

Notice of Meeting

Resources and Performance Select Committee



Date & time
Friday, 9 December
2022 at 10.00 am

Place
Surrey County
Council, Woodhatch
Place, 11 Cockshot
Hill, Reigate, Surrey,
RH2 8EF

Contact
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Officer

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Chief Executive
Joanna Killian

We're on Twitter:
[@SCCdemocracy](https://twitter.com/SCCdemocracy)



If you would like a copy of this agenda or the attached papers in another format, e.g. large print or braille, or another language please either call 020 8541 9122, or email kunwar.khan@surreycc.gov.uk.

This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Kunwar Khan, Scrutiny Officer kunwar.khan@surreycc.gov.uk.

Elected Members

Steve Bax (East Molesey and Esher), Nick Darby (The Dittons) (Chairman), Will Forster (Woking South) (Vice-Chairman), David Harmer (Waverley Western Villages), Edward Hawkins (Heatherside & Parkside), Robert Hughes (Shere) (Vice-Chairman), Robert King (Egham), Steven McCormick (Epsom Town and Downs), Tony Samuels (Walton South & Oatlands), Lance Spencer (Goldsworth East & Horsell Village), Lesley Steeds (Lingfield), Hazel Watson (Dorking Hills) and Jeremy Webster (Caterham Hill)

TERMS OF REFERENCE

The Committee is responsible for the following areas:

- Finance
- Orbis Partnership Functions
- HR&OD
- IT and Digital
- Business Ops
- Property
- Procurement
- Equalities and Diversity
- Internal/External Communications
- Legal and Democratic Services
- Customer Services

AGENDA

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Purpose of the item: To receive any apologies for absence and substitutions.

2 MINUTES OF THE PREVIOUS MEETING: 7 OCTOBER 2022

(Pages 5
- 16)

Purpose of the item: To agree the minutes of the Resources and Performance Select Committee held on 7 October 2022 as a true and accurate record of proceedings.

3 DECLARATIONS OF INTEREST

Purpose of the item: 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

Purpose of the item: To receive any questions or petitions.

NOTES:

1. The deadline for Members' questions is 12:00pm four working days before the meeting (*5 December 2022*).
2. The deadline for public questions is seven days before the meeting (*2 December 2022*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

The public retain their right to submit questions for written response,

with such answers recorded in the minutes of the meeting; questioners may participate in meetings to ask a supplementary question. Petitioners may address the Committee on their petition for up to three minutes. Guidance will be made available to any member of the public wishing to speak at a meeting.

5 BUDGET TASK GROUP NOTES WITH A COVERING REPORT (Pages 17 - 28)

Purpose of the item: To receive the agreed notes of the Budget Task Group meeting held on 3 November 2022 with a covering report.

6 SCRUTINY OF 2023/24 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY TO 2027/28 (Pages 29 - 90)

Purpose of the report: Scrutiny of the Draft Budget and Medium-Term Financial Strategy.

7 STRATEGIC INVESTMENT BOARD MID YEAR REPORT - FINANCIAL YEAR 2021/22 AND FORECAST UPDATE 2022/23 (Pages 91 - 124)

Purpose of the report: As part of its strategy to innovate in developing new models of delivery and to benefit from the freedoms introduced by the Localism Act, Surrey County Council had made investments and created trading companies to deliver income and efficiencies and in doing so has established a Strategic Investment Board, which reports annually to the Council. The purpose of the Board was to safeguard the Council's interest as shareholder and to take decisions in matters that required the approval of the Council as owner of a company.

The report is due to be considered by the Strategic Investment Board at its meeting in February 2023. As part of good governance, it has previously been agreed to have the annual and mid-year reports scrutinised in advance by the Resource & Performance Select Committee.

N.B. There is a Part 2 annex to this item.

8 EXCLUSION OF THE PUBLIC

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

9 STRATEGIC INVESTMENT BOARD MID YEAR REPORT - PART 2 ANNEX (Pages 125 - 138)

Purpose of the report: This Part 2 Annex to the public report at item 8 (Strategic Investment Board Mid-Year Report) contains

information which is exempt from Access to Information requirements by virtue of paragraph 3 – Information relating to the financial or business affairs of any particular person (including commercially sensitive information to the bidding companies).

10 PUBLICITY OF PART TWO ITEMS

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

11 PERFORMANCE MONITORING SESSION NOTES 14 OCTOBER 2022 (Pages 139 - 142)

Purpose of the item: To publish the notes of the Performance Monitoring session conducted on 14 October 2022.

12 FORWARD WORK PROGRAMME AND RECOMMENDATION TRACKER (Pages 143 - 158)

Purpose of the item: For the Select Committee to review the attached Forward Work Programme and Recommendation Tracker, making suggestions for additions or amendments as appropriate.

13 DATE OF THE NEXT MEETING: 2 FEBRUARY 2023

The next meeting of the Resources and Performance Select Committee will be held on 2 February 2023 at 10:00am.

**Joanna Killian
Chief Executive**

Published: Thursday, 1 December 2022

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Thank you for your co-operation

MINUTES of the meeting of the **RESOURCES AND PERFORMANCE SELECT COMMITTEE** held at 10.00 am on 7 October 2022 at Council Chamber, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF

These minutes are subject to confirmation by the Committee at its meeting on 9 December 2022.

Elected Members:

- * Nick Darby (Chairman)
- * Will Forster (Vice-Chair)
- * David Harmer
- * Edward Hawkins
- Bob Hughes
- Robert King
- * Steve McCormick
- * Tony Samuels
- * Lance Spencer
- Lesley Steeds
- * Hazel Watson
- * Jeremy Webster

(= present at the meeting)*

34/22 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Robert King and Lesley Steeds.

35/22 MINUTES OF THE PREVIOUS MEETING: 13 JULY 2022 [Item 2]

The minutes of the Resources and Performance Select Committee held on 13 July were formally agreed as a true and accurate record of the meeting.

36/22 DECLARATIONS OF INTEREST [Item 3]

None received.

37/22 QUESTIONS AND PETITIONS [Item 4]

None received.

38/22 PEOPLE AND CHANGE WORKFORCE UPDATE [Item 5]

Witnesses:

Ayesha Azad, Cabinet Member for Finance and Resources
Leigh Whitehouse, Deputy Chief Executive and Executive Director of Resources

Bella Smith, Head of Insights Programmes and Governance
Tom Holmwood, Head of Recruitment

Key points raised during the discussion:

1. The Chairman asked what the three current key challenges in relation to workforce were compared to the last year, and likely to be in the next two years.
2. The Head of Insights Programmes and Governance said that for the past two years challenges had centred around COVID including the management of staff sickness levels, staff wellbeing and ensuring staff had the correct personal protection equipment (PPE). Due to the pandemic, the market had changed with people wanting to work differently and as a result the Council has increased its plans for focus on recruitment and retention over the next two years. Current challenges around the cost of living were being addressed to ensure staff financial wellbeing with the roll out of initiatives to support this planned over the next six months. The Head of Resourcing added that the cost of living was resulting in an increase of turnover and this was expected to continue for some time. Work around maintaining the Council's employer brand in the market would continue. Analysis of data to support the development of a corporate exit survey was underway to provide insight around a proportion of staff leaving the Council for other public sector organisations.
3. The Chairman queried the reasons for staff moving to other public sector organisations. The Head of Recruitment noted that recent exit interviews indicated factors such as pay and reward in addition to work, life balance and committed to share an analysis of exit interview data with the Resources and Performance Select Committee at the next People and Change update. **Action: Head of Recruitment**
4. The Chairman was concerned at the emphasis on 'line managers' to conduct 'why stay' conversations with staff. The Head of Insights Programmes and Governance explained a broader approach in relation to the 'why stay' interviews was being piloted in Children's Services with human resources business partners and other colleagues within the service involved in conducting some of those conversations, supporting the development of peer-to-peer discussions.

5. The Chairman asked when tangible results could be expected in relation to recruitment and retention improvements. The Head of Insights, Programmes and Governance explained that whilst the voluntary turnover rate had risen from February 2022 to July 2022, a slight plateau was evident, and the current economic situation was resulting in more people choosing the stability of remaining in their roles at the Council.
6. A Member asked if there were sufficient opportunities for extra annual leave and sabbaticals as requested by 29 per cent of staff surveyed for the Children's, Families and Lifelong Learning 'in job' questionnaire. The Head of Insights, Programmes and Governance explained that in addition to a re-evaluation of pay grades, the total reward package for staff was being revisited and would include, flexible working, annual leave and the promotion of sabbaticals where appropriate.
7. A Member asked if consideration was being given to offering more flexible conditions to encourage staff to remain with the Council and reduce the need to recruit. The Head of Insights, Programmes and Governance confirmed this was a focus but noted that work, life balance was not the key reason given for staff leaving the County.
8. A Member queried what was being done to ensure a higher level of satisfaction regarding the Council's training offer. The Head of Insights, Programmes and Governance agreed that communication of training could be improved, adding that a new learning and development system to facilitate access to training opportunities was being considered for next year and would address the fact that some staff were not aware of available training opportunities.
9. A Member asked if line managers were trained to deal with expanding the knowledge and experience of their team to facilitate retention. The Head of Insight, Programmes and Governance explained a comprehensive leadership and line management training offer was available, providing specific information on coaching their teams. The Member asked if and how line managers were encouraged to take the opportunity to develop the knowledge and experience of their teams. The Head of Insights, Programme and Governance confirmed that line managers were encouraged to develop their teams experience

although there were challenges around managers who would prefer a member of their team to remain in post. Any lack of developmental opportunities would be identified by exit interviews and 'in job' conversations going forward.

10. The Head of Resourcing noted that of 3000 appointments processed this year, approximately 35 per cent were internal moves suggesting the Council had good movement of staff around the organisation and committed to provide further data analysis around this subject to the Resources and Performance Select Committee. **Action: Head of Recruitment**

11. A Member asked what targets and aspirations could be linked to planned developments and improvements in different areas in the report and how would they be defined, tracked and reported. The Head of Insights, Programmes and Governance explained that in addition to Key Performance Indicators (KPIs) monitoring, a portfolio plan including all projects of work across People and Change was reported on monthly to the leadership team of People and Change and the transformation unit.

12. A Member inquired if the 30 per cent turnover of social workers in children's services was usual for this type of local authority. The Head of Insights, Programmes and Governance said that the national turnover of social workers had increased however the Council had a unique challenge because of its close proximity to London.

13. A Member queried if the 30 per cent of social workers leaving the Council are finding employment as social workers with other authorities or leaving the role completely. The Head of Resourcing said that information would be available shortly and committed to a comprehensive overview at the next update to incorporate exit data currently being gathered. **Action: Head of Recruitment**

14. A Member queried how the organisation tracked morale following the implementation of changes. The Head of Insights, Programmes and Governance confirmed that morale could be tracked through workforce dashboards combined with results from staff surveys. The Head of Resourcing added that the exit survey split feedback between the organisation, individuals' teams and roles enabling further measurement of morale.

15. A Member asked what level of certification was being offered to help create reward and to encourage career progression. The Head of Insights, Programmes and Governance explained that each function within the Council had its own levels of certification due to the diverse roles within the organisation. The Member requested further information on the levels of qualifications available for roles such as social workers. The Head of Insights, Programmes and Governance committed to provide this information to the Resources and Performance Select Committee separately. **Action: Head of Insights, Programmes and Governance**
16. A Member asked how progression opportunities within the organisation could be made more easily available to all employees. The Head of Recruitment agreed that more could be done in the recruitment space to bring and publicise internal opportunities to the forefront and suggested that he and the Head of Insights, Programmes and Governance take this away for consideration. **Action: Head of Insights, Programmes and Governance**
17. A Member queried if any existing arrangements were in place with educational facilities to provide courses specifically for social care roles. The Head of Resourcing confirmed that the Children's Social Worker Academy worked closely with the University of Surrey to grow local talent with a sizeable portion of candidates applying for places in the Children's Social Worker Academy because of this partnership.
18. The Deputy Chief Executive and Executive Director of Resources gave an example of work in the Finance department to provide more rounded development opportunities. The secondment of staff to support the finance function at Tandridge District Council had Tandridge but also provided good development opportunities for our team.
19. The Chairman in referring to a recommendation made at the 14 April 2022 Resources and Performance Select Committee in relation to the 45p mileage allowance for staff, noted a delay in sending the recommended letter to HMRC and asked what the next steps were following the lack of reply from HMRC. The Cabinet Member for Finance and Resources confirmed that HMRC had not responded to date and committed to chasing a response with any letters to be circulated to the Resources and Performance Select Committee. **Action: Cabinet Member for Finance and Resources**

RESOLVED:

In noting the report identifying key workforce challenges facing the organisation, the Resources and Performance Select Committee:

- i. Welcomes the report for its aspiration and acknowledges the identified steps being taken to address the challenges faced by the organisation.
- ii. Requests that efforts gather pace to deliver positive aspirations listed in the report, particularly in areas such as staff turnover, why stay/in-job interviews; internal career progression opportunities for staff; consistent organisation-wide data about exit interviews.
- iii. Suggests that any internal progression/job opportunities be publicised more widely to staff throughout the organisation.
- iv. Asks for an update report by no later than December 2023 covering the following areas:
 - a. Recruitment time to hire
 - b. Collaboration with schools and colleges
 - c. Data on exit interviews/surveys and in-job interviews with a view to retain staff/gauge job satisfaction
 - d. Career development offer and internal job promotion opportunities for staff
 - e. Management and leadership prospects for those who are underrepresented
 - f. Hybrid working (including more annual leave, flexible approach to working and sabbatical opportunities)
 - g. Summary of key performance indicators

39/22 AGILE OFFICE ESTATE STRATEGY UPDATE REPORT [Item 6] Part One

Witnesses:

Natalie Bramhall, Cabinet Member for Property and Waste
Leigh Whitehouse, Deputy Chief Executive and Executive Director of Resources

Simon Crowther, Director Land and Property

Matthew Pizii, Head of Strategy and Planning

Dominic Barlow, Assistant Director Property, Strategy and Planning

Brian Boundy, Strategic Advisor Facilities Management

Key points raised during the discussion:

1. The Chairman asked what the extent of discussions with Land and Property in relation to recent work at Quadrant Court was.

2. The Cabinet Member for Property and Waste summarised the previous uncoordinated approach to the Councils office estate. It was felt that the estate was unaffordable and previously not fit for purpose. The Agile Office Estate Strategy had been addressing these issues by adopting a strategic approach to transforming the Councils office estate with the move out of County Hall in Kingston being the catalyst. The Council was evolving to become a more agile and sustainable organisation delivering a reduced estate footprint with essential transformational investment delivering fit for purpose workspaces across the county as well as delivering a reduction in costs. The Select Committee's focus on the Northwest Quadrant and Quadrant Court was appreciated, however offering context at this time was appropriate. With regard to Quadrant Court and the Greener Futures work, the Cabinet Member for Property and Waste said she had not been made aware of the appointment and contractual relationship. These regrettable circumstances and the fact that Land and Property should have been more involved have been raised with the Director for Environment and the Cabinet Member for Environment. Costings for the flood damage caused by a compression joint to a hot water tank that had not been sealed adequately were expected to be more than £1 million.
3. The Chairman asked if the building was back in use. The Strategic Advisor, Facilities Management confirmed that the building was back in full use except for some meeting rooms.
4. The Chairman queried if contractual discussions around the fault were taking place. The Strategic Advisor, Facilities Management confirmed that an investigation was taking place adding that claims that the workmanship of the joint had resulted in the malfunction were yet to be substantiated. A report would be made available at the end of October 2002 following the investigation and would include the expected costs for remedial works. The Chairman requested that the Resources and Performance Select Committee be updated when that information was received. **Action: The Strategic Advisor, Facilities Management**
5. The Vice Chairman, in reference to recommendation three of the report, asked if bringing the timescale for bringing the report

back to Cabinet should read Q2 2023, instead of Q2 2022. This was confirmed.

6. The Vice Chairman queried why Quadrant Court and other properties had been allowed to run into disrepair with minimum investment, as referenced in the report. The Cabinet Member for Property and Waste said that Quadrant Court had not been allowed to run into disrepair, however it was evident that historically, minimal maintenance and investment had been inadequate. The current Land and Property team were working under strong management to develop improved maintenance across the estate. The Vice Chairman, in reference to the report noting that minimal levels of maintenance and investment have been undertaken historically, asked why that was the institutional reaction to the buildings owned by the Council. The Deputy Chief Executive and Executive Director of Resources challenged this interpretation of the report noting that the report stated that the 'minimum' amount of maintenance had been undertaken, which is different from 'minimal', it being what was adequate rather than less than that. From 2010 onwards during the period of austerity, some decisions were made to balance the budget which may have been expedient in the short term but provided challenges medium to longer term.
7. The Vice Chairman asked why the Council continues to work in silos resulting in the Cabinet Member for Property and Waste to be unaware of a contract that sits within their portfolio. The Cabinet Member for Property and Waste was not aware how this situation had been allowed to happen and had been given assurances by Greener Futures that it would not be repeated.
8. A Member asked for reassurances that all contractors and works would be carried out under the correct warranties and insurances. The Strategic Advisor, Facilities Management gave assurances that future contracts would have the required warranties and insurance.
9. A Member reiterated that any contract let by the Council should be checked against compulsory guidelines and governance. The Cabinet Member for Property and Waste confirmed that any contracts let by the Land and Property team go through a process of confirming warranties and insurances.

