

## CABINET

The following decisions were taken by the Cabinet on Tuesday, 28 March 2017 and will take effect on 06/04/2017 unless the call-in procedure has been triggered. **CALL-IN DEADLINE: 05/04/17.**

The following represents a summary of the decisions taken by the Cabinet. It is not intended to represent the formal record of the meeting but to facilitate the call-in process. The formal minutes will be published in due course to replace this decision sheet.

County Members wishing to request a call-in on any of these matters, should contact the Senior Manager for Scrutiny or relevant Democratic Services Officer.

The Cabinet at its meeting on Tuesday, 28 March 2017 considered the following matters and resolved:

### **Members' Questions** (Item 4a)

Four questions were received. The questions and responses are attached as Appendix 1.

### • **REPORTS FROM SCRUTINY BOARDS, TASK GROUPS, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL** (Item 5)

Reports were received from the Council Overview Board in relation to the following matters:

- Surrey County Council's investment portfolio and the role of the Council's scrutiny function in reviewing this portfolio;
- the progress of the Sustainability and Review Board and the Medium Term Financial Plan; and
- the Investment Strategy Review.

A response from the Leader of the Council in relation to the Council's investment portfolio was tabled at the meeting and is attached as Appendix 2. The recommendations from the Council Overview Board in relation to the Medium Term Financial Plan and the Investment Review Strategy are attached as appendices 3 and 4 respectively.

### • **SURREY HEARTLANDS SUSTAINABILITY & TRANSFORMATION PLAN** (Item 6)

#### **RESOLVED:**

That;

1. the progress that has been made in the development of the Surrey Heartlands Sustainability and Transformation Plan be noted;
2. specific update in relation to the development of a health devolution agreement for Surrey Heartlands and the opportunities that it could bring to residents be

considered; and

3. the proposed governance principles for health devolution and asks the Chief Executive, in consultation with the Cabinet Members for Wellbeing and Health; Adults Social Care, Wellbeing and Independence; and Children and Families Wellbeing to take the necessary steps to finalise and implement the new arrangements were endorsed.

### **Reasons for Decisions:**

In the six months since the last STP update to Cabinet, significant progress has been made in the development of the Surrey Heartlands STP.

Recent dialogue with residents (through a deliberative research exercise) has shown that the types of changes under consideration as part of the STP (such as more self and community based care, greater reliance on non-medical services and intervention) were all regarded positively in the context of a more joined up and efficient health and care system that could provide greater access at times that suited residents.

To further the intentions set out in the STP, a dialogue with national partners has taken place to develop a health devolution agreement. The devolution agreement is stated as a key mechanism for enabling the STP aims and ambitions as well as the integration of health and social care.

The Cabinet will be kept informed of progress on the STP, devolution discussions and the associated opportunities being explored.

*[This decision may be called in by the Social Care Services Board]*

- **CRANLEIGH CHURCH OF ENGLAND PRIMARY SCHOOL** (Item 7)

### **RESOLVED:**

That, subject to the agreement of the detailed financial information for the rebuilding of the school as set out in Part 2 of this agenda, the business case for the rebuilding of Cranleigh Church of England Primary School be approved.

### **Reasons for Decision**

The proposal supports Surrey County Council's statutory obligation to provide sufficient school places to meet the needs of the population in the Cranleigh area.

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

- **FRAMEWORK AGREEMENT FOR RESIDENTIAL PARENTING ASSESSMENTS** (Item 8)

### **RESOLVED:**

That the establishment of a Framework is endorsed by Cabinet and award of a place on the Framework be made to the two suppliers for Lot 1, as detailed in the Part 2 report.

### **Reasons for Decision**

There is a duty on local authorities to provide parenting assessments under section 38 (6) of the Children Act 1989, when directed by the Courts during care proceedings.

Establishing a new Framework Agreement will facilitate a long term partnership with suppliers, creating the working environment to support continuous improvement for high quality, child centred assessment services.

Value for money will be secured through a clear pricing structure which will help to ensure transparency and clarity around costs with fixed prices for the first two years of the framework. In addition to this, there will be robust contract management.

The recommended awarded providers met the tender evaluation criteria as well as demonstrating their experience and ability to deliver robust and high quality assessment reports that would inform care planning decisions.

Changes to UK procurement regulations (the Public Contracts Regulations 2015) means that spot purchasing services above specified financial thresholds (£589,148 per annum for social services) is no longer an appropriate form of procurement.

*[This decision may be called in by either the Social Care Services Board or the Council Overview Board]*

- **SURREY COUNTY COUNCIL: CORPORATE STRATEGY 2017-2022** (Item 9)

#### **RESOLVED:**

That the refreshed version of the Corporate Strategy 2017-2022 was endorsed and recommended for presentation to the County Council meeting on 23 May 2017 for approval.

