

## Notice of Meeting

# Overview and Budget Scrutiny Committee



Date & time	Place	Contact
Thursday, 16 November 2017 at 10.00 am	Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN	Ross Pike or Sharmina Ullah Room 122, County Hall Tel 020 8541 7368 or 020 8213 2838  ross.pike@surreycc.gov.uk

**Acting Chief Executive**  
Julie Fisher



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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 Ross Pike or Sharmina Ullah on 020 8541 7368 or 020 8213 2838.**

### Elected Members

Mrs Kay Hammond (Chairman), Mr Nick Harrison (Vice-Chairman), Ms Ayesha Azad, Mr Jonathan Essex, Mr Robert Evans, Mr Tim Evans, Mr Tim Hall, Mr David Harmer, Ms Charlotte Morley and Mrs Hazel Watson

### TERMS OF REFERENCE

#### **The Committee is responsible for the following areas:**

Co-ordinates the Council's policy development and scrutiny work by agreeing work programmes for Select Committees, ensuring that reviews are focused on the Council's priorities and value for money, that reviews are cross-cutting where appropriate, and that work is not duplicated.

Performance, finance and risk monitoring for all Council services.

Policy development and scrutiny for Cross-cutting/whole-Council issues, including:

- Budget Strategy/Financial Management
- Improvement Programme, Productivity and Efficiency
- Equalities and Diversity
- Corporate Performance Management
- Corporate and Community Planning
- Transformation
- New models of delivery
- Digital strategy

# **AGENDA**

## **1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

## **2 MINUTES OF THE PREVIOUS MEETING: 14 SEPTEMBER 2017**

(Pages 1  
- 8)

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

## **3 DECLARATIONS OF INTEREST**

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter

- (i) Any disclosable pecuniary interests and / or
- (ii) Other interests arising under the Code of Conduct in respect of any item(s) of business being considered at this meeting

### **NOTES:**

- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest
- As well as an interest of the Member, this includes any interest, of which the Member is aware, that relates to the Member's spouse or civil partner (or any person with whom the Member is living as a spouse or civil partner)
- Members with a significant personal interest may participate in the discussion and vote on that matter unless that interest could be reasonably regarded as prejudicial.

## **4 QUESTIONS AND PETITIONS**

To receive any questions or petitions.

### **Notes:**

1. The deadline for Member's questions is 12.00pm four working days before the meeting (Friday 10 November 2017).
2. The deadline for public questions is seven days before the meeting (Thursday 9 November 2017).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

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

There are no responses to report.

## **6 RECOMMENDATIONS TRACKER AND FORWARD WORK PROGRAMME**

(Pages 9  
- 22)

The Committee is asked to monitor progress on the implementation of recommendations from previous meetings and to review its forward work

programme.

**7 TASK GROUP SCOPING** (Pages 23 - 30)

The Committee is asked to review the scoping document and annex by the Adults and Health Select Committee and suggest any amendments or additions for consideration.

**8 BUDGET SUB-GROUP REPORT** (Pages 31 - 34)

This report updates the Committee on the work the Budget Sub-Group carries out during September and October 2017.

**9 INVESTMENT STRATEGY: INVESTMENT BOARD ANNUAL REPORT** (Pages 35 - 62)

This report provides an update to Members on the Investment Strategy and an opportunity to review the Annual Report of the Investment Board.

**10 EXCLUSION OF THE PUBLIC**

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

**PART TWO - IN PRIVATE**

**11 INVESTMENT STRATEGY: INVESTMENT BOARD ANNUAL REPORT** (Pages 63 - 76)

This is a Part 2 Annex relating to Item 9.

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

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

**12 CALL IN: TOWN CENTRE REGENERATION** (Pages 77 - 108)

The Committee has called in the Cabinet decision regarding the Town Centre Regeneration item considered at Cabinet on 31 October 2017.

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

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

**13 PUBLICITY FOR PART 2 ITEMS**

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

**14 DATE OF NEXT MEETING**

The next meeting of the Committee will be held at 10:00am on Friday 26 January 2018.

**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.

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*Thank you for your co-operation*

**MINUTES** of the meeting of the **OVERVIEW AND BUDGET SCRUTINY COMMITTEE** held at 10.30 am on 14 September 2017 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its meeting on Thursday, 16 November 2017.

**Elected Members:**

\*present

- \* Mrs Kay Hammond (Chairman)
- \* Mr Nick Harrison (Vice-Chairman)
- \* Ms Ayesha Azad
- Mr Jonathan Essex
- \* Mr Robert Evans
- \* Mr Tim Evans
- \* Mr Tim Hall
- \* Mr David Harmer
- \* Ms Charlotte Morley
- \* Mrs Hazel Watson

**Ex officio Members:**

Mr Peter Martin, Chairman of the Council  
Mr Tony Samuels, Vice-Chairman of the Council

**In attendance**

Mr Tim Oliver, Cabinet Member for Property and Business Services

**9 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

An apology of absence was received from Jonathan Essex.

**10 MINUTES OF THE PREVIOUS MEETING 12 JULY 2017 [Item 2]**

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

**11 DECLARATIONS OF INTEREST [Item 3]**

There were no declarations of interest made.

**12 QUESTIONS AND PETITIONS [Item 4]**

There were no questions or petitions submitted to the Committee.

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

There were no responses outstanding.

**14 RECOMMENDATIONS TRACKER AND SELECT COMMITTEE FORWARD WORK PROGRAMMES [Item 6]**

**Declarations of interest:**

None

**Witnesses:**

Kevin Kilburn, Deputy Chief Finance Officer

**Key points raised during the discussion:**

1. The Chairman informed the Committee that the Council had been invited to participate in a one year Business Rate Retention pilot and that a decision was due to be taken under Special Urgency at Cabinet on 26 September 2017.
2. The Chairman sought the Committee's view on participating in the scheme in order to feedback to Cabinet to help inform the decision. Members were of the view that after heavy lobbying for additional funding, it was imperative that the Council accepted the proposal.
3. The Deputy Chief Finance Officer informed the Committee that applications for the Business Rates Retention scheme were due to be submitted by 27 October 2017.
4. Due to the application deadline falling before the October 2017 Cabinet meeting, Members were informed that the Leader was expected to request delegated authority to deal with the application when Cabinet met on 26 September 2017.
5. Members were informed that the Council's pilot area pool would include the 11 Surrey district and borough councils, all of whom would need to agree in order for the application to be valid.
6. The Deputy Chief Finance Officer explained that pilot authorities needed to outline how they proposed for gains to be split between the pool of districts, boroughs and County. It would also need to demonstrate how the money would be spent to support financial sustainability and economic growth. Pilot authorities would also be required to submit proposed governance arrangements and acknowledge that they were content with the lack of detriment clause within the scheme.

**RESOLVED**

The Chairman agreed to submit a note to Cabinet reflecting the Committee's consensus of support of the council's participation in the pilot scheme.

**Recommendations Tracker:**

7. The Chairman highlighted that the recommendation for Select Committees to review their service risk registers on a six-monthly basis was not currently reflected in the proposed forward plans, and that Select Committee Chairmen would be reminded of this.

## **Forward Work Programmes:**

### **Overview & Budget Scrutiny Committee**

8. Members suggested that the proposed item on the Investment Strategy and Shareholder Board should also include a review of the criteria for property investments that were approved by Cabinet in March 2017, amid concerns that the criteria was not robust enough to protect the council from investments making losses over long periods of time.
9. Furthermore, Members raised concerns about the ethical stance of some investments, specifically investments in other counties.

### **RESOLVED:**

It was agreed that the Investment Strategy item should include a review of the criteria for property investments, and that this paper would be requested for the Committee's next meeting on 16 November 2017.

### **Adults & Health Select Committee**

10. The Chairman suggested that the proposed item "Access to primary care and GP services" could be addressed within the Surrey Heartlands STP Task Group. Members noted that a similar piece of work had been undertaken previously, however they were of the view that if access to services was still an issue being raised by residents, then it ought to be reviewed.
11. A Member commented that having attended stakeholder meetings for Surrey Heartlands STP, it appeared that access to services was not currently a priority and therefore scrutiny of this area could be useful.
12. Members noted and approved the Terms of Reference for the Surrey Heartlands STP Task Group, with a caveat that details of the group's membership were specified.

### **Children & Education Select Committee**

13. Members indicated the need to ensure there was clear co-ordination between the Performance Monitoring Group and the Improvement Board, so not to duplicate work and put unnecessary demands on officer time.

### **Communities Select Committee**

14. Members noted that the item on Armed Forces Covenant was an item of interest rather than a priority scrutiny item. It was suggested that as the Select Committee Chairman was also the Council's Armed Forces Champion, she could prepare a report on the implementation of the Covenant to present to the Select Committee before pursuing this item further.

## **Corporate Services Select Committee**

15. Members noted that whilst the Select Committee's proposed Forward Work programme appeared to be quite light, some of the items that the committee had planned to cover were broad areas where scrutiny would be of value.

## **Environment & Infrastructure Select Committee**

16. Members noted that the Committee had already met to consider an item about Community Recycling Centres on 7 September 2017.
17. The Chairman highlighted that areas of scrutiny suggested by Overview & Budget Scrutiny Committee (OBSC) at its meeting of 12 July 2017 did not yet feature on the Committee's proposed Forward Work Programme.

## **RESOLVED**

The Chairman agreed to contact the Chairman of the Environment & Infrastructure Select Committee to ensure that the areas of scrutiny suggested by OBSC had been considered.

## **15 LEADERSHIP RISK REGISTER [Item 7]**

### **Declarations of interest:**

None

### **Witnesses:**

Kevin Kilburn, Deputy Chief Finance Officer  
Tim Oliver, Cabinet Member for Property and Business Services.

### **Key points raised during the discussion:**

1. Members enquired as to why the Adult Social Care directorate was not referenced in the risk column for L1, financial outlook. The Deputy Chief Finance Officer explained that this was because the risk related specifically to funding. As Adult Social Care received minimal funding from central government, this was not considered to be a risk to the directorate.
2. The Chairman asked when the Leadership Risk Register (LRR) was last seen by the Cabinet. The Deputy Chief Finance Officer informed Members that the LRR was last reviewed by Cabinet in July 2017. The current version had yet to be reviewed by the Cabinet as it was reviewed on a quarterly basis.
3. Members highlighted that the role of Cabinet Associate was removed post-election in May 2017, and therefore the processes in place listed in L3, page 37, required updating. The Committee also questioned whether one of the controls listed in L3, regarding the implementation of a new strategic plan for safeguarding, was correct in terms of



timescale. The Deputy Chief Finance Officer agreed to check whether it was one year or two years.

4. Members suggested that the monthly reporting of the forecast outturn position to the Continuous Improvement and Productivity Network, mentioned in L4, ought to be reflected on the risk governance arrangements matrix. The Deputy Chief Finance Officer agreed to feedback the suggestion to the Chief Finance Officer.
5. Members were concerned that Senior Leadership Succession Planning, L7, was considered to be a medium risk despite the imminent retirement of the Chief Executive. The Committee were concerned that the risk had been downgraded given the current situation.
6. Members noted that the Deputy Chief Executive had been appointed as Interim Chief Executive and an Interim Director of Children, Schools and Families had also been appointed. There were, however, concerns that with the Director of Environment & Infrastructure working a three-day week and the recent departure of the Director for Communities, the Council appeared to be short of strategic leadership cover.
7. The Deputy Chief Finance Officer explained that whilst the High Performance Development Programme mentioned in L6 had come to an end, the HR and OD departments were in the process of developing a replacement scheme. Members noted this, and suggested that the wording of the document was updated to reflect this change.
8. The Chairman enquired as to why the Strategic Infrastructure risk was removed from the register in August 2017, given that strategic infrastructure was integral to the council's operation. The Deputy Chief Finance Officer agreed to seek the rationale for the decision and circulate to the committee.
9. Members also questioned the removal of Waste as a risk from the register in January 2016. The Deputy Chief Finance Officer explained that this was due to a suspension in the credits of the Private Finance Initiative (PFI) waste contract, along with the fact that the eco-park build was currently in progress. The Community Recycling Centres issue was a service issue, therefore this would be reflected in the directorate's risk register.

## **RESOLVED**

The Deputy Chief Finance Officer agreed to seek a summary of the rationale behind the decision to remove the Strategic Infrastructure risk from the register in January 2017 and circulate to the committee.

## **Further information requested**

The Deputy Chief Finance Officer to confirm whether the timescale relating to the implementation of the safeguarding strategic plan mentioned in L3 was correct.

## **16 BUDGET SUB-GROUP REPORT [Item 8]**

### **Declarations of interest:**

None

### **Witnesses:**

Nick Harrison, Chairman of the Budget Sub-Group  
Ayesha Azad, Member of the Budget Sub-Group  
Tim Evans, Member of the Budget Sub-Group  
David Harmer, Member of the Budget Sub-Group

### **Key points raised during the discussion:**

1. The Chairman of the Budget Sub-Group gave a brief overview of the work carried out to date and highlighted that the Sub-Group were due to meet with the Directors of Adult Social Care (ASC) and Children, Schools and Families (CSF) to review their budgets during September and October 2017.
2. A Member raised concerns over the savings that the new Early Help operating model was expected to deliver. There appeared to be very little detail about what the new model entailed and how the savings were to be delivered and therefore Members were currently unable to scrutinise how realistic the proposed savings were. This was an area the Budget Sub-Group planned to investigate further at its meeting with the Interim Director of CSF in October 2017.
3. Members acknowledged the letter response from the Leader, but felt it did not address the question regarding the implementation of Sustainability Review Board's recommendations.
4. A Member raised concern regarding staffing levels, in particular the fact that vacancies were being held as a means of deliver savings, which could impact on service delivery. The Member suggested an analysis of staffing levels was required to ensure the remaining workforce could meet the workload demand. The Chairman suggested that this line of enquiry be undertaken by the Corporate Services Select Committee.