10. The Chairman, in noting a previous contractual issue considered by the Resources and Performance Select Committee, reiterated that it had previously been recommended that all contract specifications be regarded carefully at the appropriate level.
11. A Member, considering significant increases in energy costs asked if buildings were being assessed in terms of energy cost implications. The Cabinet Member for Property and Waste confirmed that urgent assessments were taking place with a new Energy Management Task Force focusing on operational, behavioural and technological initiatives.
12. A Member asked if the disposal of underutilised buildings would be considered. The Strategic Advisor, Facilities Management confirmed that it was part of the wider estate strategy to look at the utilisation of buildings with the property and strategy team and occupancy was being considered as part of the corporate office estate to identifying opportunities to reduce energy costs. The Member requested that the Resources and Performance Select Committee be provided with more detail around the performance of building and occupancies. The Cabinet Member for Property and Waste confirmed that these points were being addressed as part of the whole Agile Office Strategy.
13. A Member was concerned to learn that Land and Property were responsible for energy costs across the organisation rather than departments. The Deputy Chief Executive and Executive Director of Resources explained that this was consistent with the corporate landlord model currently in place. Land and Property were custodians of the buildings rather than the services residing within them to avoid fragmented decision making around building use. Risks would continually be monitored and mitigated. The Director for Land and Property added that sharing clear reporting data broken down by building and service would encourage the right behaviour.

**40/22 AGILE OFFICE ESTATE STRATEGY UPDATE REPORT [Item 7]
[Part Two discussion, internal record only, not for publication]**

Witnesses:

Natalie Bramhall, Cabinet Member for Property and Waste
Leigh Whitehouse, Deputy Chief Executive and Executive Director of Resources
Simon Crowther, Director Land and Property
Matthew Pizii, Head of Strategy and Planning

Dominic Barlow, Assistant Director Property, Strategy and Planning
Brian Boundy, Strategic Advisor Facilities Management

The Cabinet Member for Property and Waste introduced a Part 2 report containing information which was exempt from Access to Information requirements by virtue of paragraph 3 – Information relating to the financial or business affairs of any particular person (including commercially sensitive information to the bidding companies)

Key points raised during the discussion:

1. The Select Committee discussed the exempt annexes asking questions of the witnesses under Part 2 conditions.

Resolved:

The Resources and Performance Select Committee:

1. Supports the Agile Office Strategy which seeks to reduce costs and environmental impact.
2. Notes the ambitious timetable provided in the report and is concerned that this timetable may not be achievable.
3. Requests that the Select Committee continue to be kept updated on the progress of Agile Office Strategy decision-making and delivery.
4. Asks the Deputy Chief Executive and Executive Director of Resources to ensure:
 - a. Robust financial regulations (contracting arrangements) are in place.
 - b. Proper due diligence regime for contractors is followed.
 - c. That the occupancy ratio figures across the Council's office estate; and a briefing on the Energy Management Task Force be provided to the Select Committee.

41/22 PROCUREMENT SERVICE BRIEFING ON RESPONSIBLE TAX CONDUCT MOTION [Item 7]

Witnesses:

Ayesha Azad, Cabinet Member for Finance and Resources
Leigh Whitehouse, Deputy Chief Executive and Executive Director of Resources
Anne Epsom, Head of Policy and Improvement
Jonathan Essex, County Councillor

Key points raised during the discussion:

1. The Head of Policy and Improvement provided a summary of the work undertaken to consider resolutions as part of the original motion. Whilst many items considered were uncontentious, there were some elements that on initial consideration could pose challenges and required in depth investigation, for example with procurement, contract regulations and the public services Social Value Act. Based on the consultation, procurement were comfortable that if the Council decided to sign the fair tax declaration, it could be agreed on the proviso over alternative wording set out in the recommendations.
2. Councillor Essex welcomed the report as the proposer of the motion. He appreciated the clarification as to how the fair tax declaration related to existing ways of doing business while noting constraints in terms of what could be done by policy and national rules. A stronger policy was required to achieve all that is currently stated in the declaration. Paragraph 21.1 of the report highlighted issues requiring attention, particularly the restructuring of locally owned care sector businesses, highlighting the fragile nature of some supply chains and the need for reform. Councillor Essex noted his support of the recommendations which would lead to a clear public commitment in this area.

Resolved:

The Resources and Performance Select Committee recommends that Surrey County Council signs up to the Fair Tax Declaration with the following exceptions:

1. Agree to alternative wording with the Fair Tax Foundation regarding the following items:
 - a) Undertake due diligence to ensure that not-for-profit structures are not being used inappropriately by suppliers to reduce the payment of tax and business rates.
 - b) Demand clarity on the ultimate beneficial ownership of suppliers and their consolidated profit & loss position.
2. Remove the following item:
 - a) Include tax conduct in social value scoring for assessing contracts.

42/22 RECOMMENDATIONS TRACKER AND FORWARD WORK PROGRAMME [Item 8]

The Select Committee noted the Recommendation Tracker and the Forward Work Programme.

43/22 DATE OF THE NEXT MEETING: 7 OCTOBER 2022 [Item 9]

The Committee noted its next meeting would be held on 9 December 2022.

Meeting ended at: 12:51pm

Chairman.

RESOURCES AND PERFORMANCE SELECT COMMITTEE

FRIDAY, 9 DECEMBER 2022



BUDGET TASK GROUP – BUDGET SCRUTINY 2023/24 – SUMMARY OF ACTIVITY

Purpose of the report: The report provides a summary of the budget scrutiny/Budget Task Group activity undertaken in 2022 at Surrey County Council. Notes of Budget Task Group, 3 November 2022, attached as Annex.

Introduction:

1. This year the Council's budget scrutiny process saw budget briefings and information provided earlier than in previous years in relation to [Draft Budget 2023/24 and Medium Term Financial Strategy \(MTFS\) to 2027/28](#) to all Select Committees and the Budget Task Group.
2. Surrey County Council has four Select Committees, each with responsibility for scrutiny of the budgets set for services in their remit:
 - Adults and Health Select Committee
 - Children, Families, Lifelong Learning and Culture Select Committee
 - Communities, Environment and Highways Select Committee
 - Resources and Performance Select Committee
3. Comprised of Members from all Select Committees, the membership of Budget Task Group is as follows:
 - Robert Evans – Adults and Health Select Committee
 - Buddhi Weerasinghe – Adults and Health Select Committee
 - Liz Bowes – Children, Families, Lifelong Learning & Culture Select Committee

- Jeremy Webster – Children, Families, Lifelong Learning & Culture Select Committee
- Jonathan Hulley – Communities, Environment and Highways Select Committee
- John O'Reilly – Communities, Environment and Highways Select Committee
- Nick Darby (Chair) – Resources & Performance Select Committee
- Will Forster – Resources and Performance Select Committee
- Bob Hughes – Resources and Performance Select Committee

Budget Scrutiny Activity:

4. The Draft Budget 2023/24 and Medium Term Financial Strategy to 2027/28 scrutiny process saw the following budget briefings provided to Select Committees:

Budget Planning Briefings (July 2022)

- Resources and Performance Select Committee on 13 July 2022
- Adults and Health Select Committee on 20 July 2022
- Children, Families, Lifelong Learning and Culture on 21 July 2022
- Communities, Environment and Highways on 25 July 2022

5. The following topics were covered at the above briefings:

- a) Pilot of Enhanced Member Budget Engagement
- b) Resident and Partner consultation and engagement
- c) Strategic Framework
- d) Organisation Strategy
- e) Core Planning Assumptions
- f) Budgetary Context
- g) Medium Term Planning Assumptions
- h) Updated Budget Gap
- i) 2023/24 Pressures
- j) Adult Social Care Reforms
- k) Cross Cutting Initiatives (Twin Track approach)

- l) Identifying Further Opportunities
- m) Next Steps and a question-and-answer session

Budget Planning Briefings (October 2022)

- Children, Families, Lifelong Learning and Culture on 4 October 2022
 - Communities, Environment and Highways on 6 October 2022
 - Resources and Performance Select Committee on 7 October 2022
 - Adults and Health Select Committee on 26 October 2022
6. The following topics were covered at the October budget briefings:
- a) Financial Management Journey
 - b) Financial Outlook 2023 onwards
 - c) Government Funding Uncertainty
 - d) Updated Budget Gap 2023/24
 - e) Current Directorate Position Summaries
 - f) Question and answer session

Budget Task Group Activity

7. In addition to the aforementioned budget scrutiny activity, the Budget Task Group held its meetings in July, September and November 2022.
8. At its July and September 2022 meeting, the Budget Task Group reviewed the following key areas:

Round 1 (11 July 2022)

- a) Budget Planning 2023-2028
- b) Pilot of Enhanced Member Budget Engagement
- c) Resident and Partner Consultation and engagement
- d) Strategic Framework
- e) Organisation Strategy
- f) Core Planning Assumptions
- g) Budgetary Context
- h) Medium Term Funding Assumptions

- i) Updated Budget Gap
- j) Cross Cutting Initiatives
- k) Identifying Further Opportunities
- l) Question and answer session

Round 2 (8 September 2022)

- a) Pilot of Enhanced Member Budget Engagement
- b) Updated Budget Gap
- c) Government Funding Uncertainty
- d) Cross Cutting Efficiencies
- e) Current Opportunities
- f) Management Layers and Structures
- g) Business Rates and Business Rate Pooling
- h) Agile Office Update
- i) Impact of Inflation on Energy Costs
- j) Borrowing Costs
- k) Question and answer session

9. In response to feedback received from the Chair of Resources and Performance Select Committee and Budget Task Group, the proposed agenda for the Budget Task Group session on 3 November was refreshed by the Finance team to include deep dives into all Directorate budget positions.

Round 3 – (3 November 2022)

The final meeting of Budget Task Group in 2022 focussed on the following areas.

- Home to School Transport
- Adult Social Care
- Environment, Transport & Infrastructure
- Budget for Land and Property maintenance costs

10. A copy of the notes (Annex A), as agreed with the relevant officers, was circulated to Budget Task Group Members and is attached to this report as an aide memoire.

Further Briefings:

11. An update on the Council's Safety Valve negotiations with the Department for Education, regarding the deficit on the High Needs Block, was provided to all Select Committee Chairs on 4 March 2022. A further briefing on the Safety Valve purpose, structure and financials was provided to Budget Task Group on 7 November 2022.
12. There was a Budget Task Group briefing on 13 October 2022 covering the Adults' and Children's diagnostic work as part of the cross-cutting efficiencies.
13. A seminar for all Members on the Draft Budget was held on 24 November 2022, setting out the Medium Term Financial Strategy position to date and the changes from the Autumn Statement.
14. Briefings were also offered to all opposition groups during September 2022 to update on progress on the budget position for 2023/ 24 to date and the Medium Term Financial Strategy position. These were taken up and delivered to three out of four of the groups.
15. Two all Member seminars have been held:
 - a. On 20 June 2022 setting out the Budgetary context, medium term funding assumptions, specific pressures for 2023/24, updated budget gap and Medium Term position, cross cutting efficiencies and the budget setting timeline.
 - b. On 24 November 2022 setting out the Draft Budget, the Medium Term Financial Strategy position to date and an update on the relevant announcements made as part of the recent Autumn Statement by the Chancellor of the Exchequer.

Key Areas

16. The following areas, inter alia, emerged as some of the key highlights at the Budget Task Group meetings and budget scrutiny discussions that took place in 2022:
- a. Impact of Fair Funding Reform on the Council's Draft Budget 2023-24 and Medium Term Financial Strategy to 2027-28;
 - b. Any impact of cross cutting efficiencies on frontline service areas and residents;
 - c. Impact on services and residents of circa.10% inflation and complex decisions expected around the Council Tax increase considering the cost-of-living increases, inflation and affordability;
 - d. Home to School Transport pressures; the arrangements in place for the start of the academic year and reflection of this in the Draft Budget 2023-24, including a clearer idea around efficiencies of £4.6 million in this area;
 - e. The number of red and amber rated efficiencies in the Draft Budget 2023-24, (The Group heard from officers that it was usual to have amber and red rated efficiencies at the pre-Draft Budget stage of the budget setting process when they considered this information); and
 - f. Desire to have detailed Equality Impact Assessments of Draft Budget 2023-24 proposals.

Next Steps:

17. The Resources and Performance Select Committee is invited to:
- a) Note the budget scrutiny activity, as listed in this report, undertaken in 2022;
 - b) Use this report as an aide memoire to inform the budget scrutiny discussion and the Select Committee's recommendation at its 9 December 2022 meeting.
-

Report contact:

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Annexes:

Annex A – Notes of 3 November Task Group meeting

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BUDGET TASK GROUP

3 November 2022 at 2pm (Remote Meeting)

NOTES

Attendees: Nick Darby (Chairman) – Resources & Performance Select Committee
 David Lewis – Cabinet Member for Finance and Resources
 Will Forster – Resources and Performance Select Committee
 Bob Hughes – Resources and Performance Select Committee
 Jeremy Webster – Children, Families, Lifelong Learning & Culture Select
 John O'Reilly – Communities, Environment and Highways Select Committee
 Robert Evans – Adults and Health Select Committee
 Buddhi Weerasinghe – Adults and Health Select Committee

Officers: Bernadette Beckett, Chief of Staff
 William House, Strategic Finance Business Partner
 Kunwar Khan, Scrutiny Officer
 Laila Laird, Democratic Services Assistant
 Louise Lawson, Strategic Finance Business Partner
 Lucy Monie, Director of Highways and Transport
 Nikki O'Connor, Strategic Finance Business Partner
 Joe Osborne, Strategy Officer
 Tony Orzieri, Strategic Finance Business Partner
 Ross Pike, Scrutiny Business Manager
 Daniel Peattie, Strategic Finance Business Partner
 Michael Smith, Programme Director, Twin Track
 Rachael Wardell, Executive Director for Children Families and Lifelong Learning
 Adam Whittaker, Senior Strategy and Policy Lead

Apologies: Liz Bowes - Children, Families, Lifelong Learning & Culture Select Committee
 Jonathan Hulley – Resources and Performance Select Committee

The following key points were raised during the discussion of the Budget Task Group meeting on 3 November 2022:

Home to School Transport**Key points arising from the discussion:**

1. Jeremy Webster asked if there were adequate levels of staffing to conduct the review of 9,000 transport arrangements and queried how long the process would take. Michael Smith explained that an additional eight full time equivalent members of staff had been employed on a fixed term basis to specifically review each case which was expected to take 12 months and finish in June or July 2023.
2. Jeremy Webster asked for clarification around the term 'staffing structures' Rachael Wardell said that the term focused on the redesign within the travel assistance service that took place two years ago. The administrative team responsible for processing Home to School travel applications and the commissioning team had been brought together but the full benefits of this have yet to be realised as separate cultures and behaviours have remained.
3. Jeremy Webster asked how the improvement in overall communications will be undertaken. Michael Smith said that the aim was to streamline and improve the process by identifying challenges through a map of key points in time and the departments

involved in the customer journey. This work included the support of the Digital Design team.

4. Jeremy Webster queried the challenges involved in moving towards the Independent Travel Allowance target (ITA). Michael Smith said that systematically working through service users to identify those appropriate for an ITA and the communication of this was challenging from a finance perspective however the increase in numbers of the team would be beneficial in this process. Rachael Wardell noted a policy decision amendment currently taking place around bursaries to include return journeys required by accompanying parents, not just the one-way journey to school. This policy adjustment would result in an increase in the cost of travel assistance but would cost considerably less than the child being placed on a taxi route. Rachael Wardell noted a second challenge in considering every current child traveller and adjusting their offer, however supporting parents to take their children to school for every new application for travel assistance would change expectation for the better over time.
5. Bob Hughes asked why the decision to review offers made to children was made at such a late stage and sought reassurances that this would not be repeated. Rachael Wardell confirmed that a set of policy changes had resulted in the review of travel arrangements for some children because they were no longer entitled to travel. The timing of these policy changes impacted on the transport provision the following year and this would be avoided in future. In addition to the policy changes, challenges arose from contractors refusing routes and an unusually high level of in year applications.
6. John O'Reilly, in referring to the £57 million draft budget for 2023/24, noted that efficiencies of £4.6 million were anticipated as a result of the Home to School Travel Assistance improvement policy changes and asked for clarification around where the savings were in the budget. Daniel Peattie said that the £57 million is the current assumption of next year's growth less currently identified efficiencies. The roll forward into 2023/24 of the 2022/23 projected overspend of £15 million plus inflation and the expected growth in terms of children with new EHCPs offset by the expected efficiency. A clearer picture of the level of spend for the current academic year would be available soon with the potential for these projections to change. Michael Smith added that there was the potential for the cross cutting, discovery and sufficiency strategy work presented to support this position, however, the current focus remained on the medium to long term to maximise cost reduction in this area.
7. John O'Reilly asked when a more robust budget figure could be expected. Nikki O'Connor confirmed the draft budget would go to Cabinet at the end of November 2022, the final budget would be completed towards the end of December 2022, once the Local Government Settlement was announced and would be considered by Cabinet in January 2023 and Full Council in February.
8. Will Forster noted that to clear the backlog, some routes had been commissioned at higher cost than anticipated and queried how long the higher rates would remain for.
9. Will Forster asked what the impact had been for service users involved in the in-year review. Rachael Wardell explained that it had been routine for routes to last a year however, greater volatility had been experienced since the pandemic resulting in contractors giving back routes in year due to fuel costs and driver shortages. Will Forster asked if a review of the market could be expected. Rachael Wardell confirmed that both the Council and contractors could choose to review but if the Council were to challenge a provider there was a risk of losing the provision completely.
10. Will Forster, in referring to slide six asked why the review of all groups against the new policy had not already been done. Michael Smith said that the volume of reviews had

affected timings but confirmed that reviews would continue to take place systematically until June or July 2023.

11. Will Forster queried why the new policy and routes were not in place from September as opposed to in year. Rachael Wardell said that where the new policy was being applied to new applications, and those applications were received early enough in the year, routes were put in place in time for September. The review of existing arrangements against the new policy was taking time to work through and in addition, in every year there would be applications for transport made after the deadline and during the academic year. These children would need to be added to routes as their applications were received and as the use of solo taxis was being avoided wherever possible (it is good for children's independence and lower in cost) these children were being added to bus routes, meaning that bus routes are having to be changed.

