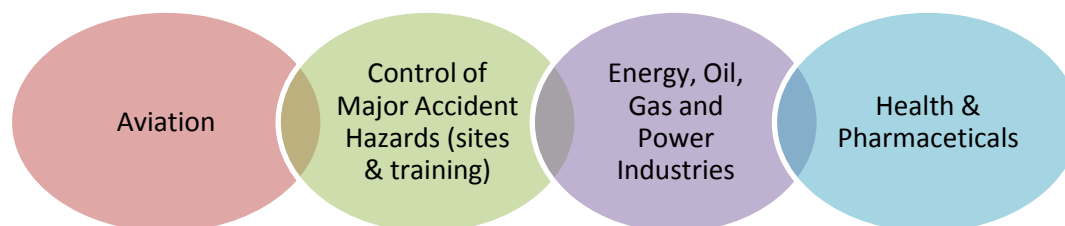
The council provided share capital of £100 and an initial working capital loan to enable the company to commence trade– all lending has been provided on an “arms-length” basis and has been fully repaid.

## Progress Report

The company has delivered profits in excess of those expected in the Business Case and compared to its 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 enabled the company to declare a dividend in relation to the first full year of trading to 31<sup>st</sup> March 2015 (incorporating retained earnings from the prior year) and a further dividend for the year ending 31<sup>st</sup> March 2016.

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.

The company will continue to develop its client base and reputation in the market in order to secure further contracts in target markets from the provision of business continuity services, training and development, technical services and subject matter consultancy and advice.



# HALSEY GARTON PROPERTY LTD

Cabinet Approval	May 2014
Ownership	100%
Date of Incorporation	June 2014
Council Investment	£2,544,000 Share Capital (as at 31.03.2016)
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 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 provided initial share capital of £1,000 and provides further equity and debt financing to enable the company to progress agreed investments. This is provided on an arm's length basis following the approval of the business case by Cabinet. The council provided a further £2.5m of equity funds in enable the company to purchase its first investment asset in November 2015, with the balance provided as debt financing.

## Progress Report

Cabinet approved the company's purchase of premises at Hampton Park West, Wiltshire in November 2015. This asset is occupied by Avon Rubber PLC as their global headquarters and UK manufacturing and distribution facility and hence provides an Industrial sector asset to complement and provide balance to the council's own portfolio. An investment approved by Cabinet in March 2015 was withdrawn from sale by the vendors during the due-diligence process and therefore did not proceed. Further investments have been made by the company in the first quarter of hte financial year.

The first dividend is expected to be received after the first full year of trading, in 2016/17.

# 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 and is therefore in nature, a Special Purpose Vehicle (SPV).

## 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 and 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 Secure planning consent for the relocation of the Fire Station	Completed Planning consent secured and a construction contract awarded. Construction is in progress with the new Fire Station 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 with the company seeking tenders for the main construction contract and a hotel operator.

The new Fire Station will provide additional garaging for specialist vehicles and provides enhanced training facilities including a smoke house and an area for Road Traffic Accident training.

Construction is expected to be completed in the summer of 2016.

# BABCOCK 4S LIMITED

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

## 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. 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 recognise that the increasing emergence of free-schools and multi-academy trusts will impact on whether a single provider for schools improvement is the best long-term approach and that the company will need to manage these risks and any associated costs, such as redundancy, accordingly.

# TRICS CONSORTIUM LTD



Cabinet Approval	July 2014
Ownership	16.67%
Date of Incorporation	October 2014
	Commenced Trade in January 2015
Council Investment	£37,500 Share Capital
Surrey County Council Director	Mike Green

## 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.

# 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.

## **Progress Report**

The Company commenced trading on 1<sup>st</sup> January 2015 when it took over the operation of the database from the incumbent supplier. The company comprises of the Managing Director, recruited to deliver the day-to-day operation of the company and three employees that TUPE transferred from the previous supplier. The company achieved its highest ever number of members (customers) in December 2015 and is benefiting from the more optimistic financial climate which has a large influence on activity within the industry. The company is developing plans to expand its reach into international markets, particularly in New Zealand and Australia.