### **RESOLVED**

The Chairman agreed to write to the Leader to request a response to the question regarding the implementation of the recommendations made by the Sustainability Review Board, and to share the Committee's concerns around the lack of urgency in delivering savings.

## **17 TASK GROUP SCOPING [Item 9]**

### **Key points raised during the discussions:**

1. The Chairman suggested that the inclusion of a Task & Finish group tracking document in OBSC agendas going forward would be useful for the committee in understanding progress of work being undertaken by Select Committees between formal meetings. The Committee agreed.

### **Learning Disabilities and Transition**

2. The Committee reviewed and approved the Learning Disabilities and Transition Task & Finish group scoping document. The Chairman suggested that with his expertise and knowledge, Robert Evans should be OBSC's representative on this Task & Finish Group. The Committee agreed. Robert Evans agreed.
3. The Chairman suggested that the Task & Finish Group may wish to include an adult who had already transitioned through the system in its witnesses list. This would provide a valuable first-hand account of user experience, which would assist the group in identifying ways to improve the transition process. The Committee agreed.

### **Performance Monitoring Group**

4. Members were informed of an error on the scoping document on page 60 of the agenda pack. The Membership for this group should read as follows:
  - Mark Brett-Warburton
  - Chris Townsend
  - Tim Evans
  - Jeff Harris
  - Charlotte Morley.
5. The Committee approved the scoping document.

### **SEND Task & Finish Group**

6. The Committee agreed that the objectives of this Task & Finish group needed more clarity as it was hard to understand what this group were setting out to achieve.

### **Surrey Fire & Rescue Service Integrated Risk Management Plan Member Reference Group**

7. Members reviewed the scoping document and raised doubt that the timescales were realistic and suggested these be reviewed.
8. Members noted that the proposed membership of the Member Reference Group was not politically proportional.
9. The Chairman stated it was necessary to seek clarity as to whether the Integrated Risk Management Plan was a new concept document or a revision to an existing one.

**RESOLVED**

The Chairman agreed to contact the Chairman of the Communities Select Committee and request a review of the political proportionality of the Member Reference Group and timescales for the work planned.

**18 DATE OF NEXT MEETING [Item 10]**

The Committee noted its next meeting would be held on 16 November.

Meeting ended at: 11:56am

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**Chairman**



## **Overview and Budget Scrutiny Committee 16 November 2017**

### **Recommendation Tracker and Forward Work Programme**

1. The Committee is asked to review its Recommendation Tracker and Forward Work Programme, and the Forward Work Programmes of the other Select Committees which are attached.

<b>Recommendation:</b>
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That the Committee reviews the work programmes and its recommendations tracker and makes suggestions for additions or amendments as appropriate.

<b>Next Steps:</b>
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The Board will review its work programme and recommendations tracker at each of its meetings.

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**Report contact:** Ross Pike, Scrutiny Manager

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# Scrutiny Forward Work Programmes 2017/2018

## Overview and Budget Scrutiny Committee (Chairman: Kay Hammond)

Date of Meeting	Scrutiny Topic	Description	Outcome	Method
16 Nov	Investment Strategy	The Committee will receive details of the Council's investments and the Investment Board's annual report.	Review the scale and return of the Council's investments, identify areas for follow-up in 2018.	Formal Report
Each Meeting	Budget Scrutiny	An update on the activity of the Budget Sub-Group to date.	Members appraised of activity and able to influence areas of focus	Formal Report
TBD	Economic Growth, including Local Enterprise Partnerships (LEPs)	Scrutiny into the methods by which the Council develops the Surrey economy.	Understand the strategies for ensuring the Council is supporting Surrey's economy and investigate the impact of LEP spending in the county.	TBD
TBD	Place and partnerships	The Council has entered into numerous partnerships across its many functions. The Committee will review the approach taken and impact of these partnerships.	Review the Council's partnerships with other organisations, how they are developed and what they deliver for residents. Understand what a 'place based' approach to services might look like and how this can be applied across the public sector in Surrey.	TBD

### Task Groups

Timescale	Scrutiny Topic	Description	Outcome	Membership
Ongoing	Budget Scrutiny	A sub-group to carry out detailed scrutiny of budgets and costs of services across the Council, review proposed options for service change and identify, where possible, a range of evidence-based options for budget savings.	A coordinated approach to select committee budget scrutiny with focus on appropriate topics leading to robust budgets.	Ayesha Azad, Tim Evans, David Harmer, Nick Harrison (Chair)
TBC	Consultation		In development	

### Adults and Health Select Committee (Chairman: Ken Gulati)

Date of Meeting	Scrutiny Topic	Description	Outcome	Method
9 November 2017	Acute Mental Health Ward Relocation and future planning		Assess the impact of the ward relocation in improving patient experience and safety, and plans for future acute ward provision in Surrey.	Agenda item
9 November 2017	Suicide Prevention Framework	Review the suicide prevention framework, following a request from the House of Commons Health Select Committee.	Explore what is being done to reduce suicides in the county (leading cause of death in 20-34 year olds in the UK).	Agenda item
9 November 2017	Update from SECamb Regional HOSC Sub-Group	The Care Quality Commission's (CQC) undertook a formal inspection of South East Coast Ambulance Service (SECamb) in May 2017, the report into this inspection was published on 5 October which rated SECamb as 'Inadequate'. SECamb is commissioned to provide ambulatory care across six top tier local authority areas and, as such, the Adults & Health Select Committee sends representatives	Given the CQC rating, the Surrey representatives on the Sub-Group wish to report to the Committee on the work of the regional sub-group to provide assurances to both Members and residents that AHSC does retain oversight of SECamb's performance.	Agenda item/ Sub-group



		to a regional sub-group which scrutinises the performance of SECamb.		
25 January 2018	Home-based Care	Adult Social Care will be recommissioning home based care services in the autumn.	The committee will review the plans to recommission, and investigate how the council is responding to the current pressures on providers created by market conditions.	Agenda item
25 January 2018	Accommodation with Care and Support (Extra Care)		The Committee will review the next phase of the ASC accommodation with care and support project, following a Cabinet decision on the next phase in January 2018.	Agenda item
7 November 2018	Guildford & Waverley CCG Adult Community Health Services Contract		To review delivery on Guildford & Waverley CCG's Integrated Adult Community Health Services Contract following implementation.	Agenda item
4 April 2018	Integrated Sexual Health Services Contract Review	At its meeting on 4 September 2017, the Adults & Health Select Committee agree to review the performance of the integrated Sexual Health and HIV Services contract in nine months' time.		Agenda item
TBC	Demand management	The committee will review the plans to manage demand in ASC, which accounts for approximately £4 million of ASC savings in the MTFP and has been identified as a red risk.		In development
TBC	Sustainability and Transformation Plan Progress	The committee will need to maintain track on progress around the three STP footprints, and how this is impacting on the delivery and long term planning for social care and health. The committee will also need to consider how the		In development

		three plans work together to mitigate risks of regional variation in health outcomes, and represent the best interests for Surrey residents.		
	Access to primary care and GP services	This has been identified an area of interest by committee members. The committee will need to consider how it approaches scrutinising the item, and will use the summer to scope it and report back to the Council Overview and Budget Scrutiny Committee		In development
	Blue Light Collaboration		To receive an update on the Blue Light Collaboration project.	In development
	Adult Social Care Debt		To receive an update on efforts to manage and reduce the amount of adult social care debt owed to Surrey County Council.	In development
<b>Task Groups</b>				
<b>Topic</b>	<b>Scrutiny Topic</b>	<b>Description</b>	<b>Outcome</b>	<b>Membership</b>
	Surrey Heartlands	The committee will need to consider how it reviews the Surrey Heartlands devolution proposal, and other strategic plans across the footprint. As this is an area of considerable strategic change, it may wish to consider a plan of ongoing engagement with the topic.	In development	
	Learning Disabilities and Transition	The statutory responsibilities of the council to both children and adults with care and support needs are substantial. The number of young people with complex needs transferring into adult social care	In development	

		has been recognised as a significant demand pressure within the MTFP. This has also been identified by the Cabinet Members as an area requiring the support of the Council's scrutiny function.		
	Sexual Health Services	At the Adults & Health Select Committee, Members agreed to form a Task Group to review the consultation and implementation phases of Surrey's new sexual health services contract.	In development	

### Children and Education Select Committee (Chairman: Mark Brett-Warburton)

Date of Meeting	Scrutiny Topic	Description	Outcome	Method
17 November	Children and Adolescent Mental Health Services – targeted services.	To review current performance and contract issues, and scrutinise the proposed plan for recovery.	To scrutinise the cause of issues with performance, and identify next steps to address these.	Agenda item
17 November	Short Breaks Commissioning	To review the final steps of the short breaks commissioning process, and how services received by children and their families are changing.	To understand the changes to services and make recommendations about how this commissioning process can inform future commissioning.	Agenda item
17 November	Early Help	To review proposals going to Cabinet in December 2017 and assess how these will impact on services such as children's centres and youth centres.	To test how proposals will deliver savings for the council and how the impact of changes has been evaluated.	Agenda item
20 February 2018	Surrey's Pupil Referral Units (PRU)	To receive a report on PRU provision in Surrey, and the educational attainment and outcomes for children that attend them.	To identify whether further support is needed for PRUs and the children that attend them; and if so, how this could be put in place.	Agenda item

20 February 2018	Multi-Agency Safeguarding Hub (MASH)	To review MASH performance and progress to date.	To assess whether implementation of the MASH has delivered planned improvements in demand management and understand what priorities exist in terms of operational delivery.	Agenda item
20 February 2018	Unaccompanied Asylum Seeking Children	To review demand trends and pressures created by the council's responsibilities to unaccompanied asylum seeking children	To seek assurance that the council's corporate parenting responsibilities are being in respect to this cohort, and understand how it impacts on budgets and service delivery.	Agenda item/workshop
TBC	Communication with target audiences			
TBC	Surrey Education in Partnership Programme			
Task Groups				
Topic	Scrutiny Topic	Description	Outcome	Membership
	Special Educational Needs and Disabilities (SEND) Written Statement of Action Task and Finish Group	To follow and monitor the required improvements for Surrey's SEND Services, in line with the conditions set out in the Written Statement of Action.	Assurance regarding the progress of required services improvements as set out in the Written statement action	Mark Brett-Warburton Chris Townsend Christopher Botten Tina Mountain Yvonna Lay
	Performance Member Reference Group	To monitor the performance of school improvement, school attainment and Children's Services to ensure that reasonable quality of service is maintained.	Scrutiny has a clear understanding of performance within the key areas of the Children, Schools and Families Directorate, and supports improvements of services for children and their families across Surrey.	Mark Brett-Warburton Chris Townsend Tim Evans Jeff Harris Charlotte Morley
	Learning Disabilities and Transition	To scrutinise how the council plans care and support for young people with complex needs as they transition into adulthood, and how future demand will be met.	The review will seek to make recommendations in respect to improving the experience of young people and their families/carers, and to optimise public value for the benefit of the council and Surrey residents.	Ken Gulati Chris Botten Robert Evans Mike Wainhouse

**Communities Select Committee (Chairman: Rachael I Lake)**

<b>Date of Meeting</b>	<b>Scrutiny Topic</b>	<b>Description</b>	<b>Outcome</b>	<b>Method</b>
8 February 2017	Annual Scrutiny of Community Safety Partnerships	The committee will scrutinise the work of Surrey’s Community Safety Partnerships, and provide recommendations for their continued work. This item will also include a ‘deep-dive’ report that will consider a specific aspect of the work undertaken by Surrey’s Community Safety Board.	Fulfilment of the statutory scrutiny of Community Safety Partnerships carried out annually.	Formal Report
TBC	Armed Forces Covenant	This item requires further scoping.		TBC
TBC	Surrey Public Sector Estate	To review use of the public sector estate in Surrey.	To consider how Surrey County Council and partner organisations’ future plan to utilise publicly owned buildings and infrastructure to support effective and efficient service delivery following the LGA and Cabinet Office’s One Public Sector Estate initiative	Formal Report
TBC	Voluntary, Community and Faith Sector Resilience	To review the resilience of Surrey’s Voluntary, Community and Faith Sector in light of increasing demand and growing pressure on budgets.	To Committee is asked to review content of report and make recommendations if any further action is required.	Formal Report

**Task Groups**

<b>Topic</b>	<b>Scrutiny Topic</b>	<b>Description</b>	<b>Outcome</b>	<b>Membership</b>
	Surrey Fire and Rescue Service Integrated Risk Management Plan	Surrey Fire and Rescue Service will be developing a new comprehensive Integrated Risk Management Plan (IRMP). The new plan will set out how the Service will continue to deliver efficient and effective Prevention, Protection and Response within	Member Reference Group to provide Member-led support and act as a critical friend in the design and delivery of the new Integrated Risk Management Plan required to help achieve the savings within the MTFP.	Saj Hussain Keith Witham Alison Griffiths Bob Gardner

Surrey, whilst achieving required savings within the MTFP.