Adult Social Care

Key points arising from the discussion:

1. Jeremy Webster asked what was meant by the term 'front door redesigning.' Will House explained that the term referred to the first contact point from residents to the Council for assessment or information. The work was to focus on the entire process, ensuring consistency however the first point of contact is made.
2. Jeremy Webster asked for clarification around the review of older peoples in house services. Will House explained that this referred to the decision in February 2022 to close eight care homes operated by SCC and the programme around these closures.
3. Will Forster, in noting that most efficiencies were amber rated, asked what assessment had been conducted to determine how successful these efficiencies would be. Will House said that the ratings reflected the current challenging environment and recognised that the efficiencies were achievable but challenging.
4. Will Forster highlighted the Budget Task Group's concern at the number of amber rated efficiencies within Adult Social Care and the clear indications that the Adult Social Care budget may not work with these amber rated risks. Michael Smith undertook to feed the Group's concerns back to relevant senior officers. Nikki O'Connor added that it was not unusual to have more amber and red ratings at this stage of the budget setting process because the efficiencies were at the initial stages of planning and development.

Children, Families, Lifelong Learning & Culture

Key points arising from the discussion:

1. Jeremy Webster asked for clarification around Impower. Rachael Wardell said that sensible proposals had been received from Impower to improve work with children and their families. In addition, rigour had been created around forecasting the trajectories of young people through different services and costs.

Environment, Transport & Infrastructure

Key points arising from the discussion:

2. Jeremy Webster asked for more information around the waste contractor situation. Lucy Monie explained a high level of commercial sensitivity regarding this matter.

John O'Reilly committed to arrange an update going forward. **Action – John O'Reilly.**

Wider Questions about annexes and other areas:

1. Nick Darby asked what had been included in the budget for Land and Property repairs costs. Louise Lawson committed to provide reactive maintenance budget information outside of the meeting. **Action – Louise Lawson**

These notes would be circulated to the Resources and Performance Committee.

DATE OF NEXT MEETING: 3 July 2023 at 2:00pm

SCRUTINY OF 2023/24 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY TO 2027/28

Purpose of report: Scrutiny of the Draft Budget and Medium-Term Financial Strategy

Introduction:

1. Attached is a summary of the 2023/24 Draft Budget and Medium-Term Financial Strategy (MTFS), particularly focussing on the budgets for the Resources, Customer & Communities and Communications, Public Affairs & Engagement Directorates, including summary budget positions for all Directorates.
2. The [2023/24 Draft Budget and MTFS to 2027/28](#) was presented to Cabinet on 29 November 2022. The Final Budget for 2023/24 will be approved by Cabinet in January 2023 and full Council in February 2023. It is good practice to, as far as possible, set out in advance the draft budget to allow consultation on and scrutiny of the approach and the proposals included. There will be no movements in the Draft Budget position until the provisional Local Government Finance Settlement is published, which is expected later in December, and the implications are considered.
3. The production of the 2023/24 budget has been developed through an integrated approach across Directorates, Corporate Strategy and Policy, the Twin Track programme, Transformation and Finance, ensuring that revenue budgets, capital investment and transformation plans are all aligned with each Directorate's service plans and the corporate priorities of the organisation.

Context:

4. Local Government funding remains highly uncertain, with a number of factors likely to result in significant changes to our funding position over the medium-term. Funding for 2023/24 is not yet clear, although the Autumn Statement provides the first official indications of this. The anticipated consultation on changes to local government funding over the summer did not occur due to the prime ministerial leadership contest. Through the fiscal event/mini budget on 23 September 2022, government also made us aware that there will not be a

new spending review which could have taken into account the vastly different levels of inflation experienced compared to what was assumed when the current one was announced last year. On 17 November 2022, the Chancellor of the Exchequer made further fiscal announcements through his Autumn Statement. A number of these were of direct relevance to our services and financial strategy, including the delay to the implementation of Adult Social Care Reforms, additional funding for schools and social care and changes to the levels of Council Tax rises that are allowable before a referendum, all of which have an impact on the Council's budget position. This provided important pointers to what we might see in the Local Government Finance Settlement, and assumptions have been updated based on estimates of the impact, however the first opportunity to understand in detail the direct impact of funding arrangements for the Council will be with the provisional Settlement itself, which is expected in late December 2022, with a final settlement in January 2023. Until this is available, significant uncertainty on funding remains.

5. The overall outlook for 2023/24 is one of significant challenge, with budget envelopes remaining relatively static in the face of substantial increases in the cost of maintaining current service provision and increased demand. Despite a small increase in the projected levels of funding, pressures anticipated for 2023/24 are significantly higher than in recent financial years. These pressures relate to a number of factors culminating simultaneously, namely high levels of inflation, Europe's energy crisis, workforce and labour shortages, high interest rates and the ongoing impact of the pandemic. The Council continues to see large increase in demand for services, particularly within Adults and Childrens' social care and the impact of the cost of living crisis on residents is expected to further increase demand for key services.
6. Although good progress has been made over the last few months, there remains a provisional budget gap for 2023/24 of £14.4 million, driven primarily by significant inflation, policy changes and the need to maintain the delivery of priority services experiencing significant demand pressures. The gap will require further actions to close, which will be extremely challenging, given the level of pressure forecast, and may require the Council to adopt measures that postpone the achievement of our ambitions. The extent to which further efficiencies will need to be identified, will be dependent upon the Local Government Finance Settlement in December, and confirmation of District and Borough Council Tax Bases in January.
7. As well as a focus on closing the gap for 2023/24, we need to be prepared for what will continue to be a difficult financial environment over the next few years. Tackling this gap will require a fundamentally different approach, given the level of efficiencies required, to avoid adversely impacting services from 2024/25 onwards. Work has already begun, with cross-Directorate transformation opportunities being identified that focus on delivering priority objectives within constrained funding.

Engagement:

8. In 2021, we carried out in-depth research with residents to understand their priorities for how the council should spend its money. Residents indicated that they were willing to accept increases in Council Tax and the Adult Social Care Precept if it was for the purpose of protecting services that work with some of the most vulnerable people in Surrey. The engagement demonstrated that resident priorities align with those of the council, with top priorities for residents including Social Care for people of all ages, Waste services and Fire and Rescue. There was also support for more investment in preventative services and for placing those residents most at risk of being left behind in Surrey at the heart of decision-making. Residents wanted a more active role in what happens in their localities.
9. These results continue to provide a robust foundation from which to shape budget decision-making and, in 2022, have been complemented by a lighter touch approach to engagement. In May 2022, we held three virtual focus groups exploring themes including factors that make a good place to live and what local area improvements residents would like to see irrespective of who is responsible for their delivery. The groups also discussed services particularly important to resident households and in need of more support from Surrey County Council. They highlighted:
 - Making sure people get access to the services they need
 - Helping people cope with the rising cost of living
 - Community safety / managing crime / anti-social behaviour
10. Additionally, in August 2022, a cost-of-living survey was asked of the Surrey Health and Wellbeing Panel which looked at areas including the challenges they have faced in the previous three months (1 May – 31 July) and if they had had to alter their behaviours. This survey will be repeated in winter to see if there has been any further change.
11. We have also engaged closely with members, staff and partners to shape this Draft Budget and plan to continue engagement until early into the new year as the budget is finalised. This includes launching an open survey in November seeking views on the Draft Budget, how resources are proposed to be spent and the impact on our communities.
12. Impacts of budget proposals, both positive and negative, are considered by services in a variety of ways, including through services' own consultation and engagement exercises and the use of Equality Impact Assessments (EIAs). EIAs are used to guide budget decisions and will be included in the final Budget paper alongside an overview of the cumulative impact of proposed changes. At Surrey, we consider impacts not just on the nine protected characteristics, but

also other vulnerable groups, for example, those at socio-economic disadvantage, Gypsy, Roma and Traveller communities, those experiencing homelessness, and so on. An overview of impacts of efficiencies pertinent to the areas covered by this committee are included in Annex 1.

Budget Scrutiny

13. Annex 1 sets out the budget proposals, including the latest calculated revenue budget requirement compared to the current budget envelopes based on the Council's estimated funding, the service budget strategy, information on revenue pressures and efficiencies and a summary of the Capital Programme. Each Select Committee should review in the context of their individual Directorates, exploring significant issues and offering constructive challenge to the relevant Cabinet Members and Executive Directors.
14. Members should consider how the 2023/24 Draft Budget supports the Council in being financially stable whilst achieving Directorate and Corporate priorities and the Council's Vision for 2030. The budget aims to balance a series of different priorities and risks with options on investment, efficiencies and increases in the rate of Council Tax. It is appropriate for the Committee to consider how successful the budget is in achieving this.

Conclusions:

15. The provisional Local Government Finance Settlement in December, to be finalised in January 2023, will clarify the funding position for the Council. Once funding is clear, Directorate pressures, efficiency requirements, the level of Council Tax and the Capital Programme will be finalised.

Recommendations:

16. That each Select Committee agrees a set of recommendations to the Cabinet, pertinent to their area, which will be reflected in the Final Budget Report to Cabinet in January 2023.

Next steps:

17. Between now and February 2023, when the budget is approved by full council, officers and Cabinet Members will work closely together to close the current budget gap; challenge and refine assumptions and finalise the development of the Capital Programme.
18. The recommendations resulting from Select Committee scrutiny process will be compiled and reported to the Cabinet meeting on 31 January 2023.

Report contact

Nikki O'Connor – Strategic Finance Business Partner (Corporate)

Contact details

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Annexes:

Annex 1: 2023/24 Draft Budget Report and Medium-Term Financial Strategy to 2027/28

Sources/background papers

- 2023/24 Draft budget and medium-term financial strategy report to Cabinet 29 November 2022

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Resources & Performance Select Committee

2023/24 Draft Budget Report and Medium-Term Financial Strategy to 2027/28

9 December 2022

Annex 1



SURREY
COUNTY COUNCIL

Introduction – 2023/24 Draft Budget and Medium-Term Financial Strategy

The Resources & Performance Committee has an important role in providing scrutiny of the overall budget process.

The following slides set out to this Select Committee:

- the overarching approach of the Council to budget setting
- The Council's budget setting principles
- a framework against which we carry out a self assessment of the budget setting process
- the 2023/24 Draft budget gap
- 2027/28 summary position
- detailed Directorate progress for the areas of specific interest to this Committee
- Summary positions and key messages from the other Directorates of the Council

This presentation to Committee should be considered alongside the 'Draft Budget 2023/24 and the Medium Term Financial Strategy to 2027/28 Report' to Cabinet on 29 November 2022.

Next Steps

- Refine funding assumptions based on December local government settlement
- Finalise efficiency proposals and consider options to close the gap
- Finalise the 2023/24 – 2027/28 Capital Programme
- Consultation with residents on draft proposals and Equality Impact Assessments
- Final Budget to Cabinet in January 2023 & Council February 2023



Budget Setting Process

The Council has based its financial planning practices on a budget envelope approach since 2018. This aims to increase accountability and budget management responsibility.

An integrated approach is taken, initially establishing core planning assumptions and sharing these widely across the organisation for input and challenge.

Funding projections over the medium-term are developed based on estimates of likely funding from Council Tax, Business Rates and Government Grants and Directorates are given a fixed envelope, proportionate to the expected size of the available budget.

Directorates are tasked, with support from Finance, with costing the core planning assumptions and developing Directorate scenarios to identify pressures in their services for the MTFS from 2023/24 to 2027/28.

They are required to identify efficiencies to offset these pressures and deliver services within the available budget envelope.

Throughout the process, monthly iterations are taken to the Corporate Leadership Team (CLT) and there has been significantly more Member engagement than in previous years:

- Regular informal Cabinet briefings
- Select committee briefings (July, Oct, Dec)
- Budget Task Group Workshops (July, Sept, Nov)
- Briefings on specific challenges (eg Home to School Transport, High Needs Block)
- Opposition Party Briefings (Sept)
- All Member Briefings (June / Nov)
- A focused joint Cabinet / CLT Away Day (Sept)

Draft budget presented to Cabinet 29 November with a gap to close before final budget



Overall Budget Principles

The MTFs for successive years has been built on a number of high-level principles which are used as a framework to set the budget. These have proven to be successful and have been reaffirmed for the 2023/24 budget.

- An integrated approach linking Organisation Strategy, Service and Transformation plans to the MTFs through cross-cutting business partnership;
- A balanced revenue budget with only targeted use of reserves and balances (i.e. using them for their intended purpose to cover one-off or time-limited costs);
- Regular review of reserves to ensure appropriate coverage for emerging risk;
- Budget envelopes set for each Directorate to deliver services within available resources;
- Budgets agreed and acknowledged by Accountable Budget Officers through Budget Accountability Statements;
- Cost and demand pressures contained within budget envelopes;
- Robust efficiency plans which are owned, tracked, and monitored;
- Managers accountable for their budgets;
- Scenario planning across pessimistic, optimistic, and likely assumptions to set realistic boundaries on the likely operating environment; and
- Working with partners to create best value for residents.

Overall Budget Process Self Assessment

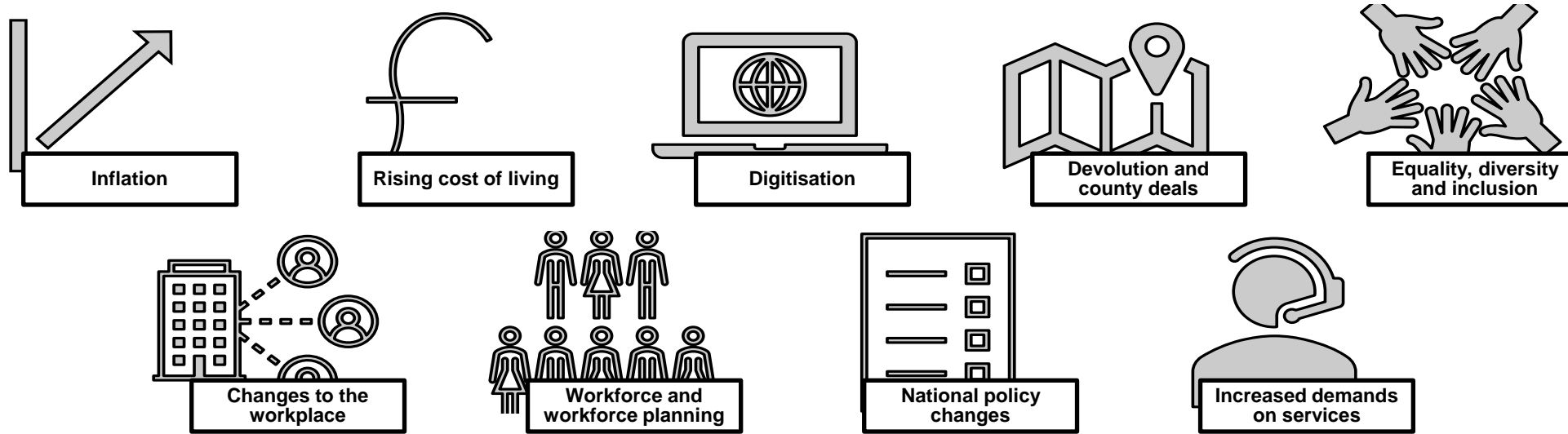
We committed as part of our Finance Improvement Programme, to assess our budget setting processes against a best practice framework. The following six hallmarks are used as a self-assessment tool. Details of the self assessment are included in the Draft Budget Report:

- The budget has a Medium-Term focus which supports the Strategic Plan
- Resources are focused on our vision and our priority outcomes
- Budget not driven by short-term fixes and maintains financial stability
- The budget is transparent and well scrutinised
- The budget is integrated with the Capital Programme
- The budget demonstrates how the Council has listened to consultation with local, people, staff and partners



Strategic Context

A number of drivers are influencing our operating context, including:



Delivering priorities, ensuring no one is left behind

Our Organisation Strategy sets out our contribution to the 2030 Community Vision.

Our **four priority objectives** and guiding principal that **no one is left behind** remain the central areas of focus as we deliver **modern, adaptive and resident-centred services for all.**



Budget consultation and engagement

Extensive multi-method **consultation and engagement exercise in autumn 2021** is a key source of evidence for decisions on where and how the council spends its money over the medium-term:

- Raised awareness of our priorities, budget context and views on the need to transform services and develop new approaches to service delivery
- Identified residents' informed spending preferences
- Tested spontaneous and informed attitudes towards service changes and residents' roles in supporting change.

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Further sources of insight from e.g.

- Cost of living survey (Surrey Health and Wellbeing Panel)
- Joint Neighbourhood Qualitative Research exploring residents views on council services
- Directorate-led engagement with resident representative groups

In addition, **a survey on the draft budget and the options to close the budget gap is currently live** and open to all residents and businesses in Surrey. The results will feed into the final budget report. Please continue to promote this opportunity widely

2023/24 Draft Budget

The table shows the overall picture for the Council for 2023/24 against estimated funding

Pressures, efficiencies and funding will continue to iterate over December

In particular, funding estimates are subject to clarification as our understanding of Government Funding, Council Tax and Business Rates estimates continue to develop

Local Government Finance Settlement expected before Christmas

	Base Budget 2022/23 £m	Initial allocation of Funding Change £m	Budget Envelope 2023/24 £m	2023/24 Indicative Requirement £m	Draft Budget Gap £m
Adult Social Care	401.7	8.5	410.2	434.5	24.2
Public Service Reform	34.4	0.0	34.4	34.4	0.0
Children, Families & Lifelong Learning	221.8	4.7	226.5	250.0	23.5
CFL - High Needs Block - DSG	27.2	-	27.2	5.0	(22.2)
Comms, Public Affairs & Engagement	2.0	0.0	2.0	2.1	0.0
Surrey Fire & Rescue Service	33.2	0.7	33.9	38.6	4.7
Customer & Communities	16.9	0.4	17.2	17.4	0.2
Environment, Transport & Prosperity, Partnerships & Growth	141.7	3.0	144.7	153.1	8.4
Resources	76.8	1.6	78.4	79.4	1.0
Total Directorates	957.2	19.1	976.2	1,016.2	40.0
Central Income & Expenditure	81.9	8.1	89.9	64.3	(25.6)
Total - Our Council	1,039.0	27.1	1,066.1	1,080.5	14.4

The draft budget includes net pressures of £125 million, with efficiencies of £69 million, previous anticipated increase in funding of £27 million plus an additional estimated £15 million for adult social care, leaving a net gap of £14.4 million.