The company delivered a profit in excess of expectations for the first full year of trading due to tight control of set-up costs and the improving economic environment. The company has distributed a dividend to its shareholders thereby delivering a return on investment within a short timeframe.



# FUTUREGOV LTD

## **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 until 1 <sup>st</sup> March 2016. From April the board meetings of the company will be attended by an observer.

### **Company Profile**

FutureGov Ltd provides innovative digital solutions to Local Authorities and specialises in the children's services and adult social care market. Their products and consultancy services have been purchased by a number of authorities including those in Australia.

### **Business Case & Council Investment**

The investment in FutureGov strengthens a partnership that has already delivered innovative products within social care. The council's investment of equity and debt finance in 2014 was made alongside investment from Nesta, a charity whose investment function has a track record in identifying commercial opportunities that deliver social value. 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. The business case expected that the investment would generate a modest net return to the council over a five year period.

### **Progress Report**

The company has delivered a significant growth in sales revenue since the date of investment however continues to fall short of delivering fully against its ambitious business plan and profits targets. The products have sold well in Australia but have had limited success within the UK market. As a result of this, the company are further refining their business strategy which is expected to include a refocusing towards consultancy services.

# MUNICIPAL BONDS AGENCY

Cabinet Approval	Decision taken under delegated approval September 2015.
Ownership	Minority – will depend upon the total equity raised.
Date of Incorporation	September 2014
Council Investment	£450,000 share capital

## Company Profile

The Municipal Bond Agency's objective is to provide an alternative to the Public Works Loans Board (PWLB) as a cheaper source of borrowing for local authorities from the issuing of bonds. The agency, developed by the Local Government Association, has raised equity funds from 56 councils to provide for operating costs and sufficient capital against risks.

## Business Case & Council Investment

The council's equity investment will be long-term in nature as the agency is not expected to break-even until at least 2018. The agency will provide access to all local authorities to raise external borrowing provided that they meet the criteria set, however preferential terms will be provided to those councils that are also shareholders in the company. This means that, for example, on a loan of £10m the council will save £15,000 per annum compared to PWLB, and if it were not a shareholder the saving would be about £5,000.

## Progress Report

The Municipal Bond Agency has distributed a framework agreement which set out the terms upon which local authorities will be able to borrow from them. Authorities will be expected to pass the agency's own credit checks and agree to a joint and several guarantee that would operate if a local authority defaulted on its borrowing. Once sufficient numbers approve the framework, the agency will develop plans for the first bond issue.

# 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 council owned company 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 in order 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.

# GLOSSARY (and associated principles)

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.

# GLOSSARY (and associated principles)

A shareholder agreement is only relevant when there is more than one shareholder and is 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) protects 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 is 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



### 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.

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 reviewed: 16.07.2015

**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 21 JUNE 2016**



**REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE**

**LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE**

**SUBJECT: ANNUAL GOVERNANCE STATEMENT 2015/16**

#### **SUMMARY OF ISSUE:**

The Annual Governance Statement provides a comprehensive assessment of the council's governance arrangements. Once signed by the Leader of the Council and the Chief Executive, the Annual Governance Statement is incorporated in the Statement of Accounts.

#### **RECOMMENDATIONS:**

It is recommended that:

1. the 2015/16 Annual Governance Statement (Annex A) is approved and signed by the Leader of the Council and the Chief Executive for inclusion in the Statement of Accounts; and
2. the Audit and Governance Committee continue to monitor the governance environment and report to the Cabinet, Cabinet Member or Scrutiny Board as appropriate.

#### **REASON FOR RECOMMENDATIONS:**

There is a statutory duty to annually review and report on governance through an Annual Governance Statement. The identification of areas for focus and continuous improvement ensures high standards of governance.