### **Reasons for Decision**

By reconfirming a long term vision for the county and setting goals and key actions for the next financial year the refreshed Corporate Strategy provides a clear sense of direction for Council staff, residents, businesses and partner organisations. As part of the Council's Policy Framework (as set out in the Constitution) the Corporate Strategy must be approved by the County Council.

- **MEDIUM TERM FINANCIAL PLAN 2017 - 2022 AND SUSTAINABILITY REVIEW BOARD REPORT** (Item 10)

An addendum to Item 10 as well as an updated table outlining the County Council's projected earmarked reserves and balances were tabled at the meeting, these are attached as an appendices 5 and 6 respectively.

## **RESOLVED:**

That the Cabinet agreed;

1. the release of provisions of £2m and to use reserves of £10m to balance the 2017/18 budget;
2. the amended savings recommended by the Sustainability Review Board, as shown in Table 1 above;
3. the capital programme of £387m from 2017 to 2020, which is a reduction of £21m from that approved 7 February 2017;
4. the capital programme includes £150,000 for the Community Buildings Grant Scheme;
5. to only borrow for capital schemes where there is a compelling business case and for officers to review future years' budgets within the capital programme to reduce spending;
6. the 2017/18 service strategies (Annex 1);
7. the detailed service revenue and capital budgets for the year 2017/18 and indicative budgets for the years 2018-20 including amendments resulting from the Final Local Government Financial Settlement and other Government funding changes announced since 7 February 2017, including the March Budget (Annex 1);
8. the proactive and systematic engagement of the County Council in responding to proposed changes in local government funding to ensure these changes do not further disadvantage Surrey, and seeking the appropriate recognition of the costs of delivering services in Surrey;
9. the following in relation to the funding of Early Years providers:
  - The Local Authority to retain £4.4m of the Early Years grant to manage the sector and allow for a devolved provision for more targeted support.
  - Fund Early Years providers at rates which are commensurate with the levels of funding in the Early Years DSG:
    - £4.51 per hour for three and four year olds
    - £5.88 per hour for two year olds

Change in the distribution of deprivation funding which has been simplified to be based on the Early Years pupil premium funding (paragraph 22);
10. the publication of the service revenue and capital budgets as the

## Medium Term Financial Plan 2017-20.

It is further recommended that Cabinet notes:

11. the additional funding for adult social care announced in the Chancellor of the Exchequer's Budget 2017;
12. the options for areas for additional savings and service reductions identified by Sustainability Review Board (SRB) in a separate report (Annex 2);
13. the Director of Finance's letter to the Department for Communities and Local Government confirming that the Adult Social Care Precept will be spent entirely on adult social care functions (paragraph 8 and Annex 3);
14. the fees & charges approved under delegated powers (Annex 4);
15. the cabinet establish a member led task group to review all service fees and charges and to report to the cabinet in autumn; and
16. the Equality Impact Assessments of the savings proposals within directorate and service budgets (Annex 5).

### **Reasons for Decision**

The Council has a legal duty to prepare a balanced and sustainable budget and to deliver statutory services to residents.

The Medium Term Financial Plan (MTFP) 2017-20 is a three year budget. It reflects assumptions about the current local and national financial, economic and political environment. Setting a three year budget is a key element of the Council's multi-year approach to financial management and its aim of achieving a sustainable financial position. Regular reporting through the year will enable effective tracking and management of progress with the strategy and the budget.

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

## • **FINANCE AND BUDGET MONITORING REPORT TO 28 FEBRUARY 2017** (Item 11)

### **RESOLVED:**

Cabinet noted:

1. forecast revenue budget outturn for 2016/17 is -£6.8m underspend, an improvement from -£3.5m last month (Annex, paragraph 1);
2. forecast efficiencies and service reductions for 2016/17 is £66.4m, up by £0.1m from last month (Annex, paragraph 50); and
3. the Section 151 Officer's commentary and the Monitoring Officer's Legal Implications commentary (main report, paragraphs 16 to 23).

That Cabinet approve:

4. the transfer of -£2.0m underspend on the New Homes Bonus grant allocated to infrastructure projects to the Budget Equalisation Reserve (Annex, paragraph 27); and

5. the reprofiling of £0.15m capital contribution to the Godalming flood alleviation scheme from 2016/17 to 2017/18 (Annex, paragraph 61).

### **Reasons for Decisions**

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.

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

- **INVESTMENT STRATEGY REVIEW** (Item 12)

#### **RESOLVED:**

That;

1. progressing the Investment Strategy, including arrangements to enable significant growth in the portfolio to reach an income target of £10m per annum by 2020/21 be approved;
2. a revision to the governance arrangements be authorised and authority be delegated by the Leader to the Investment Advisory Board to approve property investment acquisitions, property investment management expenditure, property investment disposals and the provision of finance to its wholly owned property company, Halsey Garton Property Ltd;
3. the name of the board is amended to reflect this delegation and it will be known as the "Investment Board" be approved; and
4. that a property investment advisor be procured by Surrey County Council to provide the necessary skills and level of support required to expand the investment portfolio noting that any upfront expenditure will be drawn from the Revolving Investment & Infrastructure Fund and that the procurement will be undertaken in two stages in line with the growth in the portfolio.