**Corporate Services Select Committee (Chairman: Zully Grant-Duff)**

<b>Date of Meeting</b>	<b>Scrutiny Topic</b>	<b>Description</b>	<b>Outcome</b>	<b>Method</b>
<b>6 Dec 2017</b>	Orbis Partnership - Service delivery	Orbis Public Law	Scrutiny of the Orbis Public Law business plan including: <ul style="list-style-type: none"> <li>• achievements to date,</li> <li>• timescale,</li> <li>• governance,</li> <li>• impact on service delivery,</li> </ul> costs and budget implications.	Formal Report
<b>6 Dec 2017</b>	Orbis Partnership - Service delivery	Orbis Revised Business Plan	Scrutiny of the revised Orbis Business Plan including: <ul style="list-style-type: none"> <li>• Orbis risk register update (to be received at a regular six-monthly interval).</li> <li>• service budget, update on expenditure, savings and trends</li> <li>• performance monitoring indicators</li> </ul>	Formal Report
<b>6 Dec 2017</b>	Orbis Partnership - Service delivery	Orbis MoBo (Managed On Behalf Of) Budget	Scrutiny of the MoBo budgets for Surrey County Council, currently £52.3m including: <ul style="list-style-type: none"> <li>• efficiency savings and how these impact on service delivery.</li> </ul>	Formal Report
<b>7 March 2018</b>	HR Strategy	HR offer to staff and workforce planning	Scrutiny of the current HR strategy, including: <ul style="list-style-type: none"> <li>• training,</li> <li>• appraisals,</li> </ul>	Formal Report

			<ul style="list-style-type: none"> <li>• absenteeism rates</li> <li>• welfare</li> </ul> <p>current and future workforce planning.</p>	
<b>7 March 2018</b>	Civil Protection	Emergency Management, Business Continuity and Local Resilience relating to recent incidents	<p>Scrutiny of emergency preparedness (as per six-monthly update requested October 2017) including:</p> <ul style="list-style-type: none"> <li>• emergency management,</li> <li>• business continuity</li> <li>• local resilience.</li> <li>• an update on partnership work</li> <li>• an update on any plans for inspections of the Local Resilience Forum assurance plans and processes by the DCLG and Cabinet Office.</li> </ul> <p>Also, a report on local 'Black Start' plans if there was a nationwide loss of electricity (to be considered in part 2).</p>	Formal Report
<b>13 June 2018</b>	Staff Resources	Agency staffing	<p>Scrutiny of agency staffing (as per six-monthly update requested October 2017) including:</p> <ul style="list-style-type: none"> <li>• procurement policy</li> <li>• management of expenditure</li> <li>• trends</li> <li>• details of the average costs for locum/bank/permanent social workers in both ASC and CSF.</li> </ul>	Formal Report
Task Groups				
Topic	Scrutiny Topic	Description	Outcome	Membership
<b>Civil Protection</b>	Local Resilience	Attendance to a training exercise organised by the Surrey Local	To scrutinise emergency preparedness and partnership working	All members of the

		Resilience Forum,  <ul style="list-style-type: none"> <li>8 December 2017 - Partnership exercise for a national 'Move to Critical'</li> </ul> 4 and 5 May 2018 – Exercise Comet, Tactical Command Level Exercise		Committee
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**Environment and Infrastructure Select Committee (Chairman: Bob Gardner)**

Date of Meeting	Scrutiny Topic	Description	Outcome	Method
29 November	Introduction of vehicle charging on the Countryside estate	To scrutinise the potential introduction of parking charges across the Surrey Countryside estate.	To test how this proposal will contribute towards savings within the MTFP prior to Cabinet approval.	Agenda item
29 November	Basingstoke Canal Update	To scrutinise proposals for the future management of Basingstoke Canal	To make a recommendation to Cabinet on the sustainable future management solution for the Basingstoke Canal and make recommendations regarding the long term strategy and business objectives for the Canal.	Agenda item

**Task Groups**

Topic	Scrutiny Topic	Description	Outcome	Membership
	Basingstoke Canal Task Group	To consider the most effective governance option for Surrey County Council in relation to the Basingstoke Canal of which the council is a joint owner.	To enable the county council to decide whether they continue their involvement with the Basingstoke Canal or make changes to the current joint ownership model.	Bob Gardner, Richard Wilson, Stephen Cooksey



	<p>Countryside Management Member Reference Group</p>	<p>To report to the Select Committee with recommendations to advise the Cabinet Member on the changes required to the Surrey Wildlife Trust (SWT)/Surrey County Council (SCC) Agreement and its governance,</p>	<p>To ensure that the agreement is fit for purpose for the remainder of its term. (The MRG meets on an ad hoc basis as and when the service requires support.)</p>	<p>Bob Gardner, Matt Furniss, Richard Wilson, Stephen Cooksey</p>
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## Select Committee Task and Finish Group Scoping Document

The process for establishing a task and finish group is:

1. The Select Committee identifies a potential topic for a task and finish group
2. The Select Committee Chairman and the Scrutiny Officer complete the scoping template.
3. The Overview and Budget Scrutiny Committee reviews the scoping document
4. The Select Committee agrees the membership of the task and finish group.

<p><b>Review Topic:</b></p> <p>Recommissioning Sexual Health Services</p>
<p><b>Select Committee(s)</b></p> <p>Adults and Health Select Committee</p>
<p><b>Relevant background</b></p> <p>Sexual health, sexually transmitted infection (STI), contraception, reproductive health and HIV services are made up of a combination of universal and specialist services. The commissioning arrangements are split across NHS England, Public Health and the Clinical Commissioning Groups (CCGs). An overview of where responsibility rests for commissioning specific sexual health services can be found in <b>annex 1</b>.</p> <p>With the ending of the Virgin Care Community contract in March 2017, Surrey County Council (SCC), having sought advice from the Competition and Markets Authority, was legally bound to carry out a full tender process, compliant with European Union Public Contract Regulations and the Council's Procurement Standing Orders. The contract was awarded to Central &amp; North West London NHS Foundation Trust (CNWL). The contract began on 1 April 2017 and, implementation was carried out in three phases. The phases are described in the paper submitted to AHSC on 4<sup>th</sup> September</p> <p>The new commissioning arrangements have seen a reconfiguration of services previously provided by Virgin Care, Frimley Health NHS FT and the Blanche Heriot Unit (BHU) at Ashford and St Peter's NHS FT.</p> <p>The reconfiguration of services has caused some concern among residents and stakeholders as was made clear to the Adults &amp; Health Select Committee at its meeting on 4 September 2017.</p>

## **Why this is a scrutiny item**

The committee received a formal referral from Healthwatch regarding the award of the contract to Central North West London NHS Foundation Trust and the resulting service reconfiguration. The referral by Healthwatch highlighted the lack of communication about the services being delivered by the new provider and the lack of consultation with residents and service users on the proposed reconfiguration. Concerns raised by Healthwatch have also been reflected in public and stakeholder interest around the contract as was made clear to the Adults & Health Select Committee at its meeting on 4 September 2017.

## **What question is the task group aiming to answer?**

### Consultation Process

What are the commissioners' responsibilities in respect of consulting on service reconfigurations and how were these met?

How was the consultation communicated to residents and service users?

How did the views gathered during the consultation inform the development and implementation of the contracts?

### Contract Implementation

What steps did CNWL undertake to achieve continuity of care during implementation of the contract and were they sufficient?

What communication was undertaken to inform residents and service users about reconfiguration of services arising from the contract?

### Lessons Learned

What improvements can be made to the conduct and communication of future consultations on service changes?

What lessons can be learned regarding the implementation of the contract?

## **Aim**

To review the consultation process, implementation phase and lessons that can be learned from the commissioning of sexual health and HIV services, with a view to informing future commissioning of services.

## **Objectives**

- To scrutinise the commissioners' approach to consulting on proposed changes to the provision of sexual health services and to understand what lessons can be learned for future consultations on service changes.
- To review how commissioners communicated with residents and service users around the consultation and proposed changes to the provision of sexual health service and to understand how to promote more effective engagement.

## Scope (within / out of)

### In Scope

- The rigour of the consultation process; how views gather informed contract development
- Communication in relation to service changes and the consultation.
- Continuity of care during the implementation phase of the contract

### Out of Scope

- The quality and accessibility of sexual health and HIV services provided by CNWL
- Operational implications of service reconfigurations including closure of the Blanche Heriot Unit.
- Potential implications of CNWL's deficit on the level of service provision.

## Outcomes for Surrey / Benefits

The Task Group will review the quality and transparency of the consultation run by commissioners regarding the new integrated sexual health & HIV services contract in light of concerns raised by residents and stakeholders. In doing so it will make recommendations that will enable increased engagement with consultation processes. The review will also consider the implementation phase of the contract with a view to understanding how residents can be better informed about changes to service provision and feel as though they are receiving adequate continuity of care when it is necessary to reconfigure services.

## Proposed work plan

It is important to clearly allocate who is responsible for the work, to ensure that Members and officers can plan the resources needed to support the task group.

<b>Timescale</b>	<b>Task</b>	<b>Responsible</b>
September 2017	Scoping with input from Cabinet Member and relevant officer	Chairman of Adults & Health Select Committee
October 2017	Provisional Project Plan	Democratic Services Officer/ Chairman
November 2017	Information Session – background from officers from the consultation process and implementation phase of the contract	Task Group
November - December 2017	Research and intelligence gathering- “Listening session” with service users and stakeholders.	Task Group
December 2017 - January 2018	Interview sessions with key officers, Cabinet Members and other witnesses	Task Group
February 2018	Interim Report	Chairman
March 2018	Final Report	Chairman

## Witnesses

Cabinet Member for Health  
Strategic Director for Adult Social Care & Public Health  
Deputy Director for Public Health  
Senior Public Health Lead  
Representatives from CNWL  
Representatives from NHS England  
Representatives from the SASSE GP Locality Network  
Representatives from Surrey Local Medical Committee  
Mr Stephen Fash  
Healthwatch Surrey  
Service users  
Patient groups

## Useful Documents

<https://mycouncil.surreycc.gov.uk/ieListDocuments.aspx?CId=149&MId=3676&Ver=4> - report on prevention and sexual health in Surrey (18 March 2015)

<https://members.surreycc.gov.uk/documents/s32861/160914%20Chairmans%20Report.pdf> – Chairman’s report to the Wellbeing and Health Scrutiny Committee (14 September 2016)

<https://mycouncil.surreycc.gov.uk/documents/s32272/item%2006%20-%20Integrated%20Sexual%20Health%20Services.pdf> – Cabinet decision (20 September 2016)

<https://mycouncil.surreycc.gov.uk/documents/s33441/HIV%20Services%20in%20Surrey.pdf> – Report on HIV Services to the Wellbeing & Health Scrutiny Committee (10 November 2016)

<https://mycouncil.surreycc.gov.uk/documents/s36110/Integrated%20Sexual%20Health%20Services%20cover%20report.pdf> – Report to the Wellbeing and Health Scrutiny Committee on the mobilisation of the sexual health services contract. (13 March 2017)

<https://mycouncil.surreycc.gov.uk/documents/s36880/Item%202%20-%20Sexual%20Health%20Services%20Contract.pdf> – Leader Decision on to extending the existing arrangements for sexual health services with Ashford St Peters Hospital and Frimley Park Hospital for an interim period to allow for sufficient time to exit from these contracts safely. The recommended interim period is six months subject to final agreement with providers.” (20 March 2017)

<https://mycouncil.surreycc.gov.uk/documents/s39436/AHSC%20Sept%202017%20-%20Sexual%20Health%20Integrated%20Service%20V21.pdf> – Report to the Adults & Health Select Committee on the implementation of the new sexual health services contract (4 September 2017)

**Potential barriers to success (Risks / Dependencies)**

There has been a significant amount of public interest in the reconfiguration of the new sexual health services contract, the closure of the Blanche Heriot Unit and in CNWL as the new provide. There is a risk that witnesses may focus their comments on these aspects of the contract rather than remain within the scope of the Task Group’s objectives. This will be mitigated by ensuring witnesses limit the scope of their evidence to the consultation and implementation phases of the contract.

Members’ ambitions to understand the consultation and implementation of the sexual health services contract must remain within the constraints of the time allocated for the Task Group to report on its findings. Equally, it must seek to challenge its own assumptions and assertions in order to identify where further evidence is required.

The Task Group must ensure that there is equal opportunity for service users, stakeholders and patient groups to share their views and to give these the same weight as those provided by commissioners.

**Equalities implications**

The Task Group recognises that there are a number considerations around equalities when conducting its work, and there are a number of people with complex health needs that will be contributing to this process. It will be mindful of how it conducts its work in order to ensure people are provided the opportunity to contribute, and that any barriers to doing so are mitigated.

The Task Group will monitor the equalities implications emerging from its recommendations with officers, and will work to identify mitigation measures for those with a potentially negative impact.