#### **INTRODUCTION:**

1. Surrey County Council's Governance Strategy and Code of Corporate Governance describe the good governance principles adopted by the council and by which the governance arrangements are assessed. The Code of Corporate Governance also details the methodology by which the annual review of governance is undertaken.
2. The review of governance is overseen by the Governance Panel (Director of Legal, Democratic and Cultural Services [Chair], Director of Finance, Head of HR, Chief Internal Auditor, senior representative from Strategy and Performance, Risk and Governance Manager), which has responsibility for the development and maintenance of the governance environment and the production of the Annual Governance Statement.

3. The annual review of governance has provided a satisfactory level of assurance on the governance arrangements for the financial year ending 31 March 2016.

#### **ANNUAL GOVERNANCE STATEMENT 2015/16:**

4. The Annual Governance Statement (attached at Annex A) has two main sections:
  - The governance environment – pages 3 to 8 (summarises the council's key policies, procedures and arrangements that evidence good governance; and includes the overall opinion of the Chief Internal Auditor)
  - Focus for 2016/17 – page 9 (outlines areas that the council will focus on during the year ahead to ensure continued good governance).

#### **CONSULTATION:**

5. The Statutory Responsibilities Network, Chief Executive and the Leader of the Council have been consulted and their comments are incorporated into the Annual Governance Statement.
6. The Audit and Governance Committee considered the Annual Governance Statement at its meeting on 26 May 2016. The Leader of the Council and the Deputy Chief Executive introduced the Annual Governance Statement and commended it to the Committee. During the discussion some minor changes were agreed.
7. At the end of the discussion, the Committee made the following resolutions:
  - i. That the Committee is satisfied that the governance arrangements are represented correctly in the Annual Governance Statement; and
  - ii. That the Committee COMMENDS the draft Annual Governance Statement to the Cabinet, subject to additional amendments, for publication with the Council's Statement of Accounts.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

8. Strong governance arrangements support the council in the effective delivery of services, the achievement of objectives and enhance the ability to mitigate risk.

#### **Financial and Value for Money Implications**

9. There are no direct financial implications. Continued improvements in governance will help to deliver value for money for residents.

#### **Section 151 Officer Commentary**

10. The Section 151 Officer is a member of the council's Governance Panel, as well as the Statutory Responsibilities Network. She is well sighted of key risks and the governance environment and confirms that all relevant matters are considered in the Annual Governance Statement.

### **Legal Implications – Monitoring Officer**

11. The Annual Governance Statement is a requirement of the Accounts and Audit Regulations 2015 and forms part of the Statement of Accounts. The Monitoring Officer is chair of the Governance Panel.

### **Equalities and Diversity**

12. There are no direct equalities implications but any actions taken need to be consistent with the council's policies and procedures.

### **WHAT HAPPENS NEXT:**

13. The Annual Governance Statement will be signed by the Leader of the Council and the Chief Executive and incorporated into the council's 2015/16 Statement of Accounts.

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#### **Contact Officer:**

Cath Edwards, Risk and Governance Manager  
Tel: 020 8541 9193

#### **Consulted:**

Governance Panel, Statutory Responsibilities Network, Chief Executive, Audit and Governance Committee, Leader of the Council.

#### **Annexes:**

Annex A – Annual Governance Statement 2015/16.

#### **Sources/background papers:**

Governance Panel minutes, governance review working papers, CIPFA/SOLACE Delivering Good Governance in Local Government Framework, Code of Corporate Governance, Governance Strategy.