### **Reasons for Decisions**

The proposed arrangements will support the Council to continue to grow its portfolio and increase the level of income received from investments thereby enhancing its financial resilience over the longer term.

The provision of a substantial ongoing and resilient source of income to provide financial support to the Council's front line services is becoming increasingly important. Investments undertaken as a result of the strategy agreed in 2013 are successfully delivering a net income stream to the Council.

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

- **M3 ENTERPRISE ZONE** (Item 13)

#### **RESOLVED:**

Cabinet approved Surrey County Council's agreement that Enterprise M3 should submit the Implementation Plan (included in the Part 2 Annex) to Government.

### **Reasons for Decision**

The M3 EZ is a major opportunity to support economic growth on one of the largest available sites for commercial development in Surrey and to secure additional investment in the area. Over 25 years the further detailed work for the Implementation Plan suggests that the EZ could deliver about 130 new businesses, over 10,000 new jobs and generate an additional £230 million in retained business rates. For the Longcross site there could be 32 new businesses, 4100 new jobs and 90,000 sqm of new floor space with the development generating over £140 million in additional business rate income over the full 25 year period.

Successful implementation of the EZ requires support from all the relevant local authorities. Agreement between SCC and Runnymede about the infrastructure and other interventions that are needed to maximise development on the Longcross site will ensure that the package of measures is well targeted.

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

- **SURREY LOCAL FLOOD RISK MANAGEMENT STRATEGY** (Item 14)

#### **RESOLVED:**

That;

1. the refreshed Local Flood Risk Management Strategy for Surrey be approved; and
2. Cabinet notes that the Council should consider options to strengthen and maintain future flood risk management work and that a report be presented to the Cabinet at its meeting in September 2017.

### **Reasons for Decisions**

In its capacity as LLFA SCC has a duty to develop a strategy for flood risk management under the Flood and Water Management Act (2010). It also has to adopt a co-ordinated and co-operative approach to flood risk management with other Risk Management Authorities (RMA) under sections 9 and 13 of the same Act. The LFRMS sets actions and objectives to facilitate this.

Surrey's Corporate Strategy 2016-2021 states that 'investing in flood and maintenance schemes' is a priority under its Resident Experience goal. The refreshed LFRMS sets out the method for delivering this across the responsible authorities.

Flooding is a significant concern to the residents of Surrey. Approximately 1500 properties were flooded in the events of 2013/14 and more have been flooded since in localised incidents. It remains a high profile topic and it is important that SCC has a clear and up to date LFRMS that sets out priorities for flood risk management.

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

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

**RESOLVED:**

That the decisions taken by Cabinet Members since the last meeting, as set out in Annex 1 of the submitted report, be noted.

**Reasons for Decision**

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

- **EXCLUSION OF THE PUBLIC** (Item 16)

**RESOLVED:** 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.

- **CRANLEIGH CHURCH OF ENGLAND PRIMARY SCHOOL** (Item 17)

**RESOLVED:**

That;

1. the self-funding business case for re-building of Cranleigh C of E Primary School, Cranleigh at a total cost as set out in the Part 2 report, be approved;
2. the arrangements by which a variation of up to 10% of the total value may be agreed by the Deputy Chief Executive and Strategic Director for Children, Schools and Families, in consultation with the Cabinet Member for Schools, Skills and Educational Achievement, the Cabinet Member for Business Services and Resident Experience and the Leader of the Council be approved.

**Reasons for Decisions**

The project will provide a much needed new facility to replace and combine the two currently separate infant and junior school sites. The project will also support Surrey County Council's (SCC) statutory obligation to provide sufficient school places to meet the needs of the population in the Cranleigh area.

*[The decisions may be called in by either the Council Overview Board or the Education and Skills Board]*

- **FRAMEWORK AGREEMENT FOR RESIDENTIAL PARENTING ASSESSMENTS** (Item 18)

**RESOLVED:**

That a Framework for Lot 1 be awarded to two suppliers in accordance with the financial details as set out in the Part 2 Report.

### **Reasons for Decision**

There is a duty on local authorities to provide parenting assessments under section 38 (6) of the Children Act 1989, when directed by the Courts during care proceedings.

Establishing a new Framework Agreement will facilitate a long term partnership with suppliers, creating the working environment to support continuous improvement for high quality, child centred assessment services.

Value for money will be secured through a clear pricing structure which will help to ensure transparency and clarity around costs with fixed prices for the first two years of the framework. In addition to this, there will be robust contract management.

The recommended awarded providers met the tender evaluation criteria as well as demonstrating their experience and ability to deliver robust and high quality assessment reports that would inform care planning decisions.