<b>Task Group Members</b>	
<b>Co-opted Members</b>	
<b>Spokesman for the Group</b>	
<b>Scrutiny Officer/s</b>	

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## Organisations Responsible for Commissioning Specific Sexual Health and HIV Services

Commissioner	Sexual Health and HIV Service
Local Authority (Surrey County Council)	<ul style="list-style-type: none"> <li>• Contraception (including the costs of Long Acting Reversible Contraceptive – LARC - devices and prescription or supply of other methods including condoms)</li> <li>• Advice on preventing unintended pregnancy</li> <li>• Testing and treatment for sexually transmitted infection (STI), chlamydia screening as part of the National Chlamydia Screening Programme (NCSP)</li> <li>• HIV testing including population screening in primary care and general medical settings, partner notification for STIs and HIV</li> <li>• Sexual health aspects of psychosexual counselling</li> <li>• Any sexual health specialist services, including young people's sexual health services and outreach and</li> <li>• HIV prevention and sexual health promotion, service publicity, services in schools, colleges and pharmacies.</li> </ul>
NHS England	<ul style="list-style-type: none"> <li>• Contraceptive services provided as an 'additional service' under the main General Medical Services (GMS) contract with primary care</li> <li>• HIV treatment and care services for adults and children and cost of all antiretroviral treatment</li> <li>• Testing and treatment for STIs (including HIV testing) in general practice when recommended by a healthcare professional or requested by individual patients, where provided as part of 'essential services' under the GMS contract (i.e. not part of public health commissioned services, but relating to the individual's care)</li> <li>• HIV testing when clinically indicated in other NHS England-commissioned services</li> <li>• All sexual health elements of healthcare in secure and detained</li> </ul>

	<p>settings</p> <ul style="list-style-type: none"> <li>• Sexual assault referral centres (SARCs)</li> <li>• Cervical screening in a range of settings</li> <li>• The HPV (human papilloma virus) immunisation programme</li> <li>• Specialist fetal medicine services, including late surgical termination of pregnancy for fetal anomaly and screening for infectious diseases in pregnancy.</li> </ul>
Clinical Commissioning Groups	<ul style="list-style-type: none"> <li>• Abortion services, including STI and HIV testing and contraception provided as part of the abortion pathway</li> <li>• Female and male sterilisation</li> <li>• Non-sexual health elements of psychosexual health services</li> <li>• Contraception primarily for gynaecological (non-contraceptive) purposes</li> <li>• HIV testing when recommended by a healthcare professional in CCG-commissioned services (including A and E and other hospital departments).</li> </ul>



## Overview and Budget Scrutiny Committee

16 November 2017

### Budget Sub-Group Report September – October 2017

**Purpose of report:** Scrutiny of Budgets & Policy Development

#### Introduction:

1. The Overview and Scrutiny Committee set up a Budget Sub-Group at its 16 July 2017 meeting. The Sub-Group, chaired by Nick Harrison with membership from Ayesha Azad, Tim Evans and David Harmer, has been tasked with undertaking council-wide budget scrutiny.
2. The Sub-Group has met four times with the Deputy Chief Finance Officer to review budget monitoring data, the CIPFA report on the council's financial resilience and to revisit the 2016/17 Sustainability Review Board recommendations.
3. Most recently, the group focused on the experiences of the Children, Schools & Families and the Adult Social Care & Public Health directorates in making savings targets for 2017/18 and planning for future years. The Chairman of the Children & Education Select Committee and the Vice-Chairman of the Adults and Health Select Committee were part of these sessions.

#### Activity

##### Budget Monitoring

4. The Deputy Chief Finance Officer outlined the budget position for Members and that £12m of savings identified are now considered to be unachievable (£6m Adult Social Care, £3m Early Help and £3m Waste disposal). This means that the current forecast shows an overspend of £21m for 2017/18 before any mitigating action. This is a £3m reduction from the June forecast, however, considerable risks exist due to the volatility in a number of key budgets which could see the situation worsen by up to £13m with the biggest pressure faced by demand on Children's Services.
5. In light of this situation, budget recovery plans are being developed by Strategic Directors with the Cabinet. Services will be asked to identify additional and ongoing savings, optimise income, hold vacancies, delay expenditure and bring forward one-off savings from next year for implementation over the next six months. Members were disappointed to note that these had not been developed in time for scrutiny in October, however, scrutiny of budgets and budget planning by the individual Select Committees will begin from November.

6. Members discussed the increasing demand on Children's Services and, in particular the number of children becoming looked after. Members also queried the Council's own residential capacity and whether this could mitigate the use of out-of-county placements. Members further underlined how crucial forecasting is to social care services spending and queried whether other councils do this differently.
7. The Sub-Group suggested greater use could be made of the Council's Invest to Save Fund. The Deputy Chief Finance Officer advised the Members that funding was still available and services could make cases for funding though there was an expectation that any monies would be returned to the fund.
8. Members suggested that this fund could be used to explore more assistive technologies in social care, improvements to forecasting, or developing Council owned facilities to process waste to generate income.
9. The Sub-Group asked about the Council's balance of reserves as these may be used again this year to make sure the Council delivers a balanced budget. The Deputy Chief Officer provided a breakdown of reserves and advised that they are at the minimum recommended levels with £29m in general balances from a total of £65m with the remainder earmarked for specific projects.

#### **Adult Social Care & Public Health**

10. The Sub-Group met with the Strategic Director and Head of Finance for the Directorate. The key findings were that there is an expected shortfall of £6.4m against the MTFP savings target but that surplus fees and charges plus other budget variances offset this. There was also a forecast overspend of £1.8m for 2017/18.
11. The Strategic Director explained the success that the new Liquid Logic system had in boosting productivity and noted that improved data quality and consistency has had a positive impact on the care being provided. Similarly, e-invoicing is reducing the administrative burden on the Directorate. Further to this a new citizen portal has been developed to allow residents to self-assess. All of these processes increase their ability to focus on care.
12. The introduction of the national living wage and new legislation on sleep-in payments affects the sustainability of the Adult Social Care budget. The Directorate will need to increase the fees it pays with the final cost affected by the outcome of the cost of care work with care providers.
13. Given the level of demand for social care support Adult Social Care must prioritise delivery of its statutory duties under the Care Act 2014 therefore discretionary spending that was often directed to the voluntary, community and faith sector has been reduced. The Strategic Director recognised the value and impact of preventative work but the Directorate had to meet the needs of residents with assessed care needs in the first instance.
14. The Sub-Group discussed the Transforming Care work undertaken by Officers to explore supported living solutions for people with learning disabilities who are placed outside of Surrey at the moment. A procurement exercise for five sites to provide 40-70 units as part of the Accommodation with Care & Support programme is underway.
15. As part of the health and social care agenda discussion have been had about re-using NHS capital receipts to develop new learning disability settings and the Sub-Group

considered that the current financial conditions meant that the Council could invest more capital in developing its own residential solutions to meet demand for social care including learning disability services.

16. Further to probing from the Vice-Chairman of the Adults and Health Select Committee, the Strategic Director explained that there is a lot of potential to use telecare and assistive technology beyond what is already offered through the Fire & Rescue Service and in partnership with District & Borough Councils. Officers will be implementing a strategic plan with procurement due to take place in 2018.

## **Children, Schools and Families**

17. The Interim Director for Children's Services and the Head of Strategic Finance – Children's and Schools outlined the complex funding streams that make up the Directorate's budget. The savings target of £2.6m in Early Help has been deferred to allow time for the development of an appropriate service for children and their families, and an overspend of £8.9m in Children's Services which includes increasing numbers of children looked after in independent placements, shortfall in government funding for Unaccompanied Asylum Seeking Children and the current need for more frontline social workers..
18. The overspend on staffing includes 32 FTEs and 82 locums in 2017. The Cabinet agreed that the overspend on staffing should be deferred to ensure the Directorate has sufficient headcount and capacity to meet the needs of children whilst a full review of capacity and demand is undertaken. Further to this the Signs of Safety case management model has been rolled out to ensure the quality of social work is consistent.
19. The increasing complexity of need in Children's Services and the resultant use of independent placements has been unprecedented with the increased costs leading to an overspend of £6.7m. Independent residential placements are more costly and given the complexity of the teenage cases that make up a large proportion of these placements in Surrey this is a significant pressure. Children's Services is seeking to link up with other local authorities and work with providers to manage costs and more work will be done on this in 2018. Members requested a more detailed breakdown of the high cost packages and the system used to review the decisions taken by social workers. Members again raised the possibility of investing in more Council operated provision in the future to reduce the dependence on external placement providers.
20. The cost of providing services for Unaccompanied Asylum Seeking Children (UASC) is not fully met by the government subsidy, the Directorate is keen for government to ensure that the new post July 2016 rates be paid for all UASC. Members wished to understand this cohort better and asked for further demographic data. Money spent on services for care leavers will also grow in the future due to the new duties placed on Local Authorities to meet needs up to the age of 25 years old.
21. Changes to the National Funding Formula within the Dedicated Schools Grant (DSG) continue and the fear is that the High Needs Block DSG will reduce considerably in future years. There is already a significant pressure on the high needs block that funds provision for children with Special Educational Needs and Disabilities (SEND). Since 2013 it has not kept pace with the increasing numbers of children assessed and requiring services. The Directorate needs to make savings in SEND services - £13m in 2017/18 and a further £12m - £14m is required in 2018/19. This cost pressure is

currently contained within the DSG. Work is ongoing with education partners and health to manage the increasing demands on the whole education, health and social care system in Surrey.

#### **Conclusions:**

22. The trend in both Directorates is of increased demand with increased complexity. The character of this demand puts significant pressure on budgets as residents' needs must be met under a number of existing and new statutory duties placed upon the Council at a time when all services must make savings.
23. Workforce planning has a focus on 'growing our own' social work practitioners to minimise the amount of spend on agency and locum staff. However, sufficient capacity is required to ensure safe, high quality care.
24. Needs are not always able to met within the county or by the Council's own services which necessitates sourcing services from external providers which can be more costly. The Sub-Group suggested that the Council should look into the possibility of capital investment on further in-house provision for both children and adults.

#### **Recommendations:**

25. That the Committee review the activity of the Sub-Group and its next steps providing feedback on the approach taken so far and to suggest any future areas of focus for budget scrutiny.
26. That the Sub-Group report back to the Committee on the outcome of the 30 & 31 October budget recovery plans scrutiny meetings including he plans for further scrutiny of 2018/19 budget plans.
27. That the Sub-Group further investigate the costs and benefits of the council developing a range of in-house residential services for children and adults that require social care to reduce the amount of spend on external providers and report back to this Committee with their findings.

#### **Next steps:**

- Scrutiny of proposed recovery plans as outlined above

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## Overview and Budget Scrutiny Committee

16 November 2017

### Investment Strategy: Investment Board Annual Report

**Purpose of the report:** Scrutiny of the Investment Strategy

To provide an update to Members on the Investment Strategy and an opportunity to review the Annual Report of the Investment Board.

#### Introduction: Investment Strategy

1. The Investment Strategy agreed by Cabinet in July 2013 was developed in response to the requirement for the Council to enhance its financial resilience in the longer term. The main principles of the Investment Strategy are as follows;
  - a. The creation of a diversified and balanced portfolio of investments to facilitate future service provision, manage risk and secure an ongoing annual overall return to the Council
  - b. Use of the established Revolving Investment and Infrastructure Fund (i.e. the Investment Fund) to meet the initial revenue costs of funding initiatives that deliver savings and enhance income in the longer term.
  - c. The Investment Fund is to be used to support investments that generate additional income to support the delivery of the Council's functions and services.
  - d. To undertake investments that have the potential to support economic growth in the county of Surrey, and,
  - e. Retaining assets where appropriate and undertaking effective property and asset management, and if necessary associated investment, to enhance income generation.
2. The investment portfolio of the Council is a combination of assets acquired or developed by the Council for future service needs, economic development and those acquired or developed by the property company. Cabinet approved the business case for the creation of the Property Company and associated subsidiaries in May 2014 in order to deliver the Investment Strategy and achieve a balanced property portfolio. The companies making up the Halsey Garton Property Group (HGP) were incorporated between June and July 2014.

3. The governance for the Investment Strategy is provided by the Investment Board (IB), established following the Cabinet report in March 2017. Previously this role was fulfilled by the Investment Advisory Board.
4. The Cabinet reviewed the strategy in March 2017, and in the context of the increasing financial challenges faced by the Council, considered whether it is appropriate to significantly increase the scale of investment in order to deliver more income in support of the Council's services. The Cabinet was supportive of further growth, to aim for net income of £10m per annum by 2020/21, noting that expanding the portfolio further will contribute to the creation of a diversified portfolio to mitigate against risk and that growth will be dependent upon appropriate opportunities coming to the marking and upon market conditions more generally.
5. The assets required to deliver this scale of income will be determined by market conditions and the Council's risk appetite. As an indication, based upon the current market conditions, a net income return (after all costs including funding) of £10m per annum will require a portfolio of assets with a value between £500m and £1,000m.
6. The purpose of the Investment Strategy is to deliver an annual income stream in support of services and in doing so, the Council is not assuming any gain from the value of the underlying assets. Instead a long-term view is being taken since the value of the assets may decrease as well as increase over time.
7. Asset values for investment properties are determined by a number of factors, including market conditions, the length of lease left to run and the covenant of the tenant/s. Values are also sensitive to tax changes such as the changes to stamp duty in March 2016. Assets held by both the Council and HGP are revalued each year as part of the year-end statutory accounts process. Any unrealised gain or loss is shown in the Council's comprehensive income and expenditure statement, however this has no impact on the general fund of the Council – that is, no adverse implications for the tax-payer since adjustments of this nature are excluded according to statute. Similarly any revaluation gain or loss related to properties held by HGP is shown in the company's profit and loss statement as an unrealised gain or loss but has no impact on the profit that can be distributed to the Council as its shareholder. The Council can choose to sell assets only when it is appropriate and advantageous to do so since the rental income covers the associated funding costs.

### **Investment Board**

8. The Investment Board (IB) is comprised of members of the Cabinet and the Chief Executive, supported by officers in Property, Finance and Legal. The IB is responsible for making investment decisions in accordance with the framework established by the agreed Investment Strategy and for the strategic management of the overall portfolio consistent with the aims of the Investment Strategy. A scoring matrix is used as a guide to this decision-making to help to ensure that opportunities are measured and assessed in a common manner. It is possible that opportunities will arise that do not score highly in the criteria but deliver a positive economic outcome and these will be progressed in accordance with the strategy to deliver schemes that support economic growth in the county. The matrix is attached as Annex 1 to this report.