Detailed pressures and efficiencies are set out in subsequent slides

Specific Factors Impacting 2023/24 and the MTFs to 2027/28

Inflation

- Ongoing impact of above budgeted level of inflation in 2022/23
- Continued high inflation assumed throughout 2023/24, impact on Council, suppliers & partners
- Pay Inflation – either as a result of national policy (eg Fire) or in order to attract and recruit to key roles

Policy Changes

- Significant anticipated gap between costs and available funding re Adults Social Care Reform
- Discharge to Assess – continuation of policy change enacted during pandemic, removal of funding

Cost of Living Crisis

- Impact on residents felt by the Council in increased demand for services
- Unlikely to have currently felt the full effects, entering an anticipated difficult winter

Ongoing Demand Pressures

- Significant current year overspends forecast in Home to School Transport (demand & inflation led)
- Demand pressures associated with unaccompanied asylum seekers & childrens' placements
- Forecast continued demand in other services including Adults social care and children with disabilities

Medium Term Impact of Covid-19

- Ongoing impact on service demand as a result of the pandemic
- Behavioural change means income has not recovered to pre-Covid levels in some services (eg libraries)

Funding Uncertainty

- Uncertainty and/or delayed funding announcements risk unnecessary additional efficiencies
- Uncertainty over Fair Funding Reform impacts on ability to effectively plan for the medium term

2023/24 Draft Efficiency Programme

- Efficiencies are rated on risk of achievability – **£7.7 million categorised as red**
- Stretch targets for efficiencies are included to ensure full ambition is quantified – corporate contingencies are in place to manage the risk of delivery
- It is often the case that more efficiencies are classified as red/amber at the draft budget stage vs the final budget, given timing and progress in activities to deliver

	Green £m	Amber £m	Red £m	Total £m
Adult Social Care	7.6	11.0	1.3	19.8
Public Service Reform and Public Health	0.0	0.0	0.0	0.0
Children, Families and Lifelong Learning	0.2	5.6	4.7	10.5
DSG High Needs Block	0.0	22.2	0.0	22.2
Environment, Transport and Infrastructure	0.7	2.8	0.0	3.5
Surrey Fire & Rescue Service	0.6	0.4	0.0	1.0
Customer and Communities	0.0	0.9	0.0	0.9
Prosperity, Partnerships and Growth	0.1	0.0	0.0	0.1
Communications, Public Affairs & Engagement	0.0	0.0	0.0	0.0
Resources	1.1	3.5	1.7	6.3
Central Income and Expenditure	0.0	4.3	0.0	4.3
Total efficiencies	10.3	50.7	7.7	68.6

Indicative Funding Assumptions

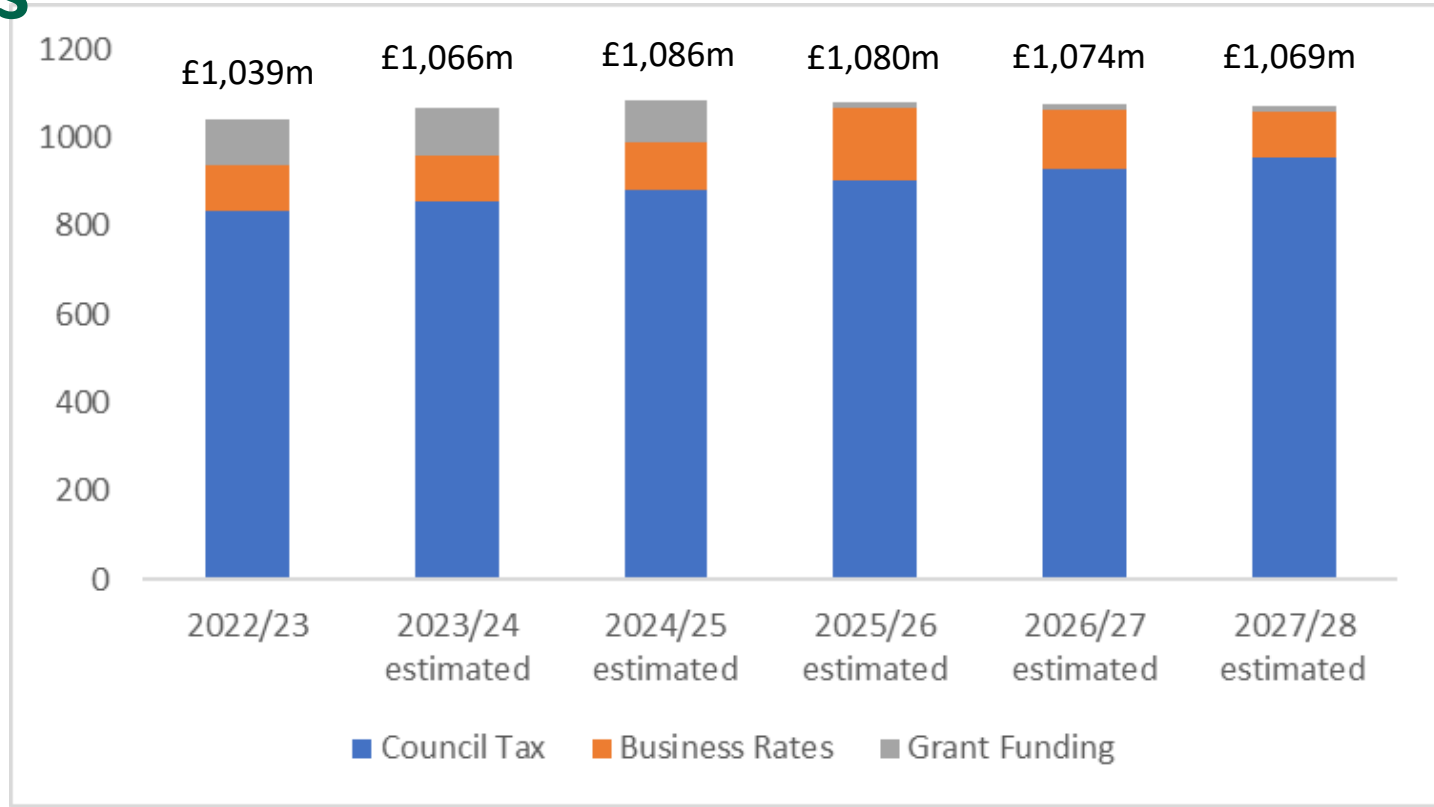
Council Tax & Business Rates

- Draft Budget assumes a 1.99 per cent increase in Council Tax across all financial years of the MTFS
- Currently no increase in the Adult Social Care (ASC) Precept is assumed
- Other changes in Council Tax income rely on assumptions around local factors. For example, tax base changes, reliefs and premiums.
- Confirmation of District and Borough Council Tax bases are received in January.
- Factors that influence the amount of business Rates retained (growth and pooling arrangements) and reliefs are determined by central government.

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Grant Funding

- Based on assumptions about Central Government decisions – provisional Local Government Finance Settlement in December.
- Currently assuming a roll forward of 2022/23 grant allocations in 2023/24.



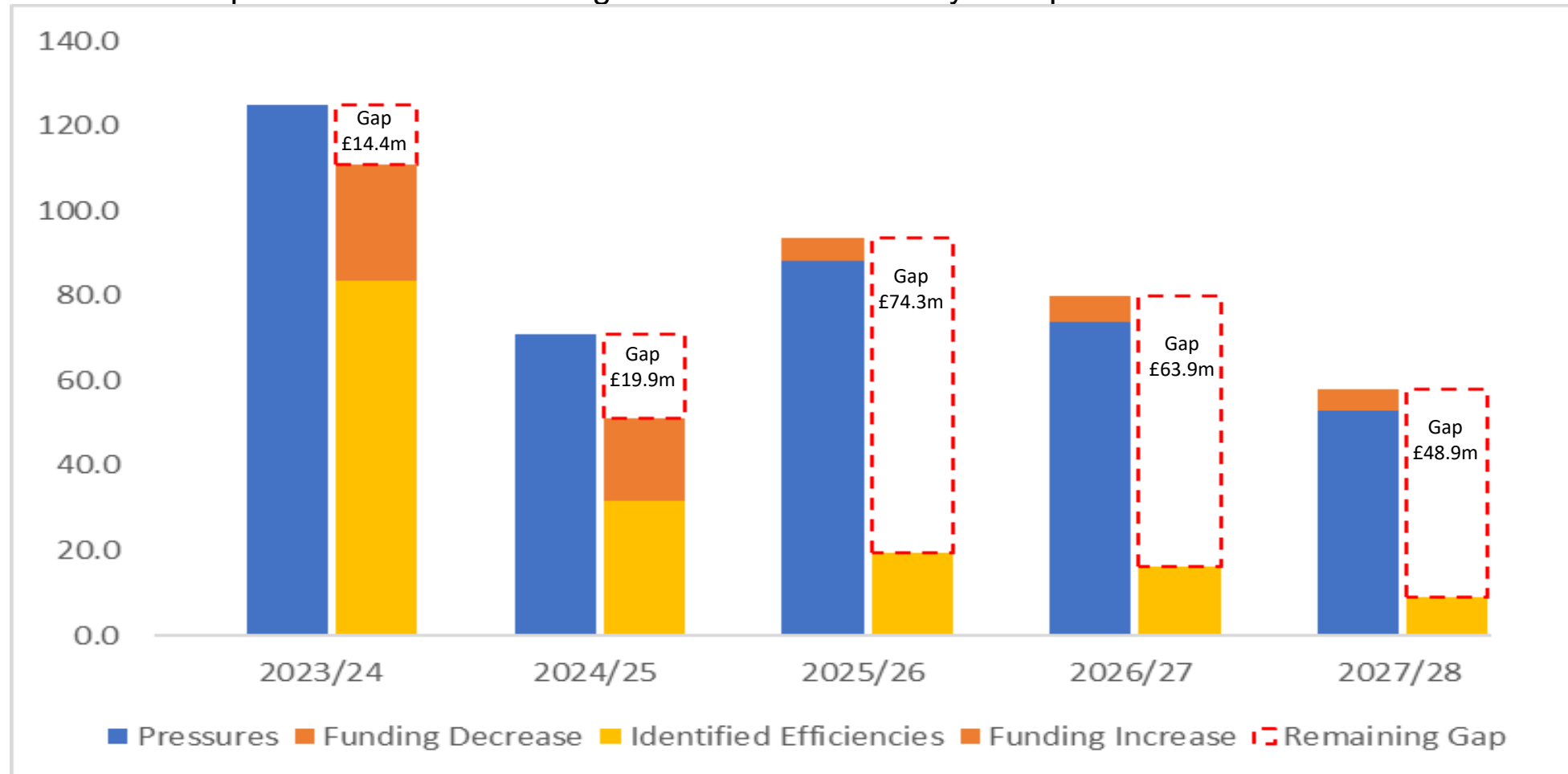
Medium Term Funding

The most significant influence on the Council’s medium term funding is the long-awaited implementation of Fair Funding Reforms, which are likely to see Surrey’s funding drop significantly over the medium-term.

With no indication from government as to their current plans for this reform and recent economic turmoil, our planning assumptions assume that reform is now more unlikely before the next General Election (included from 2025/26).

2023-28 Medium Term Financial Position

- Directorates are tasked with costing the core planning assumptions and developing Directorate scenarios to arrive at pressures and efficiencies for the MTFS from 2023/24 to 2027/28 to include alongside the Draft Budget
- Draft estimates of likely funding over the medium-term from Council Tax, Business Rates and Government Grants have been developed – these will need to be updated for funding announcements expected in December.
- **There is an estimated budget gap of £221 million by 2027/28.** The gap widens from 2025/26 as a result of the estimated impact of both Fair Funding Reforms and the delayed implementation of ASC Reforms



Options to close the Draft Budget Gap of £14.4 million

Additional Government Funding

- Significant uncertainty over Government funding both for 2023/24 and into the medium term
- Autumn Statement provided indication of additional funding for ASC and Education, no certainty on amounts until December Local Government Settlement

Identification of Additional Efficiencies

- Directorates continue to look for further deliverable efficiencies.
- List of 'alternative measures' developed which would likely result in service delivery reductions - would be required if no further funding was identified

Use of Reserves

- Worked hard to re-build depleted reserve levels to improve financial resilience
- Current level of reserves is considered appropriate given assessment of the risk environment
- Any use of reserves should be for one-off expenditure rather than to meet ongoing budgetary pressures.

Increase Council Tax

- Current budget assumptions are a 1.99 per cent increase, based on historical referendum level
- Autumn Statement announced ability for Councils to raise Council Tax (CT) by up to 3 per cent per year from April 2023 and an additional 2 per cent ASC Precept
- Any increase equates to c£8 million for every 1 per cent rise

Draft Capital Programme 2023 - 2028

- The draft capital programme for 2023/24 – 2027/28 equates to £1.9 billion - £1.1 billion approved programme and an additional £0.8 billion in the pipeline.
- The programme is deemed affordable and while it represents an increase in the revenue borrowing costs both in absolute terms and as a percentage of the net revenue budget (to c8 percent by 2027/28), it brings us in line with other similar sized authorities.
- The impact of inflation on schemes has led to a number of programmes needing to re-scale / value engineer proposals to ensure affordability within pipeline budget envelopes.
- These will need continued focus as we approach the final budget setting stage and throughout 2023/24 to ensure the impact is mitigated.
- The capital programme cannot continue to increase at this rate in perpetuity. If we continued to invest at these levels then the revenue pressure would become unsustainable and unaffordable.
- Therefore, from **2026/27 a 'cap' on unfunded borrowing of £40 million per annum** has been recommended. This is currently achieved in the Draft programme proposed, but needs to be maintained between the draft and final budget iterations.
- A review of profiling of capital schemes to ensure deliverability will be undertaken before the Final Budget is presented to Cabinet in January 2023 and Full Council in February 2023.



Directorate Positions

- **Resources**
- **Customer & Communities**
- **Communications, Engagement & Public Affairs**



Resources

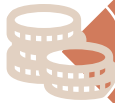
Summary of Services Provided by Directorate