Changes to UK procurement regulations (the Public Contracts Regulations 2015) means that spot purchasing services above specified financial thresholds (£589,148 per annum for social services) is no longer an appropriate form of procurement.

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

- **M3 ENTERPRISE ZONE** (Item 19)

### **RESOLVED:**

The Cabinet approves that Surrey County Council's agreement that Enterprise M3 should submit the Implementation Plan, as attached to the Part 2 report, to Government.

### **Reasons for Decision**

The M3 EZ is a major opportunity to support economic growth on one of the largest available sites for commercial development in Surrey and to secure additional investment in the area. Over 25 years the further detailed work for the Implementation Plan suggests that the EZ could deliver about 130 new businesses, over 10,000 new jobs and generate an additional £230 million in retained business rates. For the Longcross site there could be 32 new businesses, 4100 new jobs and 90,000 sqm of new floor space with the development generating over £140 million in additional business rate income over the full 25 year period.

Successful implementation of the EZ requires support from all the relevant local authorities. Agreement between SCC and Runnymede about the infrastructure and other interventions that are needed to maximise development on the Longcross site will ensure that the package of measures is well targeted.

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

- **PARTIAL RE-FINANCING OF SURREY'S PFI WASTE CONTRACT** (Item 20)

**RESOLVED:**

That;

1. the outline business case for the partial refinancing of Surrey's PFI waste contract be approved; and
2. authority be delegated to the Strategic Director for Environment & Infrastructure, Director of Legal, Democratic and Cultural Services and the Director of Finance, in consultation with the Cabinet Member for Environment and Planning to agree the detailed terms of the transaction including the sign off from DEFRA with a Variation Business Case.

**Reasons for Decisions**

These recommendations will help towards SCC achieving the required savings needed from the waste service, as outlined in the Medium Term Financial Plan. The partial refinancing will reduce the Council's Annual Unitary Charge payment to Suez, and will therefore improve the value for money and affordability of the existing waste PFI contract to the council and residents.

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

- **PROPERTY TRANSACTION** (Item 21)

**RESOLVED:**

That;

1. Cabinet's approval for Surrey County Council's acquisition of a long leasehold interest as highlighted in the submitted report in accordance with the details outlined in that report be reaffirmed;
2. Cabinet's approval for the funding and reimbursement arrangements for Surrey County Council in relation to the acquisition of the leasehold be reaffirmed; and
3. approval is delegated to agree appropriate contractual and financial arrangements to the Chief Property Officer, in consultation with the Leader, Director of Finance and the Director of Legal & Democratic Services, following the completion of all necessary due diligence and upon exchange agreements to lease, subject to a minimum rental value threshold being exceeded.

**Reasons for Decisions**

The proposed acquisition of the leasehold supports economic prosperity, one of Surrey County Council's corporate priorities.

## CABINET – 28 MARCH 2017

## PROCEDURAL MATTERS

**Member Questions**

Question (1) from Jonathan Essex (Redhill East)
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Please set out the savings for 2017/18 by directorate, and how they are split by in house savings and savings from changes to procurement/commissioning.

**Reply:**

The Council has not planned, nor analysed its savings plans between in house and procurement or commissioning.

The analysis in Annex 1 to the MTFP report sets out the savings by service. Aggregation by directorate gives the following analysis.

<b>Directorate</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
Adult Social Care & Public Health	-27,615	-18,567	-9,689
Children, Schools & Families	-22,130	-15,169	-9,720
Environment & Infrastructure	-12,487	-7,516	-2,743
Communities	-685	-600	-172
Strategic Leadership	-485	-217	-124
Legal, Democratic & Cultural Services	-650	-1,142	-389
Orbis	-4,764	-2,996	0
Central Income & Expenditure	-24,684	-2,684	-3,002
<b>Total savings</b>	<b>-93,500</b>	<b>-48,891</b>	<b>-25,838</b>

**David Hodge**  
**Leader of the Council**  
**28 March 2017**

Question (2) from Jonathan Essex (Redhill East)
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The Section 151 officer in the budget report to February council noted that the budget was unsustainable going forward and that the amount of reserves held by the council are at a minimum and could not be reduced. In the light of this, please confirm why it is now proposed to release a further £19.5m from reserves to balance the 2017/18 budget?

**Reply:**

Since writing her report to Council in February, a number of things have come to light which enable the Director of Finance to propose use of £19.5m to balance the council's 2017/18 budget. The £19.5m comprises £11m released from provisions and £8.5m from reserves.