9. The IB monitors the portfolio to ensure that an appropriately balanced and diversified portfolio is created over time, across the combination of directly Council-owned assets and those owned by HGP. Officers, supported by independent specialist professional advisors, support the IB. These specialist advisors periodically evaluate the recommended portfolio of property investment, taking into account market conditions and achievable returns.

## **Risks & Financial Implications**

10. The objective of the Investment Strategy is to invest in income generating assets to partially offset the impact of reductions in government grants and to protect service provision. The Council may fund investments through the use of its reserves, capital receipts and prudential borrowing. All borrowing will be undertaken in accordance with the Prudential Code that requires the borrowing to be affordable, sustainable and value for money. All investments are required to demonstrate a return in excess of the opportunity cost of capital and other associated costs of delivery.
11. The Investment Strategy means that the Council is managing different financial risks. Investments will be subject to inherent economic and market risks which requires a balanced portfolio of investments to be built over time. The performance of the portfolio is monitored by the Investment Board. The strategy notes a preference toward assets within Surrey that are of good quality, in good or growth locations, however, in order to create a diversified portfolio a mix of geographical locations is required.
12. Development opportunities by their nature will have a higher risk profile but will also provide the opportunity for a greater rate of return. The strategy gives priority to development opportunities within Surrey where the wider benefits to the county will be taken into consideration, such as the provision of housing, new business premises or town centre regeneration.
13. The governance process put in place is designed to mitigate these risks. All investment expenditure is undertaken on the basis of a robust business case which takes into account due and proper consideration of the balance between risk and reward and an assessment of the underlying security of the investment to comply with the fiduciary duty the council holds. The Investment Board is responsible for monitoring the financial performance of the portfolio and monitoring the progress made in respect of achieving an appropriately balanced and diversified portfolio over the longer term

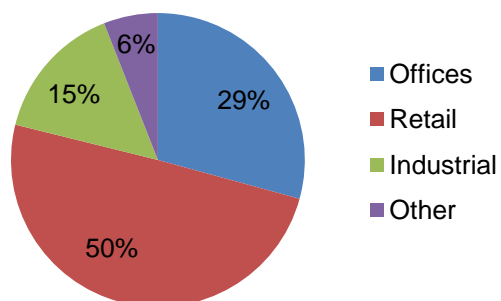
## **Investment Board Annual Report**

14. The Annual report of the Investment Board is attached as Annex 2 to this report. A further report providing more detailed information is provided as a PART TWO confidential Annex 3. These reports were considered by Cabinet in July 2017 and were based upon the investment portfolio position as at 31 March 2017. A number of investment acquisitions have completed since March and therefore the key tables and highlights are updated below.

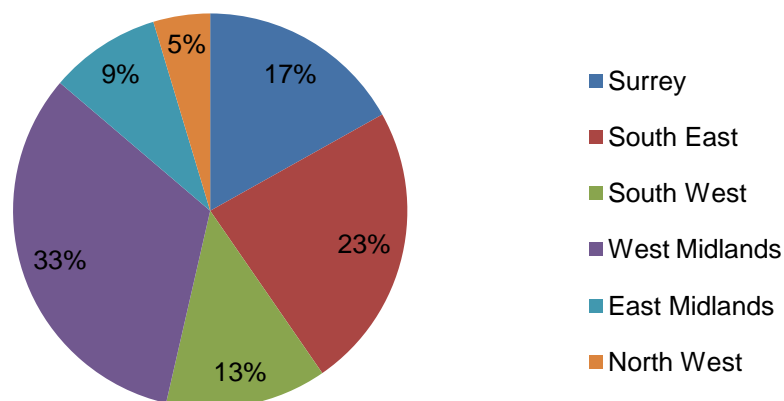
The total asset value of the property investment portfolio, based upon the valuation exercise undertaken at 31 March 2017 and incorporating assets under construction and subsequent assets at purchase value is £320m. This compares with £240m asset value as at 31 March 2017 as per the Annual Investment Report. The main change is the purchase of an out-of-town retail scheme in Malvern, Worcestershire and the land element of a forward purchase agreement for a pre-let warehouse development in Nottingham.



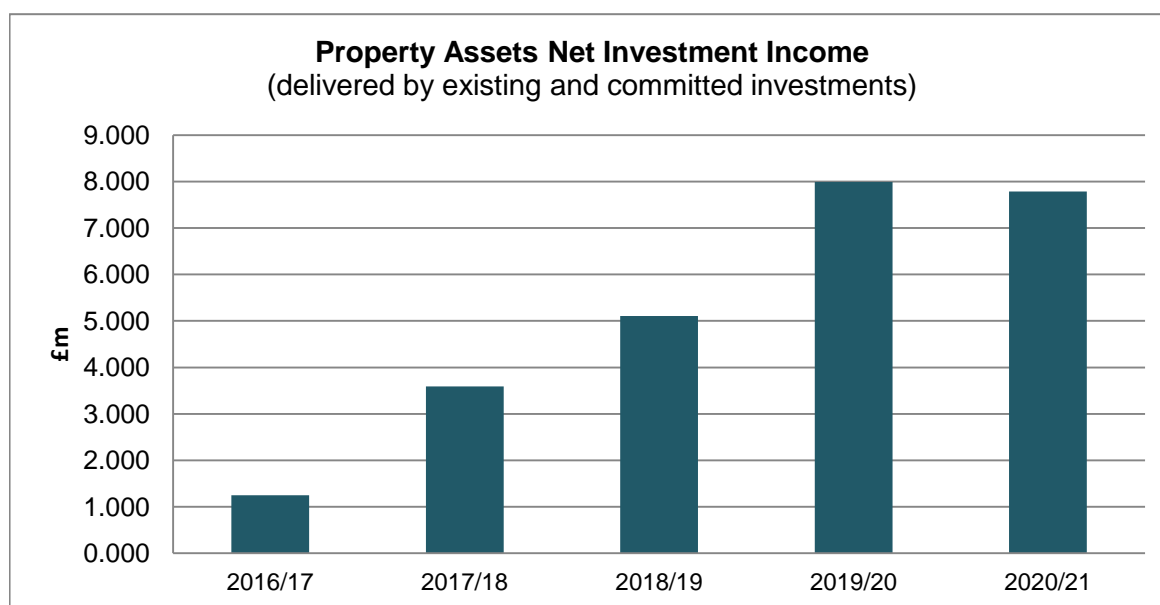
Current Portfolio as at 31.10.2017	Asset Value £m
Offices	94
Retail	159
Industrial	49
Other	19
<b>Total</b>	<b>320</b>



**Asset Value by Location**



Acquisitions made since March 2017 will deliver further income in addition to that reported in the Annual Report. The chart provided on page 8 of the Annual Report is updated below and shows the forecast net income returns from the current property investment portfolio and from committed schemes over a 5 year time horizon. Committed schemes include the second phase of development of the Crawley site, a forward purchase contract for a pre-let warehouse in Nottingham by HGP and the purchase of the commercial elements of the Brightwells scheme upon completion of the development.



### Recommendation

That the Committee support the Council's approach to investment which is carried out in order to improve the Council's financial resilience over the longer-term and notes the role of the Investment Board and associated governance arrangements.

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#### Report contact:

Susan Smyth, Head of Strategic Finance: Business Development & Investment  
(Secretary to the Investment Board), Tel 020 8541 7588

#### Annexes:

- Annex 1: Investment Decision Guide
- Annex 2: Investment Board Annual Report (including Terms of Reference)
- Annex 3: Investment Board Annual Report **PART TWO** (Portfolio in detail)

#### Sources/background papers:

- Cabinet Report July 2013 – Investment Strategy
- Cabinet Report May 2014 – Establishment of a Property Company
- Cabinet Report March 2017 – Investment Strategy Review

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## Annex 1: Investment Guide

Investment decisions will be made by the Investment Board in accordance with the framework established by the agreed Investment Strategy. The scoring matrix below will be used as a guide to this decision-making which will help to ensure that opportunities are measured and assessed in a common manner. This guide will undoubtedly evolve over time in line with the growth in the portfolio and changing market conditions. It is possible that opportunities will arise that do not score highly on the criteria but deliver a positive economic outcome and these will be progressed in accordance with the strategy to deliver schemes that support economic growth in the county. Similarly schemes that provide the ability to deliver future service needs whilst delivering an income to the council will continue to form part of the portfolio.

*example considerations*

Criteria	Description	Maximum Weighted Score	<i>example considerations</i>				
			Excellent	Good	Acceptable	Marginal	Poor
			5	4	3	2	1
Portfolio Strategy Context	The extent to which the property meets the strategy and contributes to the achievement of a diversified portfolio	15	Under-represented sector				Sector already heavily represented
Location: Macro	Quality of the location (town, city, area) with regard to the property use	15	Major Prime	Prime	Major Secondary	Micro Secondary	Tertiary
Location: Micro	Quality of the individual situation of the property within the macro location, with regard to the property use	15	Excellent transport / footfall				Location with limited benefit
Tenant Covenant	Ability of the tenant/s to pay the rent for the duration of the lease. Credit rating of the tenant	15	Excellent financial covenant	Strong financial covenant	Good financial covenant	Poor but improving covenant	Poor financial covenant

*example considerations*

Criteria	Description	Maximum Weighted Score	Excellent	Good	Acceptable	Marginal	Poor
			5	4	3	2	1
Building Quality	Quality of the building compared to the Industry standard Grade A for the property type	15	New, modern or recently refurbished	Good quality-no spend required for 20 years+	Good quality but spend required in 10 years	Spend required in 5 years	Tired / Significant spend CapEx likely
Lease Term	Length of the secured income.	15	Greater than 15 years	Between 10 and 15 years	Between 6 and 10 years	Between 2 and 5 years	Under 2 years / vacant
Lease Structure	Tenant repairing obligations, rent review mechanisms	15	Full repairing and insuring	Full repairing and insuring-partially recoverable	Internal repairing	Internal repairing-partially recoverable	Landlord responsible
Rental Growth Prospects	Opportunity / Likelihood to increase passing rent	15	Fixed uplifts at frequent intervals				Significantly over-rented (tenant paying above the market)
Occupational Demand	Anticipated level of demand from alternative occupiers if the tenant/s were to vacate	15	In demand from many tenants		Reasonable prospect of securing new tenants		Niche with limited demand

*example considerations*

Criteria	Description	Maximum Weighted Score	<i>example considerations</i>				
			Excellent	Good	Acceptable	Marginal	Poor
			5	4	3	2	1
Management Intensity	Complexity and cost of managing the property	10	Single Tenant				Multiple Tenants
Liquidity	The degree to which the property can be quickly sold in the market without affecting the price	10	Lot size & sector attractive to investors				Attractive to niche purchasers only
Alternative Use / Underlying Value	The value of the land and the opportunity to explore a change of use should this be required	10	Favourable location / planning				No opportunity to change use
Tenure	Freehold / Long Leasehold. Consideration of any ground rent obligations	10	Freehold	Long Leasehold 125 years + / peppercorn ground rent	Lease between 100 and 125 years / peppercorn ground rent	Lease between 50 and 100 years	Less than 50 years and/or high ground rent (10%+)
Asset Management Opportunities	Opportunities to add value to the property	5	Significant opportunity to add value				No opportunity

*example considerations*

Criteria	Description	Maximum Weighted Score	<i>example considerations</i>				
			Excellent	Good	Acceptable	Marginal	Poor
			5	4	3	2	1
Financial Return (risk v reward)	The forecast financial return considering the risk profile of the property and in accordance with the sector.	20	Return higher than expected for sector / the risk profile				Return lower than expected for sector / risk profile
Weighted Score		200	A property will be expected to score at least 140 out of 200 (70%) on the above matrix unless there are other economic / wider benefits to be delivered to and within the county.				



# Investment Board Annual Report

Financial Year 2016/17

## CONTENTS

- Introduction Page 3
- Investment Strategy Page 4
- Governance Page 5
- Investment Performance Page 7
- Investment Portfolio Page 10
- Investment Board Terms of Reference Page 14

**The council has made investments in property to enhance its financial resilience and safeguard services**



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



Listen



Responsibility



Trust



Respect

The council's strategic framework for innovation and investment is supporting the development of new ideas and approaches to enhance the financial resilience of the council. This increased emphasis on developing income streams has led to the creation of the Investment Board to approve acquisitions that contribute to the achievement of the agreed investment strategy, to monitor the performance of the portfolio and ensure satisfactory performance and effective risk management. The financial returns delivered from investment will help to ensure that we continue to deliver quality services for our residents.