Land & Property



IT&D



Finance



Performance Management



Legal & Democratic Services



People & Change



Leadership Office



Strategy & Policy



Transformation & Strategic Commissioning



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Orbis Partnership

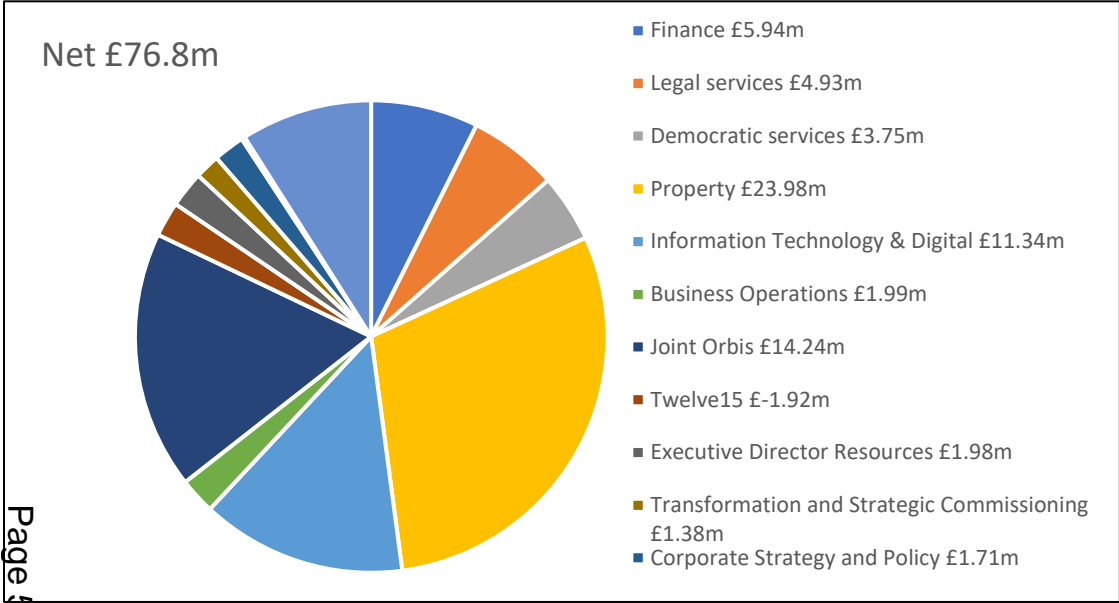


Procurement



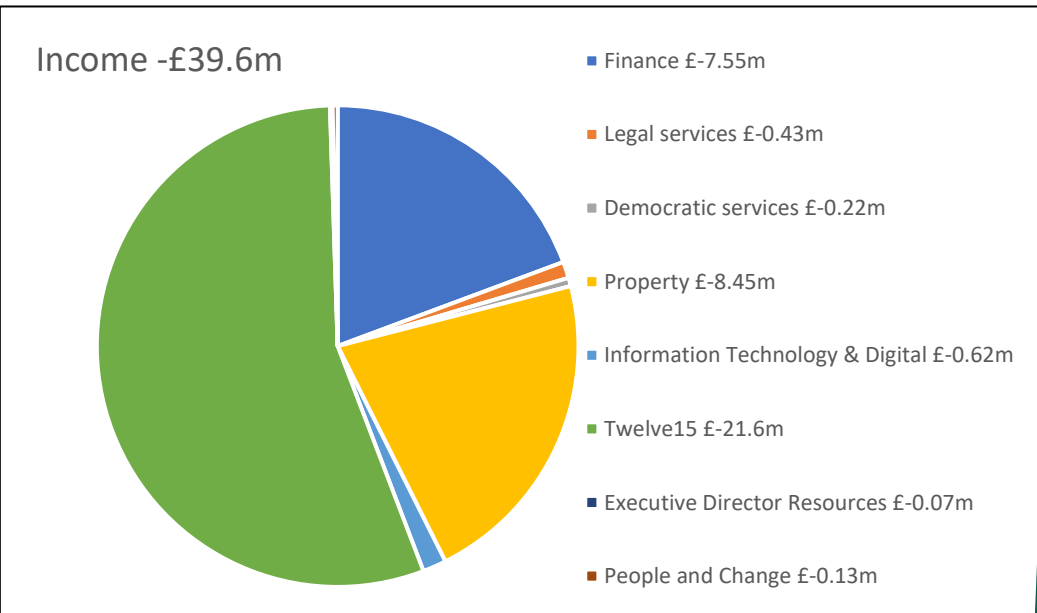
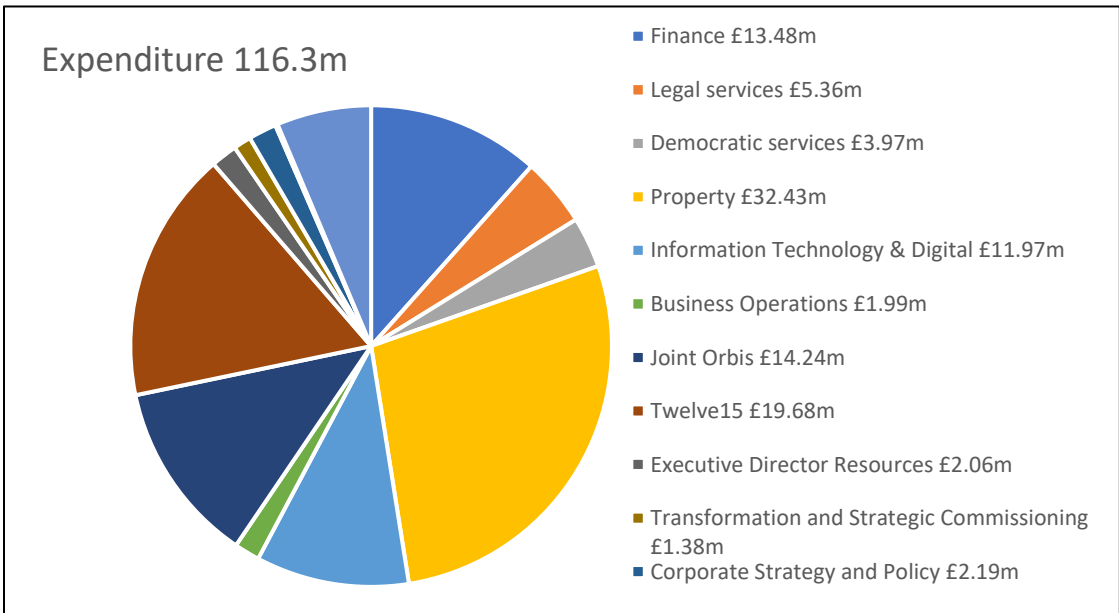
Business Operations

How is the service budget spent – breakdown of major services

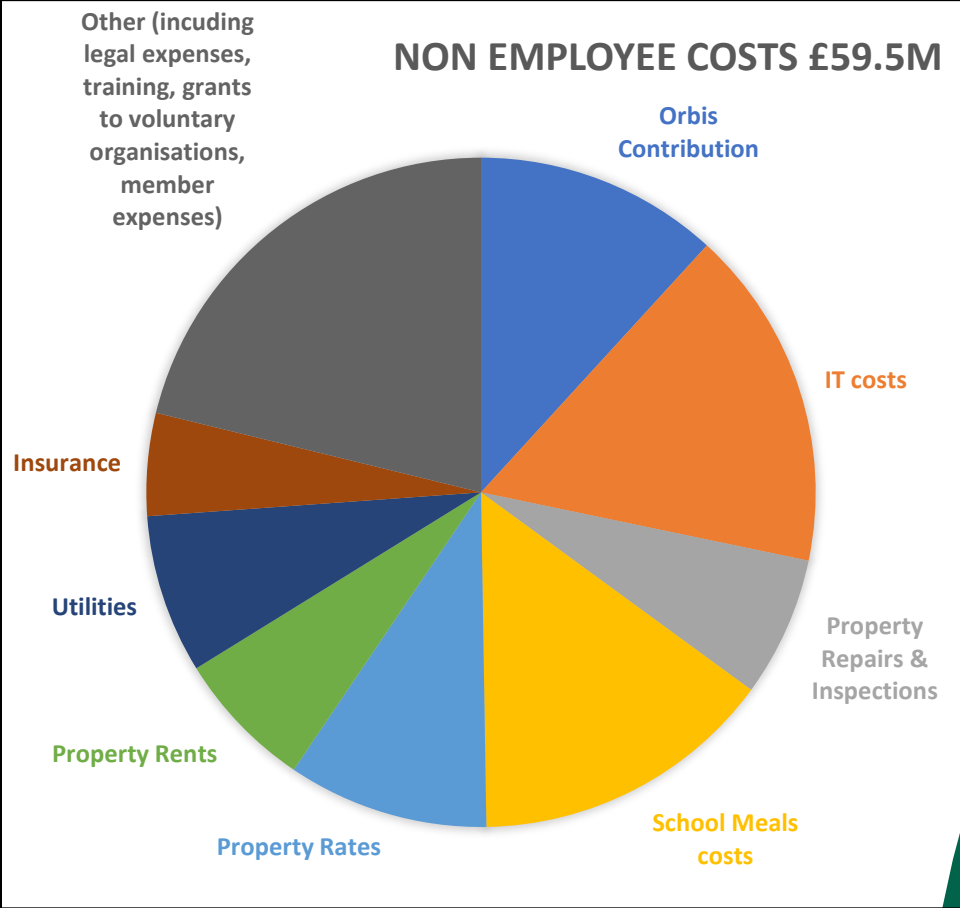
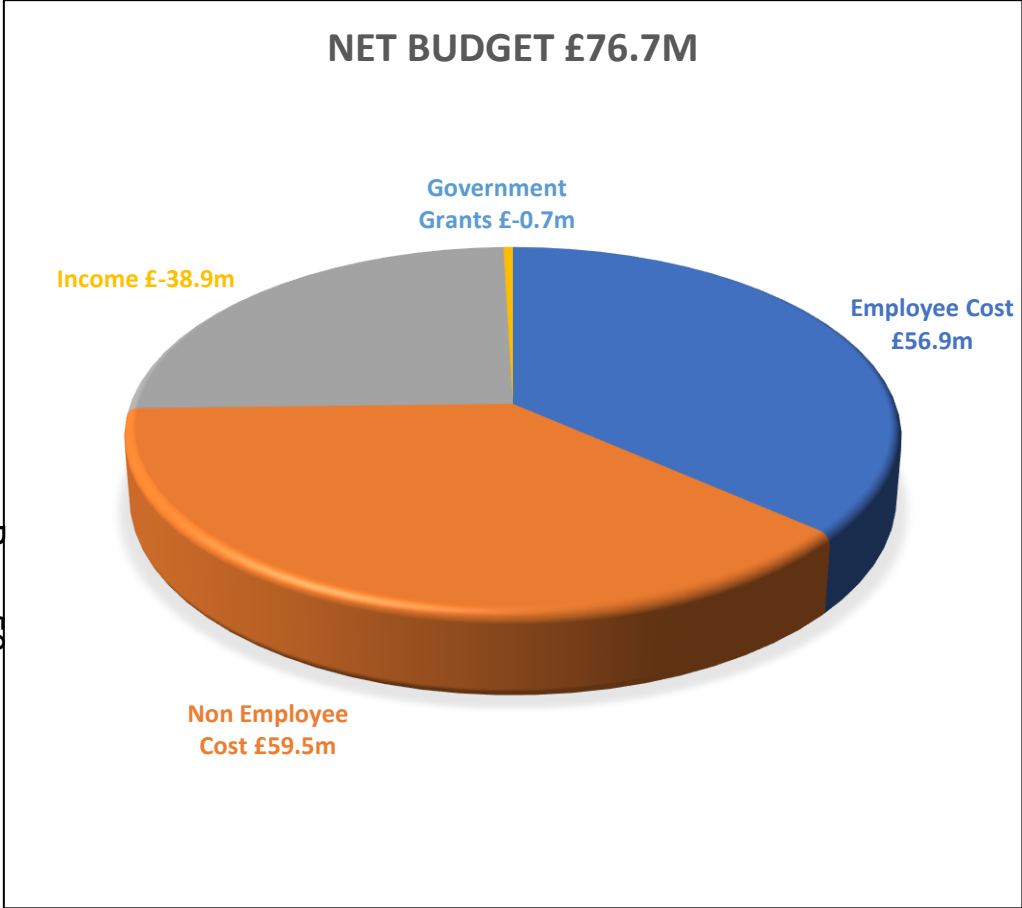


The chart to the left shows the split of the Resources net budget by service. Showing the largest areas of spend as Land & Property and the Information, Technology & Digital (IT&D) sovereign budgets. The Finance Service budget includes contributions to the Self Insurance Fund.

The charts below show the expenditure budget (£116.3 million) and the income budget (-£39.6 million) by service.



How is the service budget spent – subjective breakdown of spend



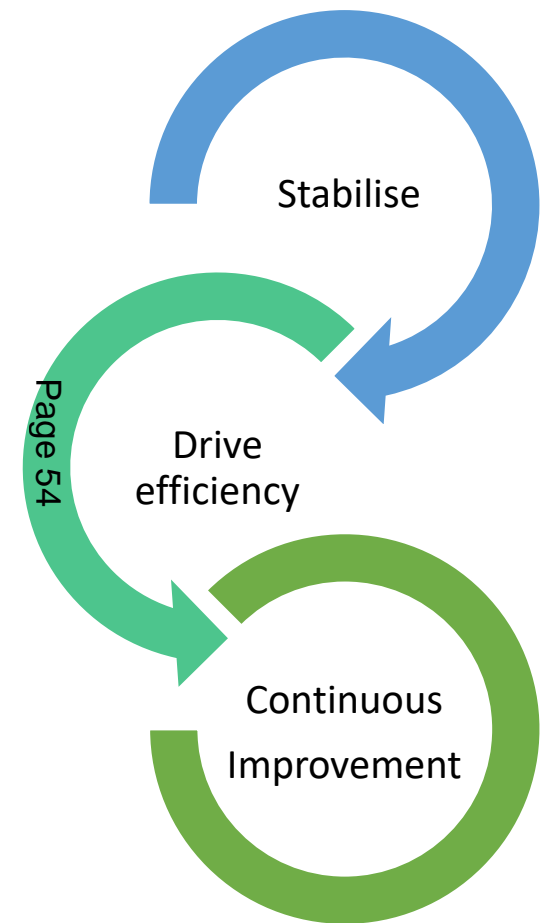
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The chart shows the types of Resources budget spend. The Orbis joint budget is shown as a non employee cost although it is mostly staffing. Therefore, the majority of spend is on staffing.

The chart shows the non employees expenditure budget. The largest non staffing spend is IT&D.

Service strategy headlines for 2023-28 MTFS

The Resources Directorate improvement programme aims to ensure the consistent delivery of high quality, trusted advice and services, performing to their full potential and in a collaborative way, as a key enabler for the County Council to achieve the best outcomes for local residents.



Initially the Directorate focused on stabilising and raising the quality of services provided

2022/23 began the process of identifying efficiencies - through the improvement programme the Directorate are looking to provide efficient services without reducing the service offer.

Looking into the medium term the Directorate will embed an ethos of driving continuous improvement and driving out efficiencies, without impacting service quality. Programmes enabling this approach include:



There is limited published data to compare the Resources budgets to. Furthermore authorities have different operating models making comparison difficult, for example some adopt a corporate model like Surrey others a devolved model where functions are part of service budgets. This makes comparison difficult and needs a full understanding of the delivery models.

The directorate is working on being able to provide comparisons:

- A Resources benchmarking group with near neighbours has recently been established.
- The directorate is working closely with Hertfordshire and will learn from this work.



2023-28 MTFS Budget Summary for Resources

Resources	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m	£m
Brought forward budget	76.8	76.8	79.3	78.5	79.0	81.2	
Pressures		8.9	2.6	2.6	2.7	2.7	19.6
Identified efficiencies		(6.3)	(3.4)	(2.1)	(0.5)	(0.5)	(12.7)
Total budget requirement		79.3	78.5	79.0	81.2	83.5	
Change in Directorate net budget requirement		2.5	(0.8)	0.6	2.2	2.2	6.7
Opening funding		76.8	78.4	79.1	77.8	76.7	
Share of funding change and borrowing costs		1.6	0.7	(1.3)	(1.1)	(0.8)	(0.9)
Funding for Year (Budget Envelope)		78.4	79.1	77.8	76.7	75.9	
Year on Year - reductions still to find		0.9	(1.5)	1.8	3.3	3.0	7.8
Overall Reductions still to find		0.9	(0.6)	1.2	4.5	7.6	

High levels of energy, building and food inflation are the main reasons why the directorate is facing significant financial challenge this year and next. In addition to this, demand for services such as Legal are leading to further pressures and a forecast 2022/23 overspend of £1.4 million. These pressures are addressed as part of budget planning but as a result the directorate needs to deliver efficiencies of £7.3 million to achieve a balanced budget. The next two slides set out the pressures and proposed efficiencies.

Summary of Budgeted Pressures

Pressure	2023/24 £m	Total MTFS £m
Non-pay inflation	3.90	8.10
Pay Inflation	3.60	10.10
IT&D Loss of income from Data Centre contract as key clients migrate to SaaS solutions.	0.07	0.07
New posts in IT&D established to help embed new digital and agile ways of working	0.17	0.17
Additional capacity in the Strategy Team to support Council-wide strategy and enhance ability to support people, place and organisational portfolios	0.17	0.17
Changes to staffing structure of Leadership Office	0.15	0.15
Ongoing demand for Legal Services linked to case volumes require additional capacity/increased external fees	0.40	0.40
Insurance above inflation cost increases and loss of schools income as schools move to academies	0.30	0.30
Audit fee - reprocurement	0.17	0.17
Total budgeted pressures	8.93	19.63

Planned Efficiencies

Efficiency Proposal		2023 /24 £m	Total MTFS £m	2023 /24 RAG
IT&D - efficiencies	Various such as MySurrey implementation resulting in reduced running costs of new system and Jive, reduced councilwide mobile phone savings and additional Fire Service income	-1.1	-0.9	Yellow
IT&D - Unicorn	Unicorn, new contract as per Cabinet paper, net of annual increased borrowing cost	0.0	-0.3	Green
Land & Property Agile Transformation	Office building rationalisation, lease cost reductions offset by additional running costs and borrowing costs	-0.8	-1.7	Yellow
Land & Property Indigo Transformation	Review of services	-0.5	-1.7	Yellow
Land & Property efficiencies	Twin track efficiencies from assets, business infrastructure and staffing	-0.6	-1.6	Yellow
Land & Property efficiencies	Variety of measures including improved supply chain management and a review of income generation opportunities	-0.2	-1.7	Red
Land & Property energy usage	Contain inflation by reducing energy usage	-0.6	-0.6	Red
People & Change - Efficiencies	Various such as Improved processes following MySurrey will lead to a reduction in FTE and increased income	-0.2	-0.3	Yellow
Finance efficiencies	Increased income from Commercial work and District & Borough support and delaying contribution to insurance reserve	-0.4	-0.1	Green
Exec Dir of Resources	Vacant post - partnership with Health and digitalisation	-0.1	-0.1	Green
Legal & Democratic Services	Administrative saving due to Joint Committees ending	-0.1	-0.1	Green
Twelve15 - Transformation Programme efficiencies	Efficiencies relating to staffing restructure and measures to increase customer base/income generation	-0.1	-0.1	Yellow
Twelve15 efficiencies	Income - Increase charge for paid meals by a further 3.8% in April 2023, this is in addition to a 6% increase in September 2022 and will impact parents	-0.3	-0.3	Red
Twelve15 efficiencies	Increase volumes of universal free schools meals	-0.1	-0.1	Yellow
Twelve15 efficiencies	Increase charge for universal free school meals by 2% from April. This will impact on schools unless government increases the rate to this level.	-0.2	-0.2	Red
Business Operations Transformation	Proposed structure changes from April	-0.3	-0.3	Yellow
Orbis service efficiencies	Efficiencies realised from a comprehensive review of the partner contribution rates.	-0.6	-0.6	Green
Orbis Joint Operating Budget	Joint efficiencies to be agreed with Joint Management Board	-0.2	-0.2	Red
All - Twin Track	Maximising our Income	0.0	-1.4	Red
All - Twin Track	Making the most of our contracts	-0.2	-0.6	Red
Total		-6.3	-12.7	

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Resources: Impact of 2021/22 budget decisions and efficiencies