Provisions are sums set aside for future liabilities where the timing or amounts are uncertain. Provisions are the best estimate of the expenditure needed to settle the liability. Following a review of the council's provisions, the Director of Finance is satisfied the council no longer needs the provisions for potential liabilities relating to injury awards and to equal pay. The reduction in these provisions releases £11m, which the council will use to support 2017/18. The remaining £8.5m the council plans to use to balance 2017/18 comprises: additional retained business rates income, the 2016/17 revenue underspend and a small balance that may be necessary from existing reserves, depending on the outturn position. After the Full County Council meeting in February, the council's 2017/18 retained business rates income was confirmed as over £4m higher than budgeted. The council plans to appropriate this amount to reserves in 2017/18. As at 28 February 2017, the council forecast -£6.8m revenue underspend for 2016/17. If this position continues to outturn, the council could make a small contribution to reserves. The forecast balance of the council's total earmarked reserves as at 31 March 2017 was £65.8. The likely amount (if any) the council would need to draw from this, does not have an unacceptable impact on the council's overall level of reserves. As at 28 February 2017, the forecast underspend has risen to -£7m. If the council maintains this position, it should add a small net amount to its total reserves and improve its overall financial resilience.

**David Hodge**  
**Leader of the Council**  
**28 March 2017**

Question (3) from Jonathan Essex (Redhill East)
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In the last year, there 5 member briefings on the budget prior to the setting of the budget envelope at the Feb 2017 council meeting - please confirm when a similar budget briefing will be given to members to explain the rationale and details of the proposed savings/cuts as set out in the MTFP.

**Reply:**

As has been pointed out, the cabinet seek to keep all members informed during the budget planning process and that is the reason why we held the five all member seminars. These seminars are designed to provide members with the major issues the council is facing for its budget. This has included changes to funding, the impact of increased pressures, and also the total amount of savings required to create a balanced and sustainable budget. These seminars are not the appropriate forum to look at the detail of budget savings. The appropriate place to do this is in the Scrutiny Boards, which is what the boards have done and have provided their recommendations to the cabinet.

Looking forward, these all member seminars will continue as we plan the 2018/19 budget in order to provide members with a clear understanding of the financial and budget issues faced by the council. This information will provide the necessary context for their work in scrutiny boards.

**David Hodge**  
**Leader of the Council**  
**28 March 2017**

Question (4) from Colin Kemp (Goldsworth East and Horsell Village)

'The proposed changes to fire cover in the Spelthorne area has been a topic of great interest to the Resident Experience Board; throughout Performance and Finance Sub-Group meetings and full Board public meetings, Members have been made aware of the complications and delays around the development of the new Fordbridge fire station.

The Fordbridge project was approved by Cabinet in 2014. It was originally expected that a new fire station would be operational within the Spelthorne area, achieving savings in 2015/16. Surrey County Council have managed the pressure caused by the delay through other savings, of which the fire service contributed. However, as the council could not continue to meet this financial pressure the public were consulted over the closure of Staines fire station, before the completion of Fordbridge fire station.

After listening to public opinion, the Leader took the decision to honour the original commitment made by Cabinet, to keep Staines fire station open until the new Fordbridge fire station became operational. Though the Board understood this decision, Members and residents are aware that this leaves a significant financial pressure outstanding of approximately £900k per year.

Can the Cabinet please provide some clarification on how this financial pressure is being managed; whether this pressure is held against Surrey Fire and Rescue Service's budget, or another Council service, and if so, which; and when is the new Fordbridge fire station due to become operational?'

**Reply:**

The Council has identified £93m of savings and service reductions as part of the £123m needed to move toward a balanced and sustainable budget. Despite the additional funding for adult social care and the savings identified by the Sustainability Review Board, further actions are still required to achieve a balanced budget for 2017/18 and a sustainable budget for future years. The decision to keep Staines fire station open until the new Fordbridge station becomes operational adds to the financial challenge for the forthcoming year and further savings will be required to be identified. The saving is being held against the Fire & Rescue budget since the saving is achievable in later years once the new station is open.

The new Fordbridge station is forecast to become operational in the summer of 2018 dependent upon there being no further unexpected delays or problems on site.

**Richard Walsh**

**Cabinet Member for Localities and Community Wellbeing**

**28 March 2017**

## **CABINET RESPONSE TO COUNCIL OVERVIEW BOARD**

### **SCRUTINY IN A NEW ENVIRONMENT TASK GROUP RECOMMENDATIONS**

(Considered by the Council Overview Board on 1 March 2017)

#### **COMMITTEE RECOMMENDATIONS:**

##### **That Cabinet review:**

- a) the terms of reference for the Shareholder Board and consider the inclusion of a mechanism for tracking the performance of individual investments, and specifically the Property Investment Portfolio.
- b) the terms of reference for the Shareholder Board and consider the requirement that it report regularly, at least annually, to Cabinet on the performance of individual investments - and specifically the Property Investment Portfolio held by the Council - including with reference to each original business case and the Investment Strategy stated aims.