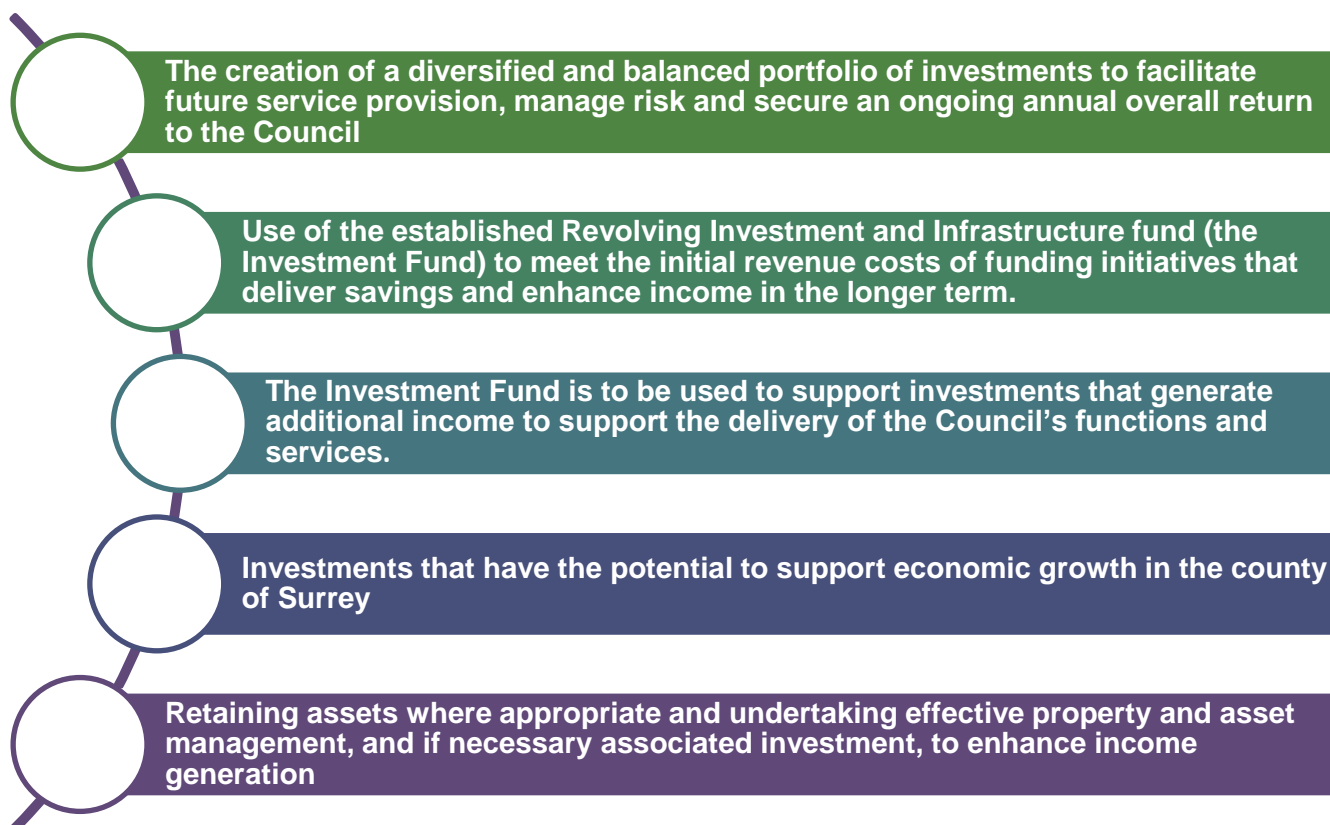
The Annual Report of the Investment Board provides an overview of the progress we have made in developing a property investment portfolio and enhancing the financial resilience of the council.



David Hodge CBE  
Leader of Surrey County Council

## The Investment Strategy

The Investment Strategy was agreed by Cabinet in July 2013 and was developed in response to the requirement for the Council to enhance its financial resilience in the longer term. The main principles of the Investment Strategy are as follows;



The Investment Strategy provides the council with the ability to make investments that have the potential to support economic growth or deliver economic regeneration within the county. This may mean that schemes with lower returns are considered however all investments need to demonstrate a return in excess of the cost of capital in order to be affordable for the council. The council is also able to purchase properties that provide for long-term future service use, whilst delivering an investment return. These assets provide flexibility in the estate whilst delivering an investment return.

Cabinet approved the business case for the creation of the Property Company and its associated subsidiaries in May 2014 in order to enable it to invest in property outside the county and to invest for the commercial income return. The companies making up the Halsey Garton Property Group (HGP) were incorporated between June and July 2014.

The investment portfolio of the Council is therefore a combination of assets acquired or developed by the Council for future service need or economic development and those acquired or developed by HGP.

## Governance

### The Investment Board

- The Investment Board was created in March 2017 following the review of the Investment Strategy by Cabinet and in order to facilitate the further growth of the investment portfolio. Prior to this the Investment Advisory Board was in place to make recommendations for Cabinet approval.
- The Board and its role is noted in the constitution of the council. The Board works in accordance with its Terms of Reference (see Page 14) which are reviewed on an annual basis.

The members of the Investment Board are the Leader, the Deputy Leader, the Chief Executive and three Cabinet Members chosen by the Leader. 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 & Cultural Services).

#### Members

- Leader
- Deputy Leader
- Cabinet Members x 3 [Tim Oliver, Mel Few & Colin Kemp]
- Chief Executive

#### Advisors

- Director of Finance (Section 151 Officer)
- Director of Legal, Democratic & Cultural Services (Monitoring Officer)
- Chief Property Officer
- Head of Strategic Finance (Board Secretary)
- Supported by external specialist professional advisors

The board is responsible for –

- Ensuring that investment opportunities are thoroughly evaluated, ensuring that there is an appropriate balance between risk and reward and that the acquisition contributes to the achievement of the aims of the strategy.
- Approving property investment acquisitions, property investment management expenditure, property investment disposals and the provision of finance to enable the council's property company to purchase assets.
- Monitoring the progress made in respect of achieving an appropriately balanced and diversified portfolio of assets and its performance.

## Investment Portfolio

### Property Investment

### Other Investment

The Investment Board is also responsible for evaluating and recommending non-property investments for decision by Cabinet or Cabinet Member depending upon value. The council's non-property investment assets include debt & equity finance provided to FutureGov Ltd and equity investment in the Municipal Bonds Agency.

The Shareholder Board provides oversight for the council's shareholdings – it 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 Shareholder Board produces an annual report which provides information about each company and therefore to avoid duplication this report of the Investment Board focusses on the Property Investment Portfolio.

The Shareholder Board is responsible also for the oversight of the property company HGP in the same way that is responsible for the oversight of other trading companies created and owned by the council. The link between the two boards is summarised in the table below.

## Property Investment & Halsey Garton Property Ltd

### Investment Board

- Approves the business case for asset purchase or development by HGP
- Approves the provision of finance (equity & debt) to enable HGP to purchase asset
- Reviews and considers the performance of the total property investment portfolio- assets held by both SCC and HGP
- Considers the financial results of HGP from the point of view of the council - e.g. the interest received from providing loans (debt finance) to the company and the expected annual dividend.

### Shareholder Board

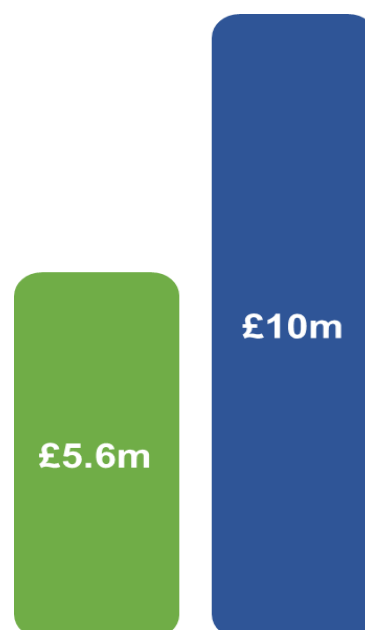
- Receives and considers the year-end financial accounts of HGP and approves the proposed dividend
- Approves the annual business plan
- Appoints and removes Directors
- Approves changes to the Articles of Association
- Reviews the financial results of HGP from the point of view of the company - e.g. rents received less expenses including interest payable to the council and administration costs.

## Property Investment Performance

The council's property investment portfolio has a value of over £200m, which together with income from agreed acquisitions and developments, will deliver an **income of £5.6m** per annum by 2020/21 and enhance the asset base of the council. This portfolio has already delivered a net income in 2016/17 – which at £1.2m is a part year effect since the portfolio has grown significantly during the year.

These figures are net – after the deduction of all costs incurred including assumed borrowing costs,

The council has ambitions to grow the portfolio further as articulated in the report to Cabinet in March 2017 – to deliver an income of **£10m** per annum by 2020/21.



The current portfolio has been developed over a number of years with the rate of growth increasing more recently. The council has created a good reputation in the market by demonstrating our ability to complete acquisitions to agreed timescales and this means that the council and its property company are increasingly being invited to consider various potential acquisitions, including some that are off-market. Our ability to grow the portfolio further will be dependent upon the right opportunities coming to market. Actions are underway to ensure that we have in place sufficient capacity to deliver the ambition.

This report provides information about the results achieved so far and the expected results from investments and developments to which the council is committed – potential returns from future potential acquisitions are not included. . Due to the confidential nature of individual investments, this report provides high level summary information about the total portfolio. More detailed results, on an investment by investment basis, are provided by the Part Two confidential annex which accompanies this report.

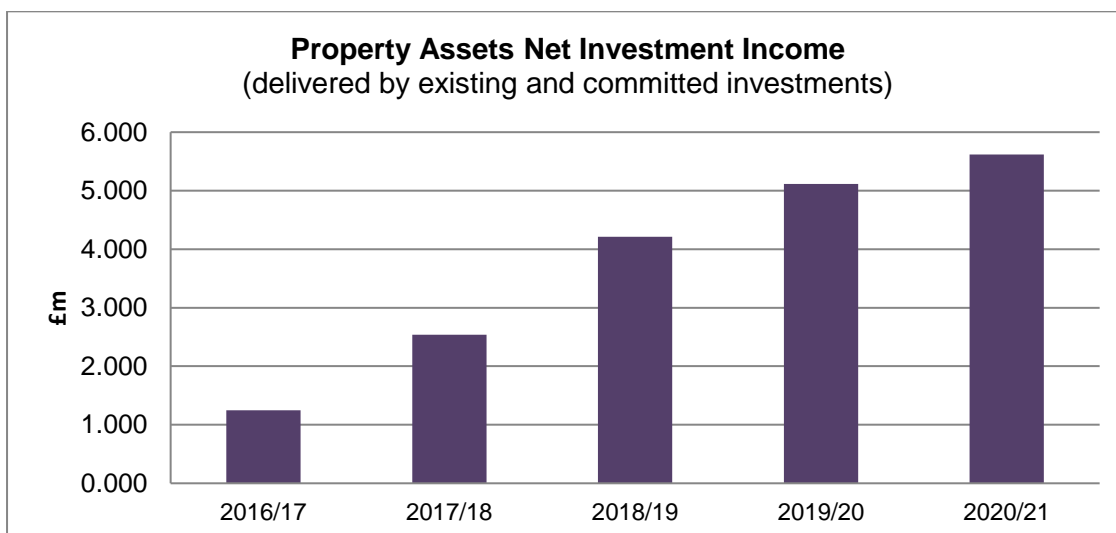
Investment Portfolio Results to March 2017	Capital Expenditure £m	Net (Income) / Expenditure				
		2013/14	2014/15	2015/16	2016/17	Total
		£m	£m	£m	£m	£m
		<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	
Property Acquisitions	213.5	-0.5	-0.8	-0.9	-2.7	-4.9
Property Development	37.2	0.1	0.8	0.9	1.5	3.3
<b>TOTAL / Net (income)/expenditure</b>	<b>250.7</b>	<b>-0.4</b>	<b>0.0</b>	<b>-0.1</b>	<b>-1.2</b>	<b>-1.6</b>

The figures in the table above includes the capital cost of providing finance to HGP and the net income achieved from investments from the point of view of the council. The income consists of the net interest margin receivable by the council on the loans provided to the company plus the estimated annual dividend.

Capital expenditure includes all costs associated with each investment acquisition including the costs of purchase – in particular stamp duty. The capital expenditure incurred will therefore be higher than the value of the asset purchased unless the value of the asset increases in time. The purpose of the investment strategy is to deliver an annual income stream in support of the council's services and in doing so the council is not assuming any gain from the value of the underlying assets. Instead a long term view is being taken since the value of the assets may decrease as well as increase over time. The assets are revalued each year for the year-end financial accounts and further information about this is provided in the part two report.

Assets that are being developed will not produce an immediate income stream and there will be occasions when a tenant triggers their break clause or vacates at the end of the lease resulting in a potential letting void. The council approved the creation of the Revolving Investment and Infrastructure Fund in the budget report approved by the council in February 2013 to meet the initial revenue costs of initiatives. In creating this reserve, the council recognised that it will take some time to build a portfolio that delivers a net income. The reserve is not used to provide for the initial capital expenditure but to provide for the cost of any additional borrowing that is not being offset by income, as is the case for development spend. This has not however been necessary since the net income delivered by acquisitions has offset development spend to date. The council is currently developing its site in Crawley to provide accommodation for South-East Coast Ambulance and other third-party occupiers. Phase 1 is on track for completion very soon and will be delivering rental income in 2017/18. The investment fund will continue to be required to smooth the impact of variations in the annual income due to potential lease expiries and to provide the ability to deliver further developments, including the full development of the Crawley site.

The chart below shows forecast net income returns from the current property investment portfolio and from committed schemes over a five year time horizon.