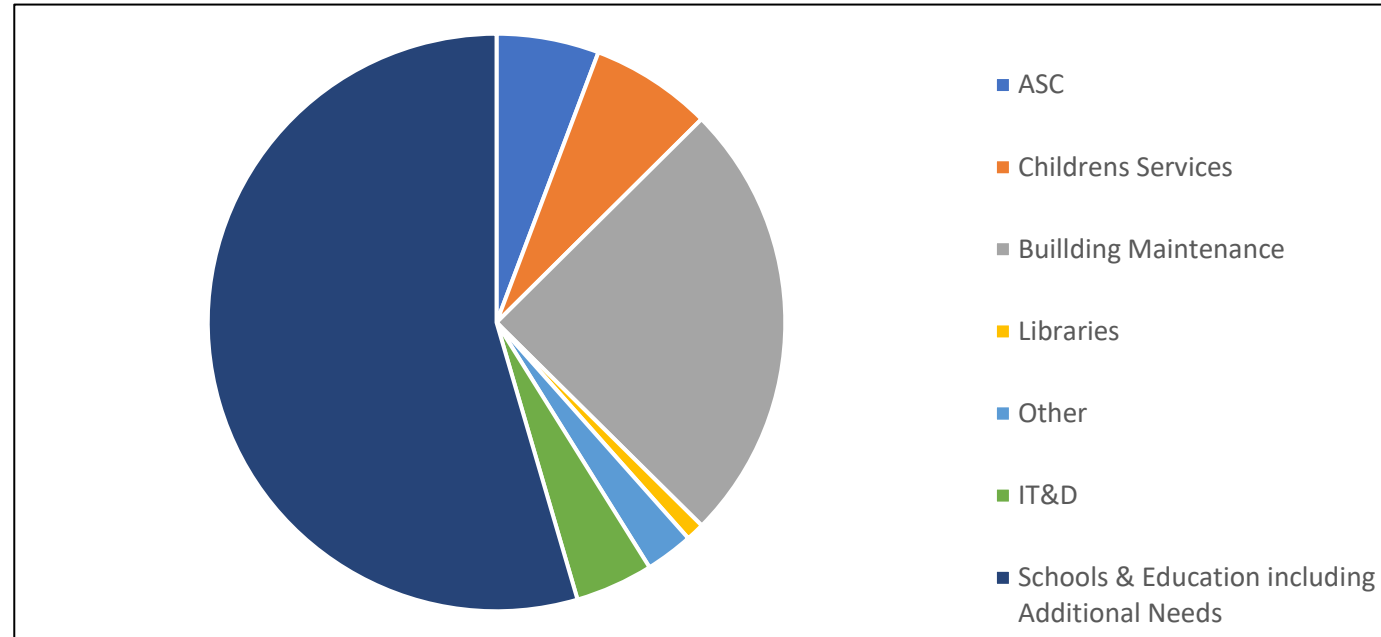
Corporate Strategy & Policy	MTFP Saving Title	How the saving was made	Category	Saving Target	Savings Achieved
Impact	Insight, Analytics & Intelligence	Healthwatch contract efficiencies	Efficiency	£30,000	£30,000
<p>This is a five year contract (with the potential to extend by an additional two years). Savings had been built in to years two and three of the contract from the outset. The provider was fully aware a 5 per cent saving of £30,000 was to be applied in year three. The commissioner and provider had planned for this change. This planning ahead has meant that any risks associated with this were mitigated. The provider is a Community Interest Company and part of the rationale of building in the savings was to drive efficiency within the commissioning arrangement, but to also encourage/give time for new income to be generated, which was achieved.</p>					
IT&D	MTFP Saving Title	How the saving was made	Category	Saving Target	Savings Achieved
Impact	IT&D efficiencies	Service-wide review and realignment, recognising implications of agile and digital transformation funding	Efficiency	£800,000	£800,000
<ul style="list-style-type: none"> The £800,000 was a revenue provision, built into the IT&Digital base budget, to fund the modernisation of the council's technology and support technology enabled innovation in the workplace. This was a legacy funding arrangement that related to a modernisation strategy from circa 2014/15 and did not directly relate to the TSU programmes of work such as Agile Organisation and Digital. The direct consequence of the budget reduction is that the IT&Digital service is no longer in the position to meet the cost of innovation and technology modernisation projects from within its own cash limits. All new areas of expenditure on new technology investment and digital innovation are subject to business case proposals that seek corporate. This change ensures all sense is cost and outcome justified, however, it is acknowledged that the additional governance steps would create an inherent lag and delay in the speed of response to new opportunities. 					
Orbis Partnership	MTFP Saving Title	How the saving was made	Category	Saving Target	Savings Achieved
Impact	Orbis business plan efficiencies	SCC share of efficiencies within IT&D and Procurement, contained within the Orbis Business plan	Efficiency	£289,000	£289,000
<p>There was no direct service impact as this efficiency was delivered by reductions in staff travel costs, following the pandemic and more effective use of IT, and by realigning some staff costs into the sovereign IT&D budget.</p>					

Resources: Impact of 2021/22 budget decisions and efficiencies

Land & Property	MTFP Saving Title	How the saving was made	Category	Saving Target	Savings Achieved		
Impact	Land & Property efficiencies	Efficiencies to be realised from property rationalisation, reduction in leased properties, focus on reducing utility costs and capitalisation of project staff costs where appropriate	Efficiency	£3,000,000	£3,000,000		
<p><i>“L&P improved its Net Revenue position by £3 million of which only £700,000 was attributed to a reduction in service (Maintenance)”</i></p>							
<table border="1"> <tr> <td>Increased Capitalisation of resourcing costs linked to projects</td> <td>£1m</td> </tr> </table>		Increased Capitalisation of resourcing costs linked to projects	£1m		<ul style="list-style-type: none"> • Estate Maintenance: reduction in estate maintenance spend with no immediate impact. <ul style="list-style-type: none"> ○ ,Current strategy to optimise the estate and replace dated expensive assets with new efficient buildings (Capital) whilst continuing to review the Facilities Management operating model to maximise vfm (FM transformation). Prevents the risk of asset deterioration and substandard service, and provides ongoing assurance. • Utility savings achieved in 2021/22 with no impact on service. (external factors impacting 2022/23) • Rental income increase & Business Rate rebates: no impact on service. • Capital projects: increase in activity resulted in resource costs (revenue) capitalised to projects 		
Increased Capitalisation of resourcing costs linked to projects	£1m						
<table border="1"> <tr> <td>Increased use of feasibility fund to reduce pressure on revenue</td> <td>£200k</td> </tr> </table>		Increased use of feasibility fund to reduce pressure on revenue	£200k				
Increased use of feasibility fund to reduce pressure on revenue	£200k						
<table border="1"> <tr> <td>Maintenance reduction (Reactive and PPM)</td> <td>£700k</td> </tr> </table>		Maintenance reduction (Reactive and PPM)	£700k				
Maintenance reduction (Reactive and PPM)	£700k						
<table border="1"> <tr> <td>Utilities</td> <td>£600k</td> </tr> </table>		Utilities	£600k				
Utilities	£600k						
<table border="1"> <tr> <td>Increased rent & service charge income</td> <td>£200k</td> </tr> </table>		Increased rent & service charge income	£200k				
Increased rent & service charge income	£200k						
<table border="1"> <tr> <td>Increased rate rebates etc</td> <td>£300k</td> </tr> </table>		Increased rate rebates etc	£300k				
Increased rate rebates etc	£300k						
<table border="1"> <tr> <td>Total</td> <td>£3m</td> </tr> </table>		Total	£3m				
Total	£3m						

Draft Capital Programme

The Capital Programme is comprised of the Budget (schemes which are developed and ready to proceed) and the Pipeline (schemes requiring further development and subject to business case approval). The Proposed Capital Budget for Resources totals £543 million over five years, funded from a number of sources including grants and borrowing.



In addition, there are a number pipeline schemes, which are dependent of further business cases in order to be included in the capital programme. The largest of these include the following indicative allocations:

- Extra Care Housing – part of the strategic ambition to build 725 units of affordable accommodation across Surrey by 2030.
- Independent Living – building new units of supported independent living accommodation as part of the broader strategic ambition to support the development of 500 units for people with a learning disability or autism across Surrey.
- Libraries Transformation Phase 1 (includes net zero activities) – investment in libraries across the County
- Corporate Asset Capital Programme Spend – estate rationalisation including building community hubs

Customer & Communities

Summary of Services Provided by Directorate

Customer and Communities delivers critical day-to-day universal services and operations that have a wide reach and strong public profile, while also shaping and driving several connected key strategies and transformation programmes that are central to the successful achievement of the Surrey County Council (SCC) Organisation Strategy, 2030 Community Vision and Surrey Health and Wellbeing Strategy. Libraries and Registration are both statutory services.

The Directorate is at the forefront of shaping and delivering the Council's priority ambition of empowering communities. Supporting the development of thriving communities is essential to delivering a greener future, driving a sustainable local economy, and tackling health inequalities - and strong and active communities are a crucial ingredient in enabling more people to live independently for longer.

The Directorate includes the following services:

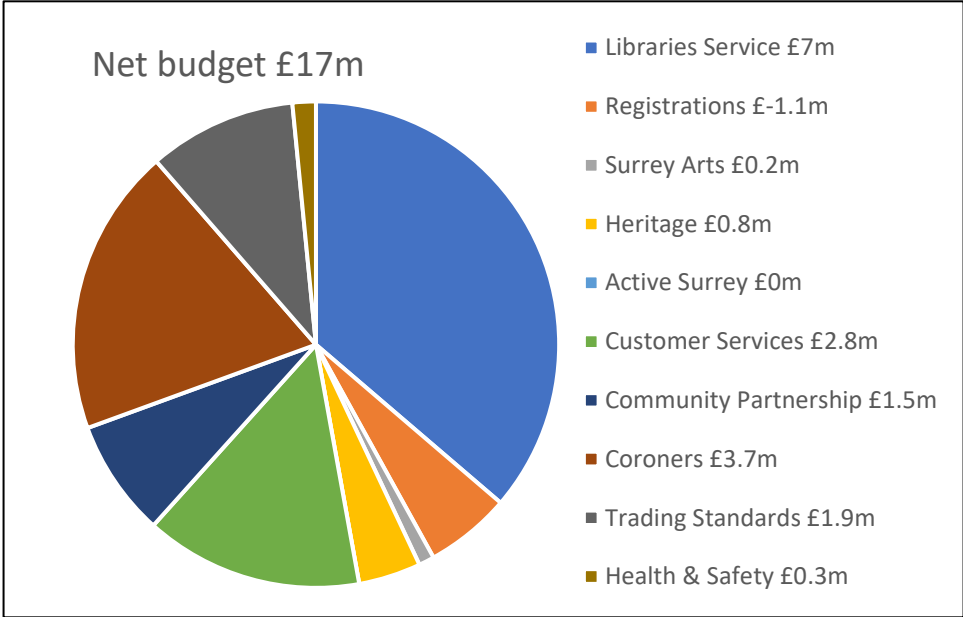
- Community Partnership and Engagement;
- Customer Services
- Libraries, Arts, Active Surrey and Heritage;
- Registration & Nationality Services;
- Coroners;
- Trading Standards and Health & Safety.

The Directorate is delivering key transformation programmes that continue to adapt and improve services to meet the changing needs of our residents and ensure financial sustainability:

- Customer Experience;
- Libraries and Culture Transformation;
- Enabling Empowered Communities.

How is the service budget spent – breakdown of major services

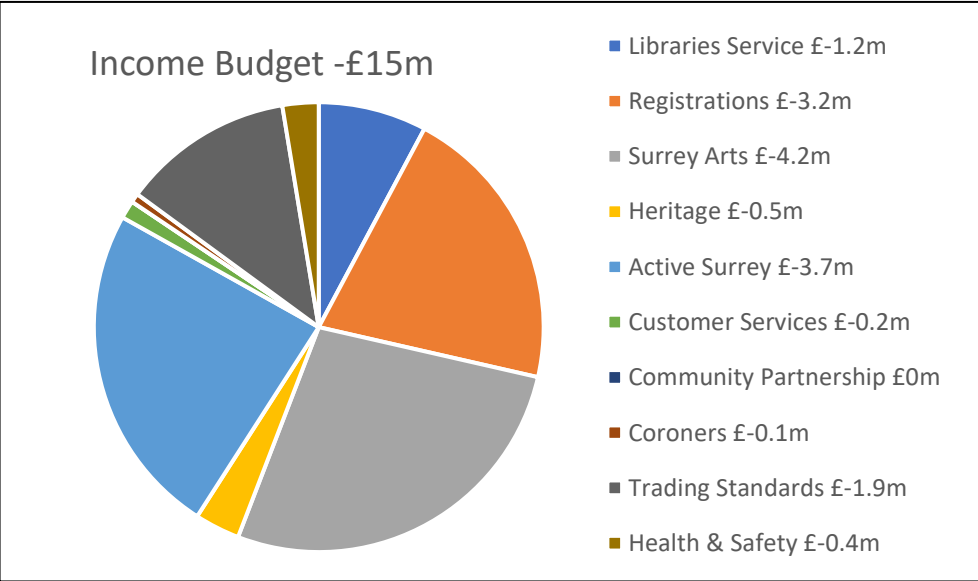
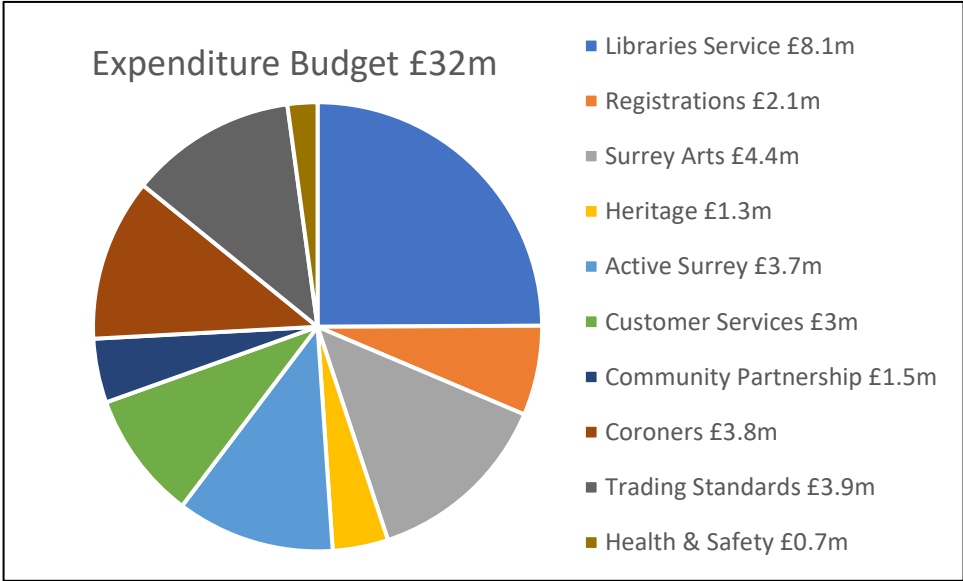
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The 2022/23 net budget is £17 million, this is £32 million of expenditure reduced by £15 million of income.

The Registrations service has a negative budget as it recovers more income than the direct costs in the directorate, the direct running costs of venues are held in the Resources directorate.

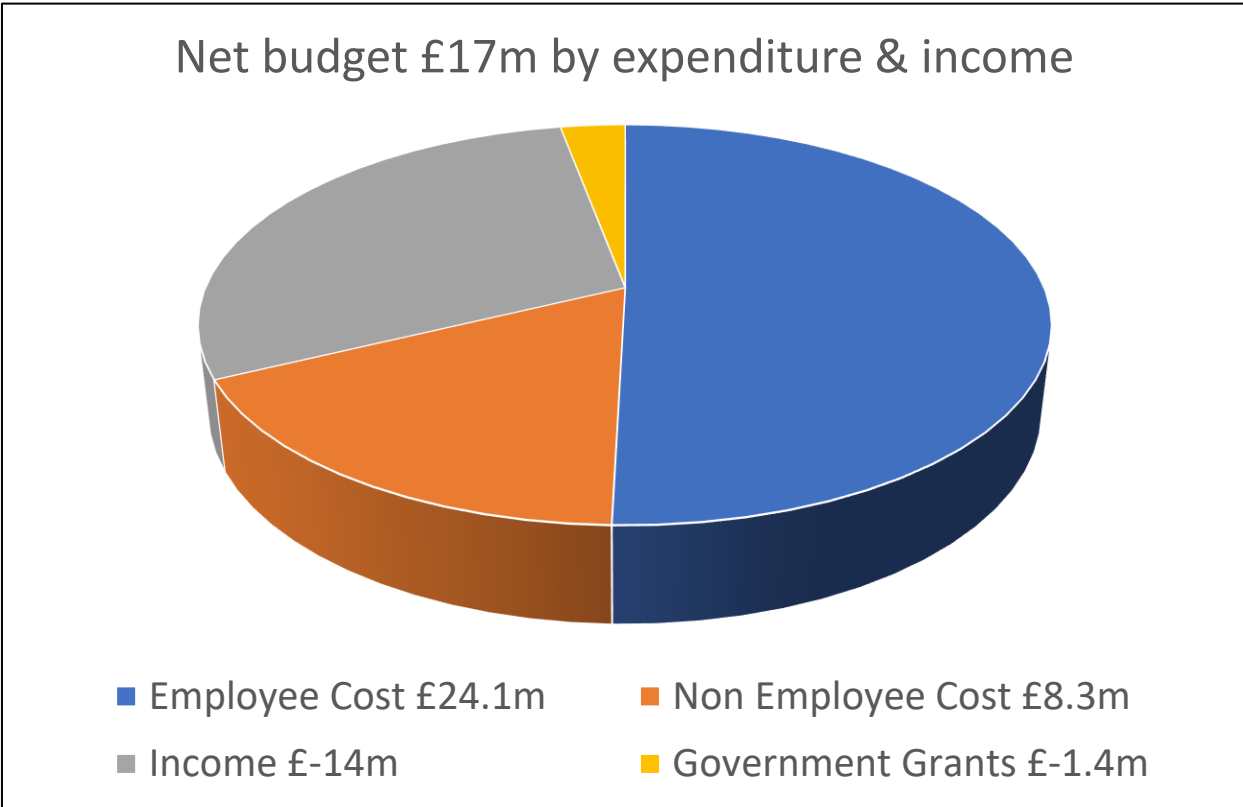
The Trading Standards budget is a joint budget with Buckinghamshire, £1.9 million is the net Surrey element.



How is the service budget spent – subjective breakdown of spend

- The largest expenditure is staffing and, of this, a higher proportion than the council averages are paid at the lower grades. Together this explains the high level of pressures relating to pay inflation as the 2022/23 pay award increased the lower graded staff by more than the higher grades;
- As shown in the previous slide the directorate generates high levels of income and has faced significant challenges due to Covid, however levels are on track to reach pre pandemic levels in 2023/24;
- The non-staffing expenditure includes the purchase of library books, the temporary body storage facility running costs and member allocations;
- Surrey Arts is part funded by grant from Department for Education through Arts Council.