##### **Future scrutiny role and Constitution changes:**

- c) Annual reviews of the Shareholder Board (including a review of each LATC's performance) in the context of the Investment Strategy should be undertaken by the Council Overview Board in line with the constitution.
- d) Following this report the Constitution of Surrey County Council should be explicit in permitting the Council Overview Board to require Directors and Chief Executives of wholly owned LATCs (or trading companies where the Council has a controlling interest) to attend as witnesses to programmed agenda items to allow COB to fulfil its existing constitutional role to "review the performance of and hold to account any trading companies established by the Council."
- e) The Council Overview Board recommends that Scrutiny Boards consider conducting enquiries on proposals to commission services from wholly owned LATCs, at the initial stage when the business case is formulated. Long-term, once contracts are awarded, the boards should consider incorporating in their programme of work regular overview and scrutiny of service delivery.
- f) To carry out this work Scrutiny Boards should also be given the role to review the performance of trading companies that deliver relevant services under their remit. As above, the Constitution should be explicit in permitting Scrutiny Boards to access company financial information as part of their enquiries and to require Directors and Chief Executives of wholly owned LATCs (or trading companies where the Council has a controlling interest) to attend as witnesses to programmed agenda items.

#### **RESPONSE:**

The Cabinet would like to thank COB for their recommendations and for their work in reviewing the role of scrutiny in new models of delivery.

The council's investment portfolio is managed by the Investment Advisory Board rather than the Shareholder Board since the portfolio is the combination of assets held by the council and assets held by the council's wholly owned Property Company.

The investment performance is reported each month to Cabinet as part of the financial monitoring report. The Cabinet are considering a paper at their meeting today which includes an update to the terms of reference for the Investment Advisory Board, which will become known as the Investment Board. If approved the Investment Board will produce an annual performance report for the consideration of Cabinet and for the purposes of scrutiny.

The Committee will be aware that the Shareholder Board have produced two annual reports, in 2015 and 2016, which have been considered by Cabinet and scrutinised by COB. A further annual report will be provided in June 2017 which will provide comment about performance compared to expectations.

The Shareholder Board will continue to make information and its members available for attendance at COB meetings in order to aid its scrutiny role and will support reasonable requests from COB for the attendance of appropriate company officers to provide information to COB, however a change to COB's terms of reference would be a matter for Council rather than Cabinet.

**David Hodge**  
**Leader of the Council**  
**28 March 2017**

## **COUNCIL OVERVIEW BOARD**

### **Item under consideration: PROGRESS OF THE SUSTAINABILITY REVIEW BOARD AND THE MEDIUM TERM FINANCIAL PLAN 2017-22**

**Date Considered: 27 March 2017**

- 1 At its meeting on 27 March 2017 the Council Overview Board considered the Medium Term Financial Plan 2017-2022 and the report of the Sustainability Review Board.
- 2 The Council Overview Board recognises and shares the desire of the Cabinet to provide the best services possible for Surrey residents and understands the difficulties that there have been in reducing this offer. However, all the evidence the Board has considered confirms that the pace of change must accelerate significantly in the new Council and that there must be fundamental reviews of how frontline and support services are provided and the use and retention of council owned assets.
- 3 The Board further recommended that:
  - a) Cabinet notes the very strong resistance of the Council Overview Board to the notion that local member allocation and local committee highways schemes should be completely removed because of its disproportionate and detrimental impact on local communities and asks the Cabinet to not to proceed with this proposal.
  - b) That the Cabinet provide a commitment to early discussions in the new Council to improve the scrutiny process so as to afford all members a role and sense of ownership in the savings process required to achieve a sustainable budget.
  - c) Cabinet provides assurance that the enhanced tracking of savings, consultations and equality impact assessments in budget monitoring reports will be available to scrutiny boards.

**STEVE COSSER**

**Chairman of the Council Overview Board**

**COUNCIL OVERVIEW BOARD**

**Item under consideration: INVESTMENT STRATEGY REVIEW**

**Date Considered: 27 March 2017**

- 1 At its meeting on 27 March 2017 the Council Overview Board considered the Investment Strategy Review paper prepared for Cabinet.
- 2 The Council Overview Board welcomes the proposal to produce an annual report on the investment portfolio as previously suggested to the Cabinet by the Board.
- 3 The Board recommended that the Council Overview Board retains the right to scrutinise individual investment proposals on property acquisitions before a decision is taken.
- 4 The Board also recommends that Cabinet review the proposed membership of the Investment Board to:
  - a) replace the two specified Cabinet posts to two Cabinet Members with appropriate knowledge.
  - b) include a Member of the Council who is not a member of the Cabinet

**STEVE COSSER**

**Chairman of the Council Overview Board**

## MEDIUM TERM FINANCIAL PLAN 2017 -2022 AND SUSTAINABILITY

### REVIEW BOARD REPORT – ADDENDUM

Following the publication of the Medium Term Financial Plan and Sustainability Review Board report, a number of events have occurred that has led to a change in the recommendations. These are explained below.