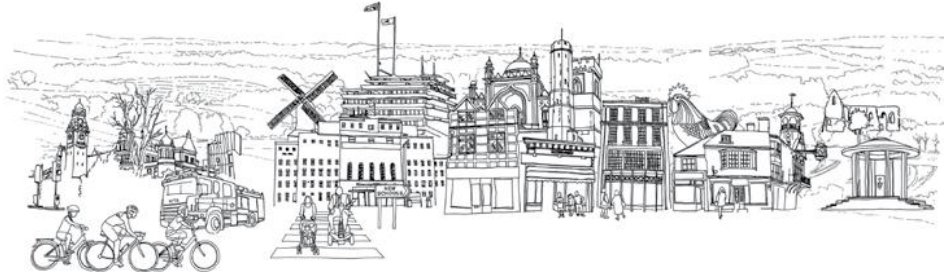
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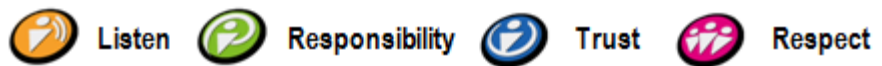
# **Annual Governance Statement 2015/16**

# OVERVIEW

**The 2015/16 review has provided a satisfactory level of assurance on the governance arrangements for the year**



*Our Corporate Strategy, Confident in Surrey's future*



Surrey County Council (the council) has a responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. We are committed to fulfilling our responsibilities in accordance with the highest standards of good governance to support our Corporate Strategy "Confident in Surrey's future." The council's Governance Strategy sets out our approach to good governance and is supplemented by our Code of Corporate Governance.

The annual review of governance is overseen by the Governance Panel (the panel) which comprises the Director of Legal, Democratic and Cultural Services [chair], the Director of Finance, senior representatives from HR and Organisational Development and Strategy and Performance, the Chief Internal Auditor and the Risk and Governance Manager. The panel meets four times a year and reports to the Statutory Responsibilities Network and the Audit and Governance Committee. The 2015/16 annual review of governance has provided a satisfactory level of assurance on the governance arrangements for the year.

We are pleased to present the Surrey County Council Annual Governance Statement for 2015/16, which outlines the council's governance arrangements and achievements during the year and highlights areas to continue to strengthen governance in 2016/17.



# THE GOVERNANCE ENVIRONMENT

## Purpose and outcome

Surrey County Council's Corporate Strategy, 'Confident in Surrey's future', provides clear direction for staff as well as a signpost for residents, businesses and partner organisations and incorporates the council's four values of Listen, Responsibility, Trust and Respect at its heart. It is underpinned by a suite of supporting documents such as the Medium Term Financial Plan and the Investment Strategy. Performance is measured through a variety of key indicators relating to wellbeing, economic prosperity and resident experience and progress is published on the external

website. The Chief Executive also reports progress to full County Council twice a year.

The Statutory Responsibilities Network, chaired by the Chief Executive, continues to meet on a fortnightly basis and provides a forum for statutory officers to discuss key issues, share knowledge and offer challenge.

We continue to fulfil a wide range of critical responsibilities as well as developing new and innovative projects. The New Models of Delivery Network is enabling and assisting services in identifying and assessing opportunities in a structured way to respond to changing expectations and to manage the impact of reduced funding.

To provide the basis for longer term sustainability, the council has established an extensive transformation programme. A Public Value Transformation Board comprising the Leader of the Council (Chair), the Chief Executive and the Director of Finance provides strategic oversight and challenge to ensure the transformation programme is driven by public value and contributes significantly to the council's financial sustainability.

The Continuous Improvement and Productivity Network identifies areas for improvement to bring about greater productivity and ensure that we deliver services of the highest standard to our residents. The Customer Promise provides a framework for customer service standards, which is bringing improvements to the resident experience.

The council's external auditors' 2014/15 report on value for money published in July 2015 concluded that 'the council has good arrangements in place across a number of key areas with the exception of the arrangements for promoting and demonstrating the principles and values of good governance within the council's Children's Services directorate.' A Children's improvement plan is being delivered to address the January 2016 improvement notice issued by the Department for Education following the Ofsted inspection report published in June 2015. The plan aims to strengthen service and whole system capability and capacity.

# THE GOVERNANCE ENVIRONMENT

## Purpose and outcome

Our Children's Services Improvement Board oversees the systematic approach to improving services for children. Partner agencies are key members of the board and make a significant contribution to its work.