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Service strategy headlines for 2023-28 MTFS

The overall approach to the financial constraints next year and over the medium term is guided by:

Maintaining delivery of agreed strategic priorities

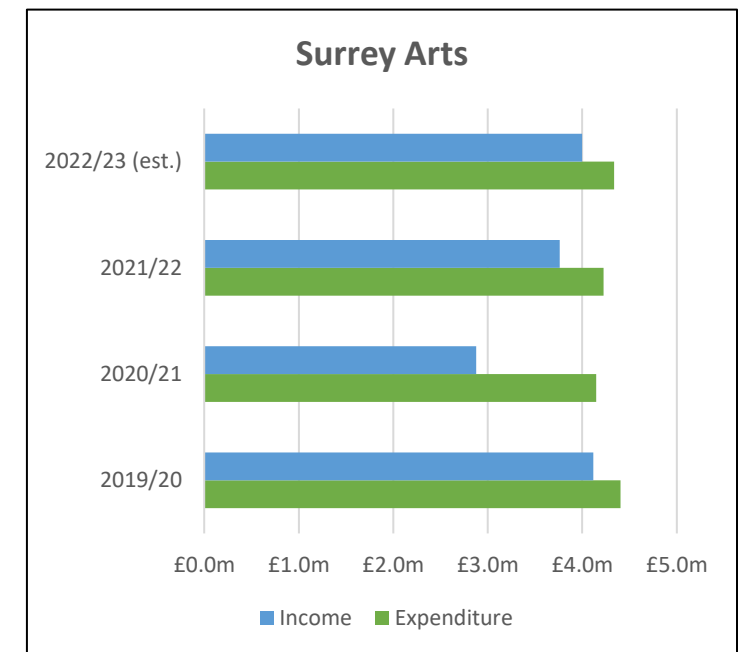
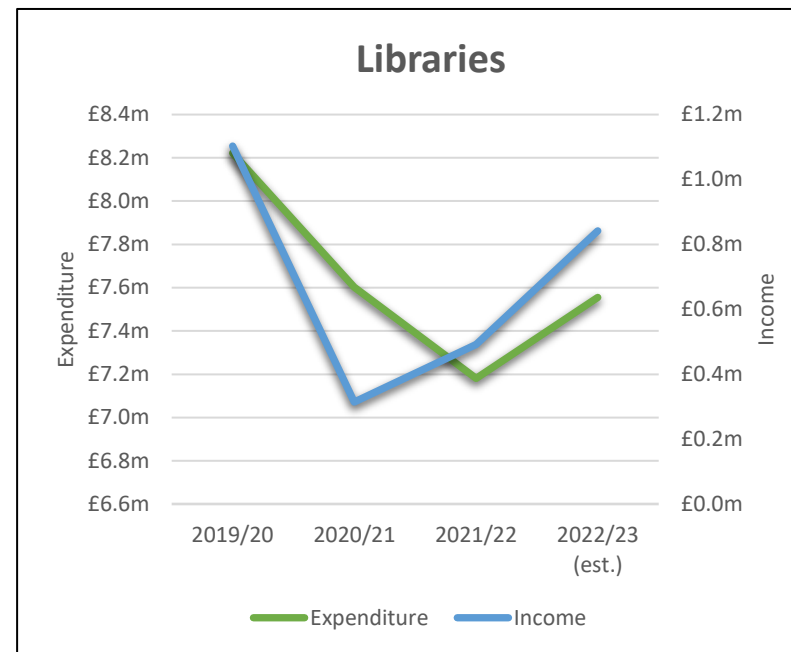
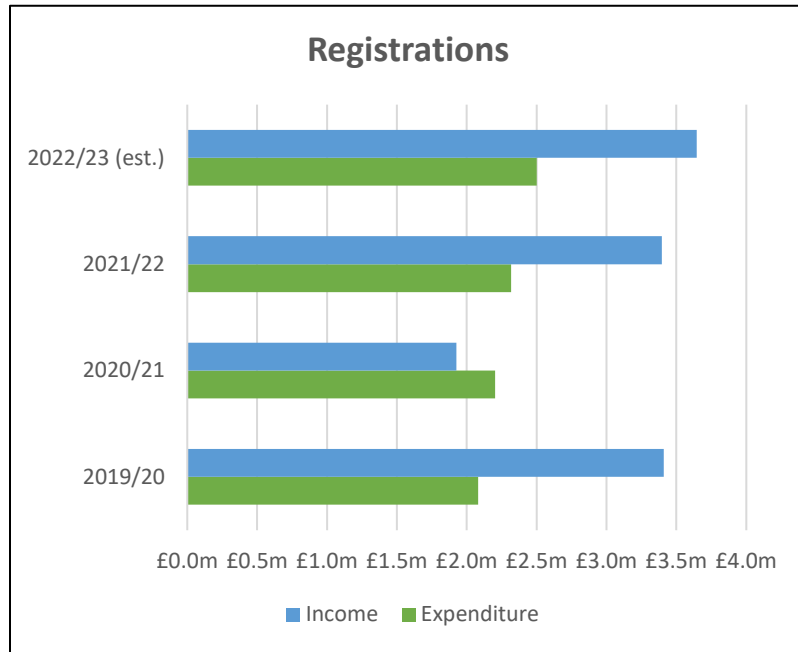
- specific direction on service levels and coverage
- establishing and extending new approaches as part of a wider transformation of the council's operating model (e.g., new approach to local engagement, community capacity building, extending the customer model, maximising impact of universal services)

Proposing a mix of operating efficiencies, increased income and targeted reductions that do not significantly impact the strategic direction and / or can be mitigated

Over the medium term embed changes to our operating model (as referenced above) that will support the council to achieve wider efficiencies and also cost avoidance through enhanced prevention and community capacity building



Trend Analysis



As shown in the charts the level of income reduced significantly in 2020/21 due to the Covid pandemic but is returning to similar levels achieved in 2019/20.

Registrations expenditure is mainly fixed but when there is a higher volume of ceremonies carried out in a year due to customer demand (creating income), there will be a corresponding increase in expenditure due to the additional staff required, as is shown by the increase in expenditure this year. The Registration & Nationality Service registers c18,000 births, c11,000 deaths and delivers c3,300 marriages and civil ceremonies per year. In terms of volumes, this places SCC in the top three local authorities for birth and top five local authorities for death registrations nationally.

Libraries transformation has delivered significant efficiencies of £3.5 million since 2018/19.

2023-28 MTFS Budget Summary for Customer & Communities

Customers & Communities							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m	£m
Brought forward budget	16.9	16.9	17.4	18.0	18.6	19.2	
Pressures		1.6	0.8	0.8	0.8	0.9	5.0
Identified efficiencies		(1.0)	(0.3)	(0.2)	(0.2)	(0.2)	(1.9)
Total budget requirement		17.4	18.0	18.6	19.2	20.0	
Change in Directorate net budget requirement		0.6	0.5	0.6	0.6	0.7	3.1
Opening funding		16.9	17.2	17.4	17.1	16.9	
Share of funding change and borrowing costs		0.4	0.2	(0.3)	(0.3)	(0.2)	(0.2)
Funding for Year (Budget Envelope)		17.2	17.4	17.1	16.9	16.7	
Year on Year - reductions still to find		0.2	0.4	0.9	0.9	0.9	3.3
Overall Reductions still to find		0.2	0.6	1.5	2.4	3.3	

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The directorate is facing significant pressures this year, mainly relating to the Coroners service which recently transferred into the directorate and additional pressures relating to income where usage of Libraries and Surrey Arts has not returned to pre pandemic levels yet.

For 2023/24 The Coroners pressures are recognised as a corporate issue and Libraries and Surrey Arts have reviewed likely income and direct costs to manage within existing budget envelopes next year. The main pressure facing the directorate is pay inflation leading to a need to deliver £1.8 million of efficiencies.

The next two slides set out the pressures and proposed efficiencies which result in a budget gap of £0.2 million.

Summary of Budgeted Pressures

Pressure	2023/24 £m	Total MTFS £m
Non-pay inflation	0.02	0.48
Pay Inflation	1.49	4.49
Agreed phased reduction in Coroners funding from Surrey Police	0.13	0.13
Trading Standards Income - reducing previous year pressure	-0.03	-0.11
Total budgeted pressures	1.61	4.99

Planned Efficiencies

Efficiency Proposal		2023 /24 £m	Total MTFS £m	2023 /24 RAG
Income Strategy	Generate additional income with a particular focus on additional service offers through Registrations plus inflationary uplifts to fees and charges	-0.4	-1.2	
Service & Cross directorate	Drive efficiencies and reduce costs whilst largely maintaining strategic direction and service delivery. This includes: <ul style="list-style-type: none"> - Reducing staffing costs through digitalisation and scheduling optimisation of registration services - Staff restructuring in Trading Standards - Not mediating non urgent highways calls through the contact centre - Reducing business support post the introduction of MySurrey. - Reducing spend on Community partnered libraries 	-0.5	-0.7	
One-off funding	Watts Gallery - agreed repayment of loan	-0.1	0.0	
Total		-1.0	-1.9	

How are impacts of prior year decisions/efficiencies measured?

The financial savings and efficiencies we have made as part of the programme have resulted from revising our contracts, charging models and workforce structures. We have created a staffing model for libraries which is lean, future-proofed and appropriately upskilled to respond to the current and future climate. We delivered £800,000 in savings from the libraries restructure over two years – 2021/2022 and 2022-2023 and we have reshaped the service to deliver improved outcomes.

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Year	Staffing costs £000	Operating costs £000	Total target £000	Commentary	RAG
2019/20	1,500		1,500	Achieved	
2020/21	600	200	800	Achieved	
2021/22	600		600	Achieved	
2022/23	200	350	550	Plans detailed on slide to your right	
2023/24 +	TBC	TBC	TBC	Financial plans for 2023/24 and beyond would be attributed to the services rather than transformation, as embedded into BAU.	
Total	2,900	550	3,450		

Measure	Target £000	RAG
Extend the teaching weeks across the year 30-33	45	
Staff restructure	30	
Total Arts	75	
Workforce efficiencies	200	
Donations	5	
Photocopier contract	20	
Van contract	25	
Other supplies & services reductions	20	
Total Libraries	270	
Heritage review	50	
Donations	5	
Total Heritage	55	
Review of charging model	100	
Total Registrations	100	
Further transformation savings	50	
Total	550	



How are impacts of prior year decisions/efficiencies measured?

The impacts of these savings and efficiencies are measured by how users and staff have responded to the service changes and how efficiently the services are operating. We are in the process of measuring the change that has resulted from the staffing restructure. There were risks associated with these changes which included; disengaged workforce and decreased performance but these were managed appropriately and we have seen an increase in performance, with an increased number of events (178 per cent with over 3400 events) and attendees following the relaxation of COVID restrictions increased number of book borrowing and events. We continue to monitor the Equality Impacts Assessments ([EIA](#)) we have produced as part of the workforce restructure for libraries and we have realised many of the positive impacts already, including the fact that the new structure has created opportunities for staff of varying ages to develop new skills and responsibilities.

97 per cent of respondents reported they received a good or very good standard of care when visiting our Libraries

93 per cent of respondents reported feeling good or very good about the Library they visited

“Since we began the programme in the autumn of 2020, we have seen a marked change in the attitudes and confidence of library staff at all levels. At the beginning we were able to answer questions and provide support and guidance. As we moved through the restructure and staff moved into their new roles, we saw an emerging confidence and proactive approach that bodes well for the new leadership team and the whole service.”

Sue McKenzie, Red Quadrant Training Provider



SURREY
COUNTY COUNCIL

Draft Capital Programme

Caterham Hill Library is part of the capital programme budget as it's business case has been approved and there are three other schemes in the pipeline. These are dependent on further business cases in order to be included in the capital programme.

1. Investment to enable the libraries transformation programme. This is a five-year programme of work to modernise library settings across Surrey to;
 - enable libraries to meet the changing needs of communities,
 - support wider strategic priorities,
 - ensure library assets fit and sustainable for the future.

Weybridge Library refurbishment

Permanent Mortuary

In addition Sunbury Library is part of the Land & Property Hubs Scheme.



Communications, Public Affairs and Engagement



Summary of Services Provided by Directorate & Service strategy headlines for 2023-28 MTFS

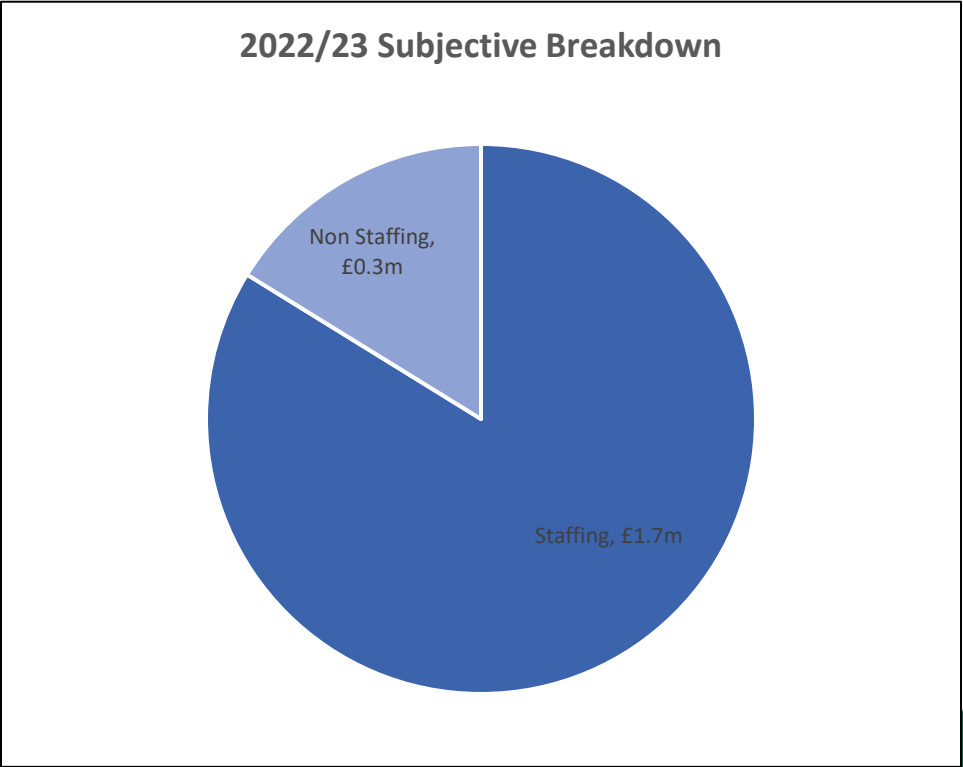
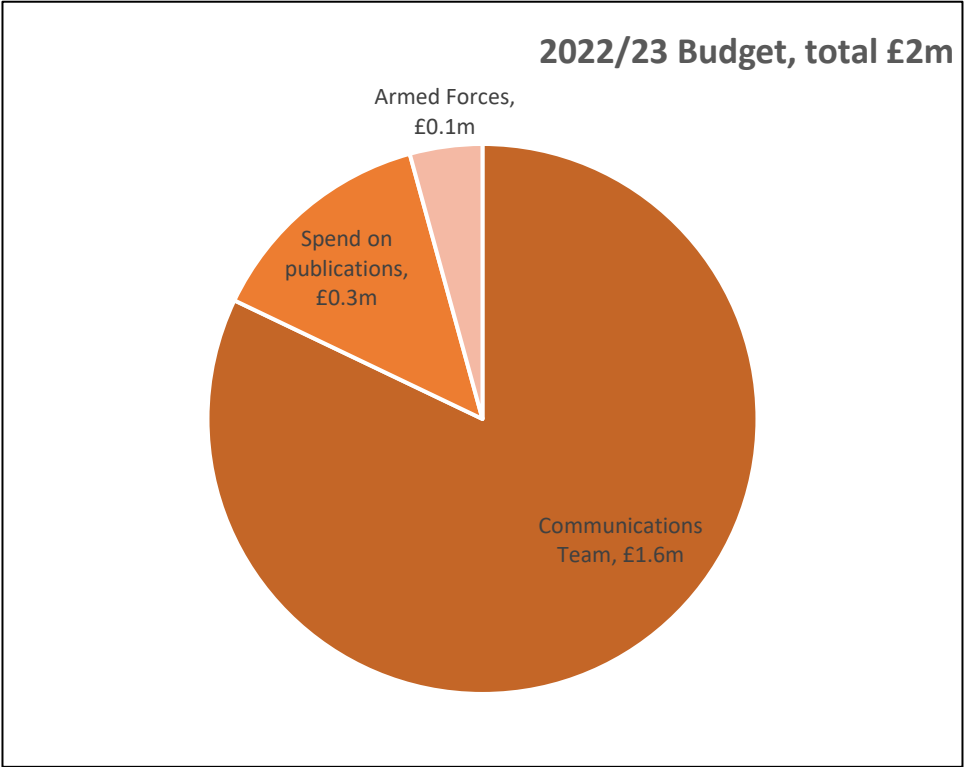
The Communications, Engagement and Public Affairs service is responsible for developing a Communications Strategy for Surrey County Council, mapping out a high-level narrative based on organisational priorities, underpinned by 'super campaigns' and ongoing resident and stakeholder communications.

The Directorate:

- Through a clear and consistent narrative, ensures residents understand the Council's challenges and its transformation achievements;
- Delivers a public affairs strategy which focuses the Council's political activities and makes clear the Surrey offer to key national Government stakeholders;
- Is responsible for developing an internal engagement plan that cultivates a culture of inclusion, nurtures talent, promotes diversity and creates connected employee communities;
- Ensures the organisation is prepared to respond to high profile media interest, protecting the Council's reputation, particularly in the areas where we are making critical service improvements; and
- Ensures the Council is prepared to deal with reputational challenges by being able to provide crisis management and support, ensuring that the bigger picture and a clear direction is connecting with stakeholders and partners.



How is the service budget spent – breakdown of major services & subjective analysis



The majority of the directorates spend is on staffing (£1.7 million) and £0.3 million is spent on publicity and printing.