#### Sustainability Review Board

10. The cabinet would like to thank the Sustainability Review Board (SRB) for all their work in such a short period of time, and the recommendations the SRB has proposed.
11. The cabinet notes the ambition of these recommendations, both in achieving immediate savings and also plans for the longer term. The cabinet recognises that the proposals to move Heritage and Arts and Music to self-funding basis will not be achieved during 2017/18 and that the feasibility of these proposals will be developed during the year.
12. The cabinet also recognises the value of small sums invested in highways by elected members in their own divisions. Therefore the cabinet will not take that proposal forward.
13. Table 1 below sets out the SRB's proposals and the cabinet's recommended additional savings for 2017/18:

Table 1

<b><u>Function</u></b>	<b><u>Description</u></b>	<b><u>SRB</u> <u>2017/18</u> <u>saving</u></b>	<b><u>Cabinet</u> <u>2017/18</u> <u>savings</u></b>
Communications	Stop Surrey Matters Move to digital communications wherever possible, including print on demand service of key documents.  Paper-free committee meetings by end of first year of new council.	£250,000	£250,000
Members Allocations	Propose to stop for next two years and then review  <i>Cabinet – Reduce allocation to £6,000</i>	£729,000	£243,000
Community Improvement Fund	Propose to stop in 2017/18 and then review.	£264,000	£264,000

Surrey Growth Strategy	Propose a review of this – saving based on removing full budget  <i>Cabinet – Reduce budget by £300,000 but allow 16/17 carry forward of underspending</i>	Up to £670,000	£300,000
Local Committee Highways Schemes	Propose to stop in 2017/18 and then review.	£450,000	£0
Fire Contingency crewing/specialist rescue	Remove this provision.	£418,000	£418,000
Heritage	Target for service to be self-funding by end of 2017/18.	Up to £1,381,000	£0
Arts & Music	Target for service to be self-funding by end of 2017/18.	Up to £394,000	£0
<b>Total Full-Year Effect</b>		<b>£4,556,000</b>	<b>£1,475,000</b>

14. The cabinet notes the urgency for the transformation programme and accepts the SRB's indicative figures for a contribution to savings in the fourth quarter of 2017/18 of up to £9.0m.

#### Balancing 2017/18

15. The level of risks and liabilities faced by the council is increasing. On reflection, there is a need to maintain provisions for future uncertainties. Therefore, only £2m of provisions will be released, which can be used to support the budget in 2017/18.
16. The remaining balance of £10.0m will be met from the Budget Equalisation Reserve.
17. The use of these reserves will reduce the total earmarked reserves marginally compared to the level expected in February 2017, to £59.1m. This balance remains a minimum safe level of reserves for a county of this size and budget as well as with the current level of financial uncertainty.

#### Capital Budget

18. The cabinet recognises the importance that small sums of capital investment can have on residents' experience and the partnership working with District and Boroughs. It is therefore proposing to reinstate the £150,000 contribution for Community Buildings Grant Scheme for 2017/18.

## Recommendations

The changes described above will lead to amended recommendations. Recommendation 1 in the publicised paper has changed, as shown below. There is also an additional recommendations, which is now Recommendations 2 and 4. There is an additional recommendation 15 in regards to the review of fees and charges. All other recommendations remain the same.

It is recommended Cabinet approves:

1. the release of provisions of £2m and to use reserves of £10m to balance the 2017/18 budget;
2. the amended savings recommended by the Sustainability Review Board, as shown in Table 1 above;
3. the capital programme of £387m from 2017 to 2020, which is a reduction of £21m from that approved 7 February 2017;
4. the capital programme includes £150,000 for the Community Buildings Grant Scheme;
5. to only borrow for capital schemes where there is a compelling business case and for officers to review future years' budgets within the capital programme to reduce spending;
6. the 2017/18 service strategies (Annex 1);
7. the detailed service revenue and capital budgets for the year 2017/18 and indicative budgets for the years 2018-20 including amendments resulting from the Final Local Government Financial Settlement and other Government funding changes announced since 7 February 2017, including the March Budget (Annex 1);
8. the proactive and systematic engagement of the County Council in responding to proposed changes in local government funding to ensure these changes do not further disadvantage Surrey, and seeking the appropriate recognition of the costs of delivering services in Surrey;
9. the following in relation to the funding of Early Years providers:
  - The Local Authority to retain £4.4m of the Early Years grant to manage the sector and allow for a devolved provision for more targeted support.
  - Fund Early Years providers at rates which are commensurate with the levels of funding in the Early Years DSG:
    - £4.51 per hour for three and four year olds

- £5.88 per hour for two year olds

Change in the distribution of deprivation funding which has been simplified to be based on the Early Years pupil premium funding (paragraph 22);

10. the publication of the service revenue and capital budgets as the Medium Term Financial Plan 2017-20.