Governance arrangements continue to be strengthened through the implementation of management action plans in the areas highlighted in the 2014/15 AGS including children's direct payments, looked after children's personal finances, long term agency resource and contract management.

## Leadership and behaviour

Changes to the senior officer leadership team were implemented during 2015, including the consolidation of roles. The new arrangements are providing focused strategic leadership through the current challenging and financially constrained environment and will ensure ongoing continuity and effective arrangements at the top of the organisation.

The functions of the Monitoring Officer (Director of Legal, Democratic and Cultural Services) and Section 151 Officer (Director of Finance) are specified by statute and between them

they are responsible for ensuring lawfulness, fairness and financial prudence in decision-making.

The council's financial management arrangements fully comply with the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Financial Officer (CIPFA, 2010).

The Director of Finance meets her financial responsibilities and ensures fully effective financial management arrangements are in place. She reports directly to the Chief Executive and is a member of Chief Executive's Direct Reports, the Statutory Responsibilities Network and the Public Value Transformation Board. She has regular meetings with and has direct access to the Chief Executive, the Leader, Monitoring Officer, Chief Internal Auditor, External Auditor and other key Members and strategic directors. The Director of Finance and the Chief Executive have regular support meetings with the key strategic directors. Strategic budget workshops led by the Director of Finance are held with Cabinet and the Leadership Team on a regular basis and finance briefings for all members have been held throughout the year. Additional meetings have also been held as deemed necessary in light of the financial challenges emerging from the Local Government financial settlement in 2015.

The roles, responsibilities and delegated functions for officers and members are set out in the

# THE GOVERNANCE ENVIRONMENT

## Leadership and behaviour

Constitution of the Council. The Scheme of Delegation for members and officers is regularly reviewed and updated in consultation with services and the Cabinet, before being approved by full County Council.

The Cabinet comprises the Leader, Deputy Leader and eight additional Cabinet Members, with each Member holding the brief for a particular portfolio of services. Four Associate Cabinet Members support Cabinet portfolio holders in the most complex areas but do not have voting rights. Decisions can be taken by

individual members of the Cabinet or collectively by the full Cabinet (excluding Associates).

The Staff and Member Codes of Conduct set out the expected high standards of conduct and include the 7 Standards of Public Life. The Codes of Conduct are supplemented by the Member/Officer Protocol, which provides principles and guidance for good working relations, and the Strategy Against Fraud and Corruption. The Monitoring Officer and the Member Conduct Panel deal with allegations of breaches of the Member Code of Conduct. The register of pecuniary interests for all members can be viewed online.

The Chief Executive continues to engage with and support staff by providing regular updates and key messages through emails, the intranet via a blog and a programme of staff visits.

## Transparency and stewardship

The council's Whistle-blowing policy encourages staff to raise concerns, such as bullying or harassment or fraud, through an anonymous, confidential and independent hotline. A range of communication channels are used to publicise the policy and the supporting arrangements.

As part of the council's policy on transparency and openness, information is made available to residents and business through the publication of expenditure invoices for spend over £500 and salaries of staff who earn over £58,200 (named from £100,000).

The gifts and hospitality register is online and provides a means for staff to register anything offered or accepted, making the entire process transparent.

The council produces an Annual Report that highlights key data on performance and notable achievements; and includes summaries of the AGS and audited accounts. The 2014/15 Statement of Accounts was audited and approved for publication by the end of July 2015.

# THE GOVERNANCE ENVIRONMENT

## Transparency and stewardship

The Investment Panel continues to ensure all proposed service capital investments have robust business cases before formal decision by Cabinet or Cabinet Member as appropriate. It is chaired by the Director of Finance and comprises senior leaders from key services, as well as the Chief Property Officer and Chief Internal Auditor, to ensure a broad perspective for challenge.

The risk management strategy outlines the council's approach to risk and is supplemented by the risk management plan. The Strategic Risk Forum, chaired by the Director of Finance, brings

together lead officers from across the council to review and challenge risk and ensure a consistent approach is adopted. The Leadership risk register is regularly reviewed by the Statutory Responsibilities Network, Audit and Governance Committee and Cabinet.