2023-28 MTFS Budget Summary for Communication, Engagement & Public Affairs

Comms, Eng & PA							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m	£m
Brought forward budget	2.0	2.0	2.1	2.1	2.2	2.2	
Pressures		0.1	0.1	0.1	0.1	0.1	0.4
Identified efficiencies		(0.0)	0.0	0.0	0.0	0.0	(0.0)
Total budget requirement		2.1	2.1	2.2	2.2	2.3	
Change in Directorate net budget requirement		0.1	0.1	0.1	0.1	0.1	0.3
Opening funding		2.0	2.0	2.1	2.0	2.0	
Share of funding change and borrowing costs		0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Funding for Year (Budget Envelope)		2.0	2.1	2.0	2.0	2.0	
Year on Year - reductions still to find		0.0	0.0	0.1	0.1	0.1	0.3
Overall Reductions still to find		0.0	0.1	0.2	0.3	0.3	

The directorate has a balanced position.



Summary of Budgeted Pressures & Efficiencies

Pressure	2023/24 £m	Total MTFS £m
Non-pay inflation	0.04	0.07
Pay Inflation	0.08	0.29
Total budgeted pressures	0.12	0.36

Efficiency Proposal	2023/24 £m	Total MTFS £m	2023/24 RAG
Contain inflation	-0.03	-0.03	
Increased vacancy factor	-0.02	-0.02	
Total	-0.05	-0.05	

Annexes

Key Messages in relation to:

- **Adults Social Care**
- **Children, Families & Lifelong Learning**
- **Environment, Transport & Infrastructure**



Key Messages – Adult Social Care

- The directorate is facing an **incredibly challenging financial outlook** where the scale of the latest estimated required increased in budget resources is well in excess of current known available funding.
- **Key pressures** include:
 - **Care package spending pressures in 2022/23 that will carry forward into 2023/24.** Costs of care grew significantly during the pandemic due to increased acuity of care needs and market pressures. Continued cost pressures are now combining with rapidly rising demand for care services following reductions during the pandemic. The Draft Budget includes a carry forward pressure of £7.4 million, although this will need to be reviewed for the Final Budget in light of continued growth in care package commitments in recent months.
 - Very substantial budgeted **inflationary pressures for ASC provider fees and wider contracts & grants.** Pressures of £27.5 million in 2023/24 and £108 million across the whole MTFs are currently budgeted and account for over half of ASC's total pressures. These pressures factor in the current high rates of inflation as well as sizeable increases to the National Living Wage which drive changes in pay for care workers.
 - **Future years' demand pressures** of £6 million in 2023/24 and £35 million across the whole MTFs period for the anticipated increase in the numbers of people with eligible care needs who will require support funded by the Council.
 - The cost impact of supporting discharge from Surrey's hospitals for people with ASC needs. A pressure of £5.3 million is included in the Draft Budget for 2023/24 relating to **Discharge to Assess**, and this is also contributing to the care package spending pressures in 2022/23.
- ASC's budget position contains a **challenging set of efficiency plans** including strengths based practice and demand management, continuing to change models of care, purchasing of care efficiencies (set at levels in the context of the current economic climate), efficiencies associated with ASC services operated in-house and ensuring appropriate Continuing Health Care & Section 117 Aftercare funding from the National Health Service (NHS).
- It had been anticipated that significant pressures may also occur in the next two years relating to the **ASC charging reforms** that were due to come into effect from October 2023 due to additional costs for new burdens being well in excess of expected government funding. A two year delay until October 2025 was announced in the 17 November 2022 Autumn Statement. As such pressures representing the mid-point estimated funding gap have been deferred, with £14 million included in 2025/26 rising to £33 million in 2026/27.
- One of the key considerations for the Final Budget will be understanding the level of increased in SCC's **ASC funding** the next two years



Key Messages – Children, Families & Lifelong Learning

- The position within Children, Families & Lifelong Learning (CFLL) is significantly impacted by pressures being experienced in 2022/23. As at month six, CFLL is forecasting an overspend of £24.6 million.
- The largest variances are within Home to School Travel Assistance (HTSTA) (£15 million), External Children Looked After (CLA) Placements (£4.1 million) and staffing budgets linked in particular to social workers within the four quadrants (£2.5 million).
- These three areas are the largest pressures identified in 2023/24 and each pressure includes not only the year on year growth but an amount to reflect the 2022/23 overspend.

Efforts to mitigate pressures in H2STA and placements are focused on utilising ‘levers’ which can impact on demand and costs in a similar way to that which has been successful in approaching the Councils Dedicated Schools Grant (DSG) High Needs Block Deficit. These focus on in particular;

- Managing demand through effective practice and policies
 - Market management to mitigate the impact of inflation
 - Capital programme providing greater provision in Surrey
 - Working with partners to utilise economies of scale or opportunities for more cost effective options
- The Capital programme is a key element of the Special Educational Needs and Disabilities (SEND) and CLA financial strategies. During the MTFs planning for 2023/24 and beyond the impact of inflation on capital projects has been spotlighted. Work is ongoing to mitigate and identify other funding options but along with the wider capital programme the affordability of the overall programme will remain the key driver.



Key Messages – Environment, Transport & Infrastructure

ETI operates in a challenging environment with increasing demand for services, markets for services and commodities which can be volatile, and changes to resident's behaviour including the impact of the Covid-19 pandemic on travel patterns and waste volumes.

Budgeted pressures in 2023/24 total £14.9 million. Key items include:

- Non-pay (contract) inflation of £11.7 million across key contracts including highway maintenance, waste management, street lighting and bus services, including an adjustment in respect of 2022/23 where actual inflation is higher than included in the budget at the start of the financial year.
- Other smaller pressures in 2023/24 include pay inflation, the introduction of a young person's half price travel scheme (£0.5 million) and a new highway works management system (£0.5 million), as well as adjustments to prior year efficiencies and the cost of managing the impact of ash dieback.

Budgeted efficiencies total £3.5 million next year. Key items include:

- Prices of dry mixed recycling materials have improved over recent years and are currently providing a benefit of £2 million, which is assumed to continue into next year. However prices have historically been volatile, and this remains a risk.
- The volume of concessionary bus journeys taken by the elderly and disabled has reduced since the pandemic, resulting in a lower cost (£0.6 million) which is expected to continue.
- Other smaller efficiencies include reviews of fees and charges and contract management which are anticipated to deliver efficiencies of £0.4 million next year, increasing over the medium term; review of planning fees and developer funding (£0.4 million); expansion of on-street parking (£0.3 million), and reduced energy consumption following conversion of street lights to LED.

In addition Environment, Transport & Infrastructure (ETI) plans to deliver a five year capital programme of £1 billion, including maintenance of roads, bridges and other highway assets, the River Thames flood alleviation scheme, transport improvement schemes including the A320 North of Woking, supporting the introduction of low emission buses, the Surrey Infrastructure Plan and the Greener Futures carbon reduction programme.



2023-28 MTFS Budget Summary for Adult Social Care

Adults Social Care							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m	£m
Brought forward budget	401.7	401.7	434.5	458.6	493.6	531.8	
Pressures		52.6	38.2	45.5	48.1	29.5	213.9
Identified efficiencies		(19.8)	(14.1)	(10.5)	(9.9)	(2.9)	(57.2)
Total budget requirement		434.5	458.6	493.6	531.8	558.4	
Change in Directorate net budget requirement		32.8	24.1	35.1	38.2	26.6	156.7
Opening funding		401.7	410.2	413.8	407.2	401.3	
Share of funding change and borrowing costs		8.5	3.6	(6.6)	(6.0)	(4.1)	(4.6)
Funding for Year (Budget Envelope)		410.2	413.8	407.2	401.3	397.1	
Year on Year - reductions still to find		24.2	20.5	41.6	44.2	30.7	161.3
Overall Reductions still to find		24.2	44.7	86.4	130.5	161.3	

ASC's 2023/24 Draft Budget and 2023-28 MTFS presents an incredibly challenging financial outlook.

The 2023/24 requirement budgets for pressures of almost £53 million. Over half of this pressure relates to high level of care package and contract inflation in the context of the wider economic climate, cost of living crisis and ASC sector workforce challenges. Other key pressures include higher than budgeted levels of care package expenditure in 2022/23 expected to carry over into 2023/24, demand increases, pay inflation and pressures related to Discharge to Assess.

Continued substantial inflation and demand pressures are forecast from 2024/25 onwards together with the latest mid-point estimated funding gap for the proposed ASC charging reforms of £14 million in 2025/26 rising to £33 million in 2026/27.

A very challenging set of efficiency proposals is included in budget plans. The scale of efficiencies and cost mitigation achieved in previous years and broader system pressures makes it harder to achieve further savings in the years ahead.

This combined position equates to a gap of £24 million in 2023/24 rising to £161 million in 2027/28 compared to current estimated available corporate funding. Some difficult decisions will need to be made to close this gap if further funding is not forthcoming.

2023-28 MTFS Budget Summary for Public Service Reform

Public Service Reform							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m	£m
Brought forward budget	34.4	34.4	34.4	34.4	34.5	34.5	
Pressures		0.1	0.0	0.0	0.0	0.0	0.2
Identified efficiencies		0.0	0.0	0.0	0.0	0.0	0.0
Total budget requirement		34.4	34.4	34.5	34.5	34.5	
Change in Directorate net budget requirement		0.1	0.0	0.0	0.0	0.0	0.2
Opening funding		34.4	34.4	34.4	33.8	33.3	
Share of funding change and borrowing costs		0.0	0.0	(0.6)	(0.5)	(0.4)	(1.4)
Funding for Year (Budget Envelope)		34.4	34.4	33.8	33.3	33.0	
Year on Year - reductions still to find		0.0	0.0	0.6	0.5	0.4	1.6
Overall Reductions still to find		0.0	0.1	0.6	1.2	1.6	

Public Service Reform is showing a balanced budget position in 2023/24 and very near balanced in 2024/25.

This is based on the assumption that cost pressures resulting from pay inflation and contract inflation can be contained within modest budgeted increases to Public Health grant funding in the next two years.

There are risks that pressures could emerge for some contracts, most notably related to potential cost increases linked to the NHS Agenda for Change pay award which affects some Public Health contracts.

The current MTFS planning assumption is that the Public Health grant may become unringfenced as part of wider local government funding reform from 2025/26. If that happens the Public Health service budget would be required to contribute to corporate efficiencies in the same way as all other services that are not funded by ringfenced grants. This will need to be kept under close review as more information about funding reforms emerges.



2023-28 MTFS Budget Summary for Children, Families & Lifelong Learning

Childrens, Families & Lifelong Learning							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m	£m
Brought forward budget	221.8	221.8	250.0	254.9	260.9	267.1	
Pressures		38.7	11.7	11.1	10.1	10.2	81.8
Identified efficiencies		(10.5)	(6.8)	(5.1)	(3.9)	(4.1)	(30.4)
Total budget requirement		250.0	254.9	260.9	267.1	273.2	
Change in Directorate net budget requirement		28.2	4.9	6.0	6.2	6.1	51.4
Opening funding		221.8	226.5	228.5	224.9	221.6	
Share of funding change and borrowing costs		4.7	2.0	(3.6)	(3.3)	(2.3)	(2.5)
Funding for Year (Budget Envelope)		226.5	228.5	224.9	221.6	219.3	
Year on Year - reductions still to find		23.5	2.9	9.7	9.5	8.4	53.9
Overall Reductions still to find		23.5	26.4	36.1	45.5	53.9	

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The 2023/24 reductions still to find within CFLL are a reflection of the pressures currently being experienced in 22/23 continuing into next year. As per the 2022/23 month six monitoring report, CFLL is projecting an overspend of £24.6 million. With the largest variances within Home to School Travel Assistance (£15 million), External Children Looked After (CLA) Placements (£4.1 million) and Social worker staffing (£2.5 million).

These pressures, which are being consistently seen in County authorities across the country, remain the main drivers for the funding gap in 2023/24, and whilst efficiencies have been identified to mitigate some of them and identified demand pressures. The overall budget envelope gap is still £23.5 million.



2023-28 MTFS Budget Summary for High Needs Block (Dedicated Schools Grant)

High Needs Block (DSG)	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m	£m
Brought forward budget	27.2	27.2	5.0	5.0	5.0	5.0	
Pressures		0.0	0.0	0.0	0.0	0.0	0.0
Identified efficiencies		(22.2)	(0.0)	(0.0)	(0.0)	(0.0)	(22.2)
Total budget requirement		5.0	5.0	5.0	5.0	5.0	
Change in Directorate net budget requirement		(22.2)	(0.0)	(0.0)	(0.0)	(0.0)	(22.2)
Opening funding		27.2	5.0	5.0	5.0	5.0	
Share of funding change and borrowing costs		0.0	0.0	0.0	0.0	0.0	0.0
Funding for Year (Budget Envelope)		27.2	5.0	5.0	5.0	5.0	
Year on Year - reductions still to find		(22.2)	(0.0)	(0.0)	(0.0)	(0.0)	(22.2)
Overall Reductions still to find		(22.2)	(22.2)	(22.2)	(22.2)	(22.2)	

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In March 2022 the Council entered into a ‘Safety Valve’ agreement with the Department for Education (DfE). This agreement sees the Council receive up to £100 million of additional DSG funding if successful in remaining on an agreed trajectory to achieving financial sustainability by 2027/28.

As a result of this the Council will no longer require a financial contribution from the General Fund to reserves beyond 2023/24 in order to have sufficient funds set aside to cover the agreed SCC contribution within the ‘Safety Valve’ agreement. A balance of £5 million per annum remains in place each year over that period to provide some contingency should the trajectory deviate.

To date the Council has received over £46 million of the additional grant funding, with that figure rising to £52 million should it remain on track to the end of 2023/24 meaning over half the funding will have been received.



2023-28 MTFS Budget Summary for Environment, Transport & Infrastructure

Environment, Transport & Infrastructure							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m	£m
Brought forward budget	141.7	141.7	153.1	155.8	158.3	161.8	
Pressures		14.9	4.8	3.0	3.8	3.9	30.4
Identified efficiencies		(3.5)	(2.2)	(0.6)	(0.3)	(0.3)	(6.8)
Total budget requirement		153.1	155.8	158.3	161.8	165.4	
Change in Directorate net budget requirement		11.4	2.7	2.5	3.5	3.6	23.6
Opening funding		141.7	144.7	146.0	143.7	141.6	
Share of funding change and borrowing costs		3.0	1.3	(2.3)	(2.1)	(1.5)	(1.6)
Funding for Year (Budget Envelope)		144.7	146.0	143.7	141.6	140.1	
Year on Year - reductions still to find		8.4	1.4	4.8	5.6	5.1	25.2
Overall Reductions still to find		8.4	9.8	14.6	20.2	25.2	

The 2023/24 ETI budget requirement is driven by pressures of £14.9 million including contract and pay inflation, and additional resources to meet demand and deliver Council priorities, such as the introduction of a young person's travel scheme and funding to address ash dieback. These are partially offset by efficiencies totalling £3.5 million including improved waste market prices for recyclables, reduced concessionary travel, and smaller efficiencies including contract management and fees and charges. Once changes in funding are included this results in a gap of £8.4 million when compared to currently estimated funding, which will be reviewed once the Provisional Local Government Finance Settlement is published (expected in December).

This gap increases in future years primarily as a result of inflation and estimated changes to the Council's funding in future years.

2023-28 MTFS Budget Summary for Surrey Fire & Rescue Service

SFRS	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m	£m
Brought forward budget	33.2	33.2	38.6	39.7	39.9	40.2	
Pressures		6.4	1.2	0.2	0.6	0.9	9.3
Identified efficiencies		(0.9)	(0.2)	0.0	(0.4)	0.0	(1.5)
Total budget requirement		38.6	39.7	39.9	40.2	41.1	
Change in Directorate net budget requirement		5.4	1.1	0.2	0.3	0.9	7.8
Opening funding		33.2	33.9	34.2	33.7	33.2	
Share of funding change and borrowing costs		0.7	0.3	(0.5)	(0.5)	(0.3)	(0.4)
Funding for Year (Budget Envelope)		33.9	34.2	33.7	33.2	32.9	
Year on Year - reductions still to find		4.7	0.8	0.7	0.8	1.2	8.2
Overall Reductions still to find		4.7	5.5	6.2	7.0	8.2	

The Fire service's 2023/24 budget requirement is driven by pressures of £6.4 million including: anticipated national pay inflation, increased costs across the service including fuel & vehicles, training and communications, and additional costs associated with recruitment and resilience including staffing numbers, measures to aid retention and learning & development. These pressures are partially offset by efficiencies totalling £0.9 million including a reduction in overtime and utilisation of grant and capital funding. Once changes in funding are included this results in a gap of £4.7 million when compared to currently estimated funding, which will be reviewed once the Provisional Local Government Finance Settlement is published (expected in December). The gap increases in future years primarily as a result of anticipated pay inflation and estimated changes to the Council's funding in future years.

2023-28 MTFS Budget Summary for Partnerships, Prosperity & Growth

Partnerships, Prosperity & Growth							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m	£m
Brought forward budget	1.6	1.6	1.6	1.6	1.7	1.7	
Pressures		0.2	0.0	0.0	0.0	0.0	0.3
Identified efficiencies		(0.1)	0.0	0.0	0.0	0.0	(0.1)
Total budget requirement		1.6	1.6	1.7	1.7	1.8	
Change in Directorate net budget requirement		0.0	0.0	0.0	0.0	0.0	0.2
Opening funding		1.6	1.6	1.6	1.6	1.6	
Share of funding change and borrowing costs		0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Funding for Year (Budget Envelope)		1.6	1.6	1.6	1.6	1.5	
Year on Year - reductions still to find		0.0	0.0	0.1	0.1	0.1	0.3
Overall Reductions still to find		0.0	0.0	0.1	0.2	0.3	

The Directorate has a balanced position.

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FRIDAY, 9 DECEMBER 2022



STRATEGIC INVESTMENT BOARD MID YEAR REPORT - FINANCIAL YEAR 2021/22 AND FORECAST UPDATE 2022/23:

Purpose of report: As part of its strategy to innovate in developing new models of delivery and to benefit from the freedoms introduced by the Localism Act, Surrey County Council had made investments and created