It is further recommended that Cabinet notes:

11. the additional funding for adult social care announced in the Chancellor of the Exchequer's Budget 2017;
12. the options for areas for additional savings and service reductions identified by Sustainability Review Board (SRB) in a separate report (Annex 2);
13. the Director of Finance's letter to the Department for Communities and Local Government confirming that the Adult Social Care Precept will be spent entirely on adult social care functions (paragraph 8 and Annex 3);
14. the fees & charges approved under delegated powers (Annex 4);
15. the cabinet establish a member led task group to review all service fees and charges and to report to the cabinet in autumn; and
16. the Equality Impact Assessments of the savings proposals within directorate and service budgets (Annex 5).

## Projected Earmarked Reserves and Balances

	Opening Balance at 01-Apr-16 £m	Forecast balance 31-Mar-17 £m	Approved use to support 2017/18 budget £m	Forecast 01-Apr- 17 £m
Revolving Infrastructure & Investment Fund	11.1	11.1		11.1
Budget Equalisation Reserve	6.9	15.2	-8.5	6.7
Eco Park Sinking Fund	5.8	4.4		4.4
Insurance Reserve	6.5	7.7		7.7
Investment Renewals Reserve	8.8	2.1		2.1
General Capital Reserve	5.2	5.2		5.2
Street lighting PFI Reserve	5.1	4.4		4.4
Vehicle Replacement Reserve	3.9	3.0		3.0
Economic Downturn Reserve	9.2	9.2		9.2
Public Health Reserve	2.7	0.0		0.0
Economic Prosperity Reserve	2.5	2.5		2.5
Equipment Replacement Reserve	2.1	2.0		2.0
Child Protection Reserve	1.1	0.0		0.0
Business Rate Appeals Reserve	1.3	1.3		1.3
Interest Rate Reserve	1.0	1.0		1.0
<b>Earmarked Reserves</b>	<b>73.2</b>	<b>69.1</b>	<b>-8.5</b>	<b>60.6</b>
<b>General Fund Balance</b>	<b>21.3</b>	<b>21.3</b>	<b>0.0</b>	<b>21.3</b>

### Purpose of earmarked reserves

**Revolving Infrastructure & Investment Fund** is to provide the revenue costs of funding infrastructure and investment initiatives that will deliver savings and enhance income in the longer term. Currently, the council transfers net income generated by the portfolio to the reserve.

**Budget Equalisation Reserve** supports future years' revenue budgets from unapplied income and budget carry forwards.

**Eco Park Sinking Fund** is to fund the future of the council's waste disposal strategy from surpluses in initial years.

**Insurance Reserve** holds the balance resulting from a temporary surplus or deficit on the council's self insurance fund and is assessed by an actuary for the possible liabilities the council may face. It specifically holds £3.5m to cover potential losses from the financial failure of Municipal Mutual Insurance (MMI) in 1992 and also possible claims against the council. The company had limited funds to meet its liabilities, consequently, future claims against policy years covered by MMI may not be fully paid, so would be funded from this reserve. The balance on this reserve represents the latest assessed possible liability.

## **Projected Earmarked Reserves and Balances**

**Investment Renewals Reserve** enables investments in service developments to make savings in the future. The reserve makes loans to services or invest to save projects, which may be repayable. The recovery of the loan is tailored to the requirements of each business case, which is subject to robust challenge before approval as part of the council's governance arrangements.

**General Capital Reserve** holds capital resources, other than capital receipts, available to fund future capital expenditure.

**Street Light Private Finance Initiative (PFI) Reserve** holds the balance of the street lighting PFI grant income over and above that used to finance the PFI to date. The balance will be used when future expenditure in year exceeds the grant income due in that same year.

**Vehicle Replacement Reserve** enables the future cost of vehicle replacement to be spread over the life of existing assets through annual revenue contributions.

**Economic Downturn Reserve** is to allay the risks of erosion in the council's tax base due to the impact of the localisation of council tax benefit and a down turn in the economy.

**Child Protection Reserve** provided funding for additional staffing costs as a result of the increased number of children subject to a child protection order. This reserve was to fund the costs until 2015/16, when the base budget was to be increased to cover these costs. The final balance in this reserve was drawn-down during 2016/17.

**Public Health Reserve** holds any carry forward of unspent Public Health Grant from previous years, being used to fund activities in future years.

**Economic Prosperity Reserve** provides funding for projects that will increase economic development in the county.

**Equipment Replacement Reserve** enables services to set aside revenue budgets to meet future replacement costs of large items of equipment. Services make annual revenue contributions to the reserve and make withdrawals to fund purchases.

**Business Rate Appeals Reserve** mitigates against volatility in business rates income (driven by the volume and value of successful valuation appeals). The council bears 10% of any appeals losses (districts and boroughs 40% and central government 50%) and has set aside £1.25m against potential business rates valuation appeals.

**Interest Rate Reserve** enables the council to fund its capital programme from borrowing in the event of an expected change in interest rates or other borrowing conditions.

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