The council has six member Boards who provide challenge to the Cabinet. The Council Overview Board, comprising the Board chairmen, takes a council-wide view and leads on collaborative scrutiny issues. Every County Council, Cabinet and Planning and Regulatory Committee meeting is webcast to enable people to watch meetings online.

The Audit and Governance Committee comprises six councillors (the Chairman is a Residents' Association/Independent Councillor) who have been specifically chosen to enable robust challenge and assurance from a position of knowledge and experience. The committee provides independent assurance on the council's control environment, the adequacy of the risk and governance arrangements, financial reporting and ethical standards. During the year the committee have received training on risk culture, treasury management and fraud.

The Surrey Pension Fund Committee takes decisions on behalf of the council as the administering body for the Local Government Pension Scheme and meets four times a year. The Surrey Local Pension Board, established in 2015, assists the Surrey Pension Fund Committee in the exercise of its functions but has no decision making powers. A Local Fire Pension Board was also established in 2015 to assist the Surrey Fire and Rescue Authority in the administration of its Firefighters' Pension Scheme.

An Effective audit opinion was given following the annual internal audit of Organisational Ethics. The review concluded that the routine actions of members and officers, and the consequent decisions taken by the council, are based on strong ethical principles.

The annual review of the effectiveness of the system of internal audit concluded that appropriate controls were in place during 2015/16 to ensure an effective internal audit service was provided.

# THE GOVERNANCE ENVIRONMENT

## Transparency and stewardship

The overall opinion of the Chief Internal Auditor on the internal control environment for 2015/16 is “some improvement needed.” A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives met. Controls over the council’s key financial systems continue to be sound, although the Chief Internal Auditor has reported an increase in the proportion of audit reviews resulting in an adverse audit opinion (‘significant improvement needed’ or ‘unsatisfactory’) in 2015/16. This may be a reflection of the unprecedented change, increasing demands for services and declining resources that the council is currently facing.

## People

The People Strategy sets out the council’s aims and objectives in relation to employees and the wider workforce, including volunteers, charities and members of the public who help the council to help residents.

The council makes a considerable investment in skills and professional development training to ensure safety, compliance, safeguarding and high standards of professionalism and customer care. The training and development programme includes a range of e-learning and classroom based courses, online guidance and websites. A high performance development programme is in place to ensure staff are resilient and are able to perform strongly in challenging and uncertain circumstances.

During October and November 2015 staff participated in a staff survey, which has provided evidence of how colleagues feel about working for our organisation. Positive messages have come out of the survey but also some areas that we need to work on over the next few months.

To create a more networked organisation we are developing Communities of Practice to bring together groups of people with shared interests. Our aim is to utilise this knowledge and experience more effectively to provide the best and most efficient services to residents.



# THE GOVERNANCE ENVIRONMENT

## Engagement and collaboration

The council continues to build on the strong relationships with key partners such as Surrey's Districts and Boroughs and other public bodies. Our public service transformation projects are progressing, including the Surrey Family Support Programme and health and social care integration.

Surrey County Council and East Sussex County Council's business and support services partnership, known as Orbis, continues to develop and integrate services. In addition, Orbis Public Law, a legal services partnership between Surrey County Council, East Sussex County Council, West Sussex County Council and Brighton & Hove City Council, launched in April 2016 and will provide a sustainable and cost effective legal service.

We have joined up to work with East Sussex County Council, West Sussex County Council and 23 districts and boroughs on devolution to allow us to make collective decisions on matters affecting the whole area, such as building transport links between communities and finding new ways to encourage businesses and jobs to the region.

We have worked closely with the health sector throughout 2015 and have ambitious plans for 2016 regarding transformation and integration.

The council continues to develop Surrey-i, which publishes information about the council's residents and communities. It gives access to essential data, including customer needs, demand and supply side data. Snapshots are regularly used to bring together information in a visual and user friendly way.