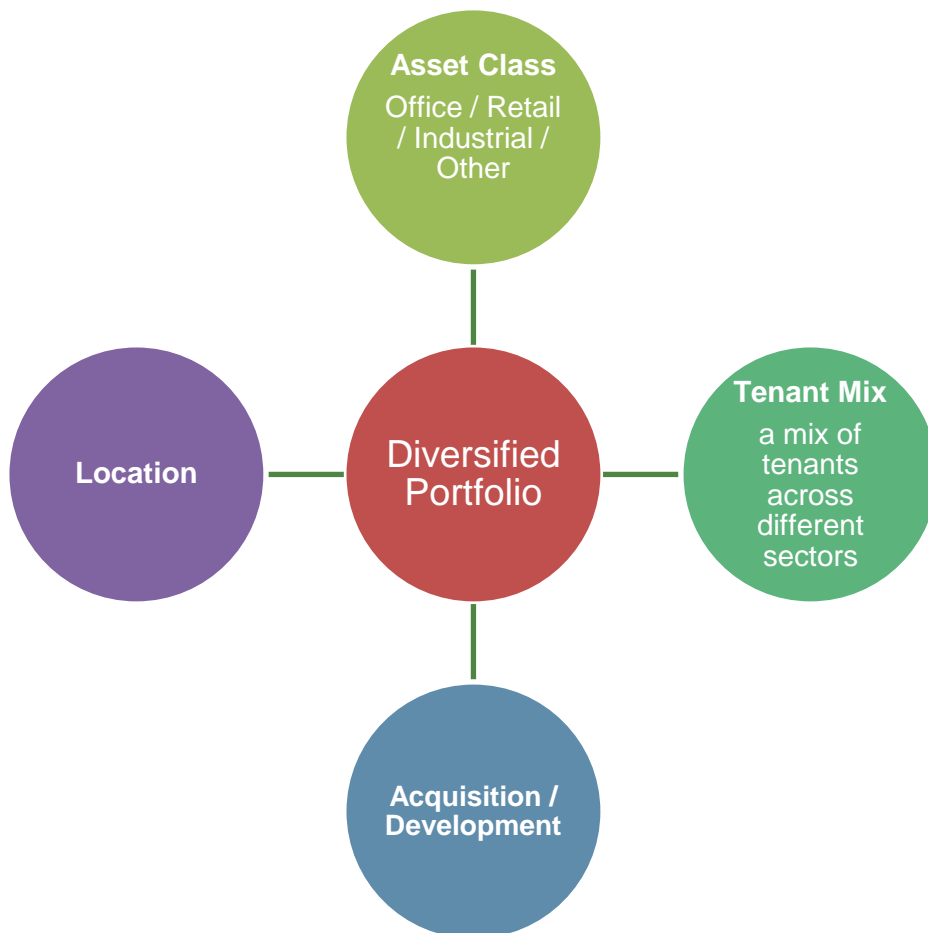
The net income is reported after deducting assumed funding costs and all other costs associated with the investment. The council may fund its capital expenditure through the use of reserves, capital receipts and prudential borrowing. As the council does not hypothecate (match) these funding sources against individual projects or acquisitions, we assume that all the Council's activities in progressing the Investment Strategy will increase the requirement to borrow. The council therefore requires all investments to demonstrate a return in excess of the assumed cost of capital which it calculates based on assumptions in the MTFP which are adjusted if required for market conditions. The council charges the assumed cost of capital to each individual investment (including the cost of finance provided to HGP) in a similar way to an inter-company charge.

As the council has made extensive use of cash resources during 2016/17 rather than borrowing, this results in an underspend on interest payable costs of **£3.9m** in the Central Income & Expenditure account.

## Property Investment Portfolio

The investment strategy means that the council is managing different financial risks. Investments will be subject to inherent economic and market risks, and therefore a balanced portfolio of investments is being created. The Investment Strategy notes a preference toward assets within Surrey that are of good quality, in good or growth locations however in order to create a diversified portfolio a mix of geographical locations will be required.

The IB monitors the portfolio to ensure that an appropriately balanced and diversified portfolio is created over time, across the combination of directly Council-owned assets and those owned by HGP. Officers, supported by independent specialist professional advisors, support the IB. These specialist advisors periodically evaluate the recommended portfolio of property investment, taking into account market conditions and achievable returns. The IB also manage the portfolio in order to avoid over-reliance upon single tenants or types of tenants in terms of their impact as a percentage of the portfolio.



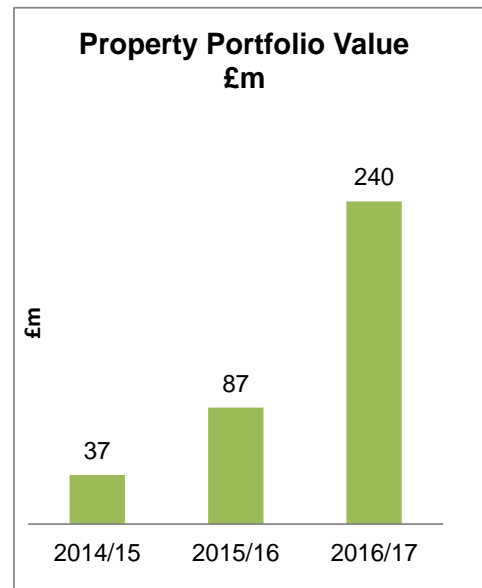
# Investment Board Annual Report

The total asset value of the current property portfolio, based upon the valuation exercise undertaken on 31<sup>st</sup> March 2017 and incorporating assets under construction is £240m. The portfolio incorporates assets held by the council and by HGP.



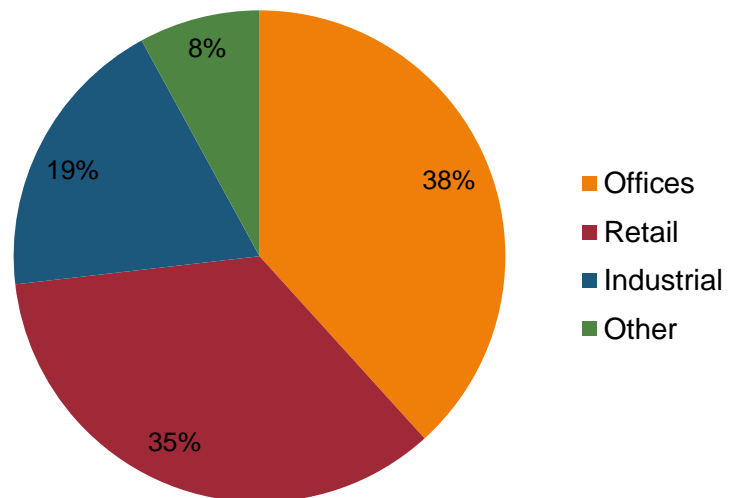
The tables and charts in this section of the report provide further information about the current portfolio - the aspects of the portfolio and its diversification – the asset class, the geography and the tenant mix. The charts do not include acquisitions or developments not yet completed since the information is based upon year-end balance sheet values and current gross rents but where appropriate a commentary is provided about the impact of commitments.

Achieving a fully diversified portfolio will take time and will be dependent upon the opportunities in the market. The growth achieved in the portfolio in the financial year 2016/17 has however significantly improved the diversification – particularly in terms of asset class.



## Asset Class

Property Portfolio as at 31.03.2017	Asset Value £m
Offices	92
Retail	84
Industrial	45
Other	19
<b>Total</b>	<b>240</b>



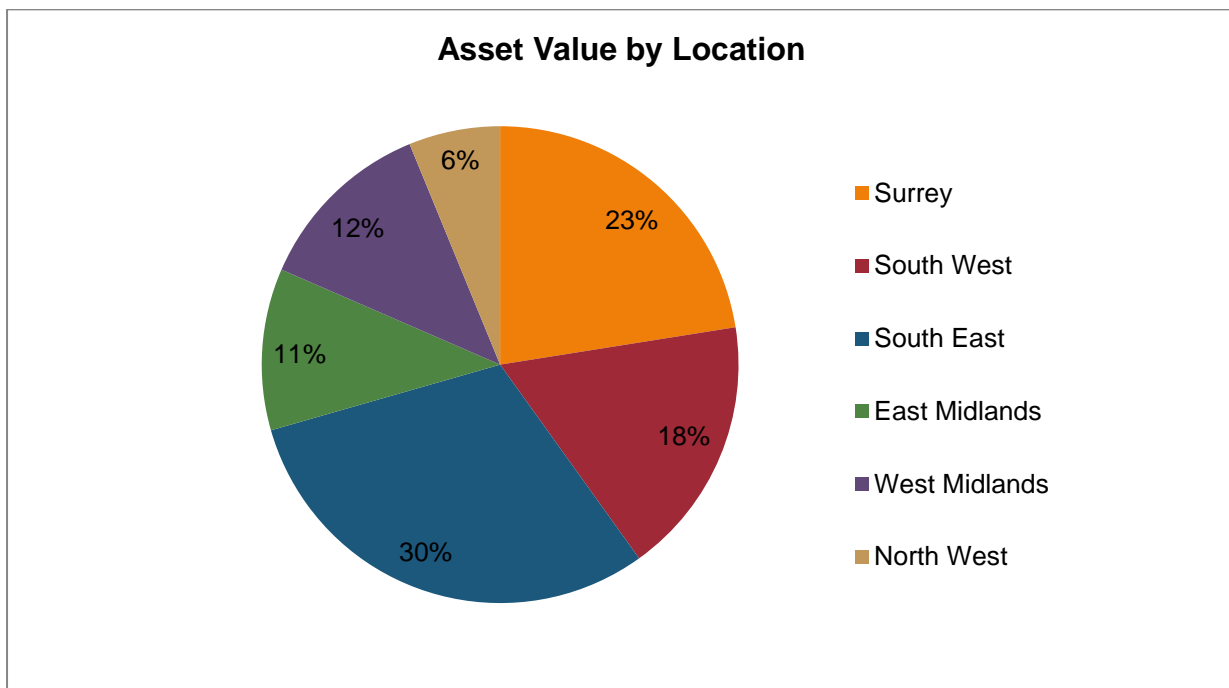
The portfolio is under-weight in the Industrial sector however this will alter with the completion of Phase 2 of Nexus, Crawley and the agreed purchase of a distribution warehouse by HGP. Further industrial purchases are being evaluated by HGP and it is expected that further acquisitions in this sector will be achieved during 2017/18.

Investment decisions that have been made but not yet completed would alter the portfolio. The Farnham Brightwells acquisition would increase the retail holding once the development is completed in 2019. Assuming no further investments in the interim the impact of the Farnham acquisition, the completion of both phases of the planned development of Crawley and the completion of the committed warehouse acquisition will increase the portfolio to an asset value of c.£330m.

Property Portfolio including commitments	Asset Value %
Offices	29%
Retail	38%
Industrial	26%
Other	7%

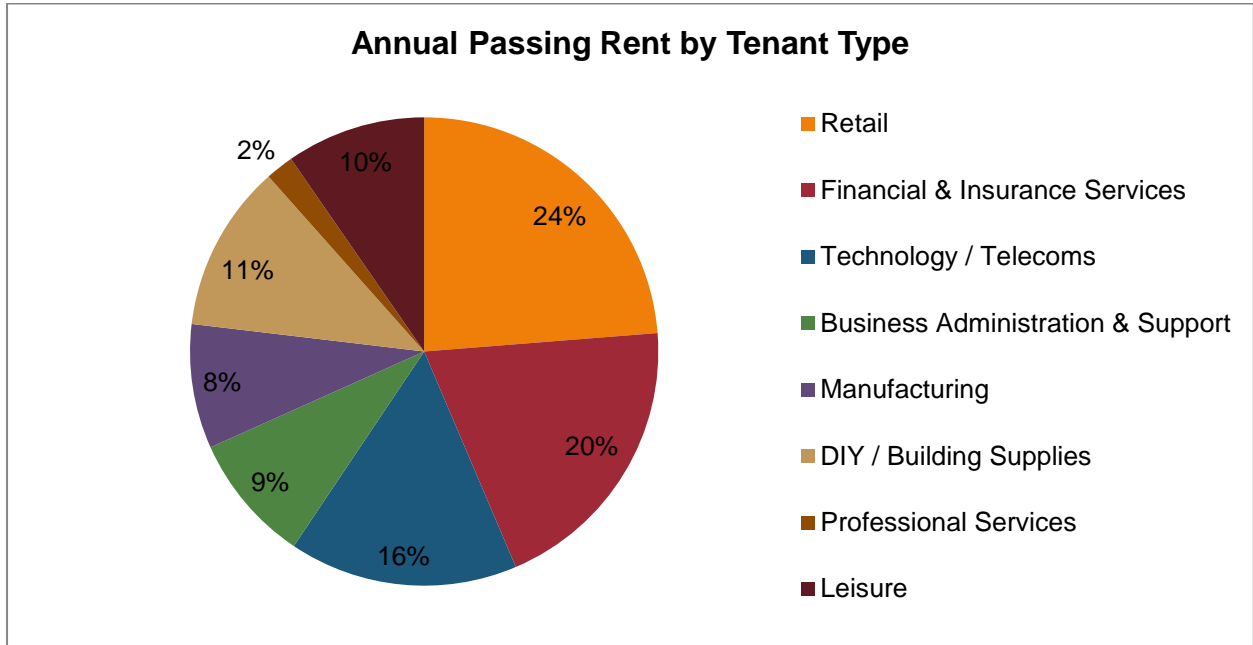
## Geographic Mix

The Investment Strategy notes a preference towards assets within Surrey however a mix of geographic locations is required in order to achieve a diversified portfolio. The total asset value of property held for investment purposes within Surrey is £55m / 23% of the portfolio.