The Surrey Residents Survey, jointly commissioned with Surrey Police, regularly gathers customer satisfaction data. Formal customer feedback procedures ensure that feedback is both consistent and appropriate and regularly reported.



## FOCUS FOR 2016/17

**Strong governance arrangements will support the increasing number and scale of challenges we are facing**

The demographic demand pressures we face continue to grow and at the same time our resources are declining. We will be focusing on influencing national decision making over the next year to help sustain services for the residents we serve.

Devolution gives us an opportunity to move more of the decisions and funding from Central Government so that we can do things differently to meet local needs.

We will focus on improving Services for Children, including Early Help and Special Educational Needs and Disability (SEND).

Integration is a huge part of the work that is being done in Health and Social Care and presents us with a great opportunity to provide better outcomes for residents. We are re-thinking our current ways of working and collaborating with health partners to help deliver local integrated community-based health and social care.

The new Public Value Transformation programme will help us focus on the innovation and transformation needed in these areas for the next five years and beyond. It will require continued focus and determination across the council and with key partners to provide outcomes that residents want.

We will continue to develop a strong organisational culture, with a focus on succession planning and workforce development. We will also continue to make important investments and improvements for staff and members to ensure they have the right training, support, equipment and working environments needed to work effectively. This will provide high standards of customer care for all our stakeholders.

Work will be undertaken in ensuring we meet our responsibilities within the new Local Audit and Accountability Act 2014 regarding appointing an external auditor.

Leader of the Council

Chief Executive  
June 2016



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**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 21 JUNE 2016**

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

**LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE**

**SUBJECT: FINANCE AND BUDGET MONITORING REPORT FOR MAY 2016**



#### **SUMMARY OF ISSUE:**

The council takes a multiyear approach to its budget planning and monitoring, recognising the two are inextricably linked. This report presents the council's financial position as at 31 May 2016 (month two).

The annex to this report gives details of the council's financial position.

#### **RECOMMENDATIONS:**

Recommendations to follow.

#### **REASON FOR RECOMMENDATIONS:**

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

#### **DETAILS:**

##### **Revenue budget overview**

1. Surrey County Council set its gross expenditure budget for the 2016/17 financial year at £1,686m. A key objective of MTFP 2016-21 is to increase the Council's overall financial resilience. As part of this, the Council plans to make efficiencies totalling £83.5m.
2. The Council aims to smooth resource fluctuations over its five year medium term planning period. To support the 2016/17 budget, Cabinet approved use of £24.8m from the Budget Equalisation Reserve and carry forward of £3.8m to fund continuing planned service commitments. The Council currently has £21.3m in general balances.
3. The financial strategy has the following 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 2016/17 budget by maintaining a prudent level of general balances and applying reserves as appropriate.
- Continue to maximise our investment in Surrey.

### **Capital budget overview**

4. Creating public value by improving outcomes for Surrey's residents is a key element of the Council's corporate vision and is at the heart of MTFP 2016-21's £651m capital programme, which includes £207m spending planned for 2016/17.