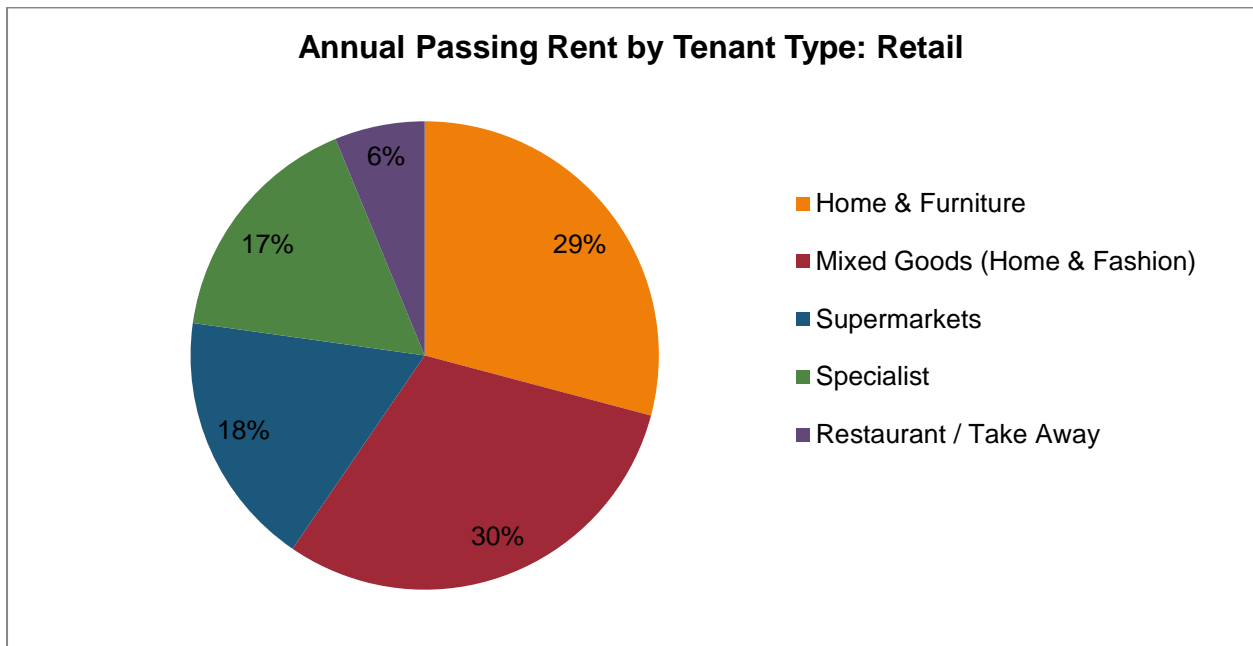


## Tenant Analysis

The following chart provides an analysis of the annual passing rent by type of tenant. The most significant exposure is to retail tenants, followed by tenants in the financial and insurance services industries. The second pie chart provides a further breakdown of the retail tenants.



Retail tenants are 24% of the portfolio when analysed by the annual passing rent – of this, the biggest type of tenant is in the mixed goods sector as this includes Debenhams and B&M. The Home / Furniture sector includes tenants such as Bensons for Beds, Dreams and The Range. Specialist retailers include Halfords and Pets at Home.



## SURREY COUNTY COUNCIL

## INVESTMENT BOARD



## TERMS OF REFERENCE

### Overview

The Investment Board will oversee the development and management of the portfolio of investments created in accordance with the Investment Strategy of the council. The board has delegated authority from the Leader to;

- approve property investment acquisitions
- approve property investment development and management expenditure
- approve the provision of finance to the council's wholly owned property company, Halsey Garton Property Ltd, for the purposes of the Investment Strategy
- approve property investment disposals (including those held by Halsey Garton Property Ltd)

The board will recommend non-property investments to Cabinet for approval.

### Membership

The Investment Board membership will be the Leader of the Council (Chairman), the Deputy Leader, the Chief Executive plus three Cabinet Members appointed by the Leader.

The Investment Board will be supported and advised by the following officers of the council;

- Director of Finance
- Director of Legal, Democratic & Cultural Services
- Chief Property Officer
- Secretary to the Board

The Investment Board will additionally be supported as required by appropriate professional external advisors which will be commissioned by the Investment Board when deemed necessary in relation to specific investment or types of investments.

## Purpose

1. The Investment Board will consider all proposals that contribute to the delivery of the investment strategy and meet the investment criteria. Officers will provide advice on each proposal for consideration. This advice will include how each investment proposal could be taken forward, including a consideration of the risks, structuring and financing required.
2. Each investment considered by the Investment Board will be supported by a business case. In approving a business case, the Board will satisfy itself that the investment is within the council's legal powers, it has properly considered the advice provided and its structure provides value for money taking into account all financial considerations, including taxation. Full due and proper consideration will be given to the balance achieved between risk and reward and the underlying security of the investment proposed to ensure compliance with the fiduciary duty of the council.
3. The Investment Board will be responsible for approving all property investment acquisitions and for approving the provision of finance to the council's wholly owned property company, Halsey Garton Property Ltd, for the purposes of the Investment Strategy.
4. The Board will be responsible for approving all property development expenditure where this results in an asset that will be managed as part of the investment portfolio and will be responsible for approving property management expenditure for the portfolio including projects that deliver additional value to an existing asset. The Board will be responsible for the approval of the provision of finance to Halsey Garton Property Ltd for the same purpose
5. Appropriate non-property investments will be recommended to Cabinet for approval.
6. The Investment Board will be responsible for approving the strategic management of the overall portfolio of investments, ensuring that an appropriately balanced portfolio is maintained over an agreed period and that all risks, including those that are emerging are given due consideration.
7. Unless approval of Full Council is required by law the Board will be responsible for approving the disposal of property investment assets including those held by Halsey Garton Property Ltd.
8. The Investment Board will consider and recommend the use of the Revolving Investment and Infrastructure Fund (the Investment Fund) to meet the initial revenue costs of appropriate initiatives that deliver income in the longer term. The Board will receive reports twice a year regarding the status of the Investment Fund for consideration.
9. The Investment Board will approve the use of the Revolving Investment and Infrastructure Fund to procure external advice, for example property investment advisors, legal and financial specialists, including taxation advice.

## Scrutiny

10. The Investment Board will provide a report on the investment portfolio and its performance to Cabinet annually and provide summary information to each Cabinet meeting as part of the update of decisions taken and the financial monitoring report.
11. The Overview & Budget Scrutiny Committee will be able to call the Investment Board to account for progress in relation to achieving the stated aims of the Investment Strategy.

## Scope

12. The Investment Board will consider all significant investment activity including, but not limited to, the acquisition of property, share capital and provision of financial assistance, for example loan financing.
13. The Investment Board will consider investment in council owned trading companies (LATC) where the proposal includes significant financial investment in excess of £1.0m. Once established, trading companies will be overseen by the Shareholder Board.

## Evaluation Criteria

14. The Investment Board will apply the criteria described in the Investment Strategy approved by Cabinet in July 2013 in evaluating proposed investments. These are;

a) The acquisition or investment is within the powers of the Council and can be undertaken with appropriate regard to tests of reasonableness, fiduciary duty and value for money.

If this is the case, then the following criteria will be evaluated;

b) The amount of investment required is greater than the threshold for investment which has been set for the Investment Strategy (initially more than £10m except for trading opportunities where this threshold will not apply). In establishing the portfolio it may be the case that smaller sized investments will be considered.

c) The period over which a return will be made, ensuring that this is achieving a balance between the short, medium and longer term.

d) Whether the investment aids the achievement of a balanced portfolio in the longer term.

e) That the rate of return is consistent with the level of risk involved (within tolerances) as defined by the Investment Strategy.



## Meetings

15. The Investment Board will have scheduled meetings on a monthly basis with further meetings arranged if necessary in order to respond promptly to opportunities. Meetings will be cancelled if there are no agenda items to be discussed.
16. The quorum for the Board is a minimum of 3 members, with one being the Leader or Deputy Leader.
17. 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 agreed. Susan Smyth, (Head of Strategic Finance: Business Development & Investment), will act as secretary to the Board.
18. The Investment Board will review the Terms of Reference annually.

Date of Last Review: 28.03.2017

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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## Overview and Budget Select Committee

**16 November 2017 CALL IN**

### **TOWN CENTRE REGENERATION – OCTOBER 2017 UPDATE**

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

The Committee has called in the Cabinet decision regarding town centre regeneration.

#### **Introduction:**

1. On 31 October 2017 the Cabinet took decisions relating to town centre regeneration.
2. Following concerns raised by the Vice-Chairman, the Committee decided to call-in the decision for reconsideration.

#### **Background:**

3. Decision text :

#### **Town Centre Regeneration – OCTOBER 2017 UPDATE (Item 21)**

#### **Decision:**

#### **RESOLVED:**

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 of 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.

*[The decisions on this item can be called in by the Overview and Budget Scrutiny Committee]*

4. The following documents in relation to the decision made on 31 October are attached:
  - The call-in notice received by Democratic Services on 8 October 2017
  - Report considered by Cabinet on 31 October 2017
  - The relevant minutes from the Investment Board of 11 October 2017
  - Update Report from CBRE to the Investment Board

**The Call-In:**

5. The Committee is asked to consider the above evidence alongside any evidence presented by witnesses at the call-in meeting in order to review the decision taken by the Cabinet.
6. The Committee is asked whether or not it wishes to refer the decision back to the Cabinet for reconsideration.
7. If the Committee decides to refer back to the Cabinet it must provide its reasons for doing so.

**Recommendations:**

That the Committee reviews the decision of the Cabinet taken on 31 October 2017 and concludes whether it wishes to refer this back to the Cabinet for reconsideration.

**Next Steps:**

Should the Committee decide to support the decision of the Cabinet; the decision will take effect on the date of the Committee meeting.

Should the Board refer the decision back, it will need to be reconsidered by Cabinet.

---

**Report contact:** Ross Pike, Democratic Services Officer, Democratic Services

**Contact details:** 020 8541 7368, [ross.pike@surreycc.gov.uk](mailto:ross.pike@surreycc.gov.uk)

Annex 1 – Cabinet report

Annex 2 – Call in notice

Annex 3 – Investment Board Minutes Extract

Annex 4 – CBRE Update Report

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**Form to call in a decision – please complete all fields marked \***

**If you require any assistance, please contact Democratic Services on 020 8541 9122.**

**Your Details**

First Name \*

Surname \*

Decision-making body \*

- |   |                                       |
|---|---------------------------------------|
| <input checked="" type="checkbox"/> Cabinet | <input type="checkbox"/> Runnymede    |
| <input type="checkbox"/> Elmbridge          | <input type="checkbox"/> Spelthorne   |
| <input type="checkbox"/> Epsom & Ewell      | <input type="checkbox"/> Surrey Heath |
| <input type="checkbox"/> Guildford          | <input type="checkbox"/> Tandridge    |
| <input type="checkbox"/> Mole Valley        | <input type="checkbox"/> Waverley     |
| <input type="checkbox"/> Reigate            | <input type="checkbox"/> Woking       |

Decision taken \*

Town Centre Regeneration – OCTOBER 2017 UPDATE (Item 21)  
Decision:  
RESOLVED:

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 of 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.

Date decision taken \*

Reason(s) for calling in the decision

Acquiring the commercial elements of the Town Centre Regeneration was already a high risk venture for the Council with only a modest financial return.

Due to changes in circumstances since the original Cabinet decision, Members need to be satisfied as to the credibility of the scheme as a viable investment; and

It was felt that the Cabinet did not substantially review the item at its meeting of 31 October 2017.

Desired outcome

To re- examine the viability of the scheme in the light of changes in circumstances since the original Cabinet decision.

Identified evidence

Minutes and papers presented to the Investment Board, including written real estate and legal advice

Desired Witnesses

- Tim Oliver
- John Stebbings
- Other officers as appropriate

**Member calling in decision**

1. Member \*

Date of call-in

2. Member

3. Member

Committee responsible for examining this decision

- |   |   |
|---|---|
| <input type="checkbox"/> Cabinet                              | <input type="checkbox"/> Communities        |
| <input checked="" type="checkbox"/> Council Overview & Budget | <input type="checkbox"/> Corporate Services |

Scrutiny

- |   |  |
|---|--|
| <input type="checkbox"/> Adult and Health       | <input type="checkbox"/> Environment & Transport |
| <input type="checkbox"/> Children and Education |  |

### **Call-in by Select Committee**

Select Committees have the power to call in decisions made, but not yet implemented, by the Cabinet and/or local committees if they feel that the decision is inappropriate. Implementation will be delayed while the Select Committee meets.

A decision can be 'called in' for scrutiny by the Chairman or Vice-Chairman of the relevant Committee or by any three or more Committee members from more than one political party. A decision must be 'called in' within five days of publication of the decision by the Cabinet and/or local committees (decisions must be published within three working days of the Cabinet and/or local committee meeting). The Chairman of the Select Committee must then call a meeting of the Committee within another ten working days.

The Select Committee can interview the Cabinet Member and/or Council officers and make recommendations to the decision-maker suggesting improvements to the decision.

Issues to consider when deciding whether to call in a decision:

- Has the Cabinet adequately taken account of the appropriate Select Committee's views?
- Can the query be satisfied without a call-in?
- Is call-in constitutionally possible (e.g. Is the issue a Cabinet decision)?
- Can you build the case for a call-in? You will need to work with the Scrutiny Officer for the Committee to identify evidence and plan an approach.

### **Call-in of Local Committee decisions by Cabinet**

The Cabinet can call in decisions made by a local committee that have a significant policy or budgetary implication. The Leader, Deputy Leader or any three or more members of the Cabinet may call in a decision within five days of its publication by the local committee. The call-in will be discussed at the next appropriate meeting of the Cabinet (in discussion with the local committee chairman) with no action being taken on the decision in the meantime. The local committee chairman may attend the Cabinet meeting and speak on the item. The Cabinet may choose to accept, reject or amend the decision of the local committee.

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