### **Budget monitoring overview**

5. The Council's 2016/17 financial year began on 1 April 2016. This budget monitoring report covering the financial position at the end of the second month of 2016/17 (31 May 2016). The report focuses on material and significant issues, especially monitoring MTFP efficiencies. The report emphasises proposed actions to resolve any issues.
6. The Council has implemented a risk based approach to budget monitoring across all services. The approach ensures we focus effort on monitoring those higher risk budgets due to their value, volatility or reputational impact.
7. A set of criteria categorise all budgets into high, medium and low risk. The criteria cover:
  - the size of a particular budget within the overall Council's budget hierarchy (the range is under £2m to over £10m);
  - budget complexity, which relates to the type of activities and data monitored (this includes the proportion of the budget spent on staffing or fixed contracts - the greater the proportion, the lower the complexity);
  - volatility, which is the relative rate that either actual spend or projected spend moves up and down (volatility risk is considered high if either the current year's projected variance exceeds the previous year's outturn variance, or the projected variance has been greater than 10% on four or more occasions during the current year); and
  - political sensitivity, which is about understanding how politically important the budget is and whether it has an impact on the Council's reputation locally or nationally (the greater the sensitivity the higher the risk).
8. Managers with high risk budgets monitor their budgets monthly, whereas managers with low risk budgets monitor their budgets quarterly, or more frequently on an exception basis (if the year to date budget and actual spend vary by more than 10%, or £50,000, whichever is lower).
9. Annex 1 to this report sets out the Council's revenue budget forecast year end outturn as at 31 May 2016. The forecast is based upon current year to date income and expenditure as well as projections using information available to the end of the month.
10. The report provides explanations for significant variations from the revenue budget, with a focus on efficiency targets. As a guide, a forecast year end variance of greater than £1m is material and requires a commentary. For some

services £1m may be too large or not reflect the service's political significance, so variances over 2.5% may also be material.

11. Annex 1 to this report also updates Cabinet on the Council's capital budget. Appendix 1 provides details of the MTFP efficiencies, revenue and capital budget movements.

#### **CONSULTATION:**

12. All Cabinet Members will have consulted their relevant Director or Head of Service on the financial positions of their portfolios.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

13. Risk implications are stated throughout the report and each relevant Director or Head of Service has updated their strategic and or service risk registers accordingly. In addition, the leadership risk register continues to reflect the increasing uncertainty of future funding likely to be allocated to the Council.

#### **Financial and Value for Money Implications**

14. The report considers financial and value for money implications throughout and future budget monitoring reports will continue this focus. The council continues to maintain a strong focus on its key objective of providing excellent value for money.

#### **Section 151 Officer Commentary**

15. The Section 151 Officer confirms that the financial information presented in this report is consistent with the council's general accounting ledger and that forecasts have been based on reasonable assumptions, taking into account all material, financial and business issues and risks.

#### **Legal Implications – Monitoring Officer**

16. There are no legal issues and risks.

#### **Equalities and Diversity**

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

#### **WHAT HAPPENS NEXT:**

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

#### **Contact Officer:**

Sheila Little, Director of Finance  
Tel: 020 8541 7012

#### **Consulted:**

Cabinet, Strategic Directors, Heads of Service.

**Annexes:**

- Annex 1 – Revenue budget, staffing costs, efficiencies, capital programme.
- Appendix 1 – Service financial information (revenue and efficiencies), revenue and capital budget movements.

**Sources/background papers:**

- None
-

**SURREY COUNTY COUNCIL****CABINET****DATE:** 21 JUNE 2016**REPORT OF:** N/A**LEAD OFFICER:** ANN CHARLTON, DIRECTOR OF LEGAL, DEMOCRATIC AND CULTURAL SERVICES**SUBJECT:** LEADER/DEPUTY LEADER/CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING**SUMMARY OF ISSUE:**

To note the delegated decisions taken by Cabinet Members since the last meeting of the Cabinet.

**RECOMMENDATIONS:**

It is recommended that the Cabinet note the decisions taken by Cabinet Members since the last meeting as set out in Annex 1.

**REASON FOR RECOMMENDATIONS:**

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

**DETAILS:**

1. The Leader has delegated responsibility for certain executive functions to the Deputy Leader and individual Cabinet Members, and reserved some functions to himself. These are set out in Table 2 in the Council's Scheme of Delegation.
2. Delegated decisions are scheduled to be taken on a monthly basis and will be reported to the next available Cabinet meeting for information.
3. **Annex 1** lists the details of decisions taken by Cabinet Members since the last Cabinet meeting.

**Contact Officer:**

Andrew Baird, Regulatory Committee Manager, Tel: 020 8541 7609

**Annexes:**

Annex 1 – List of Cabinet Member Decisions

**Sources/background papers:**

- Agenda and decision sheets from the Cabinet Member meetings (available on the Council's website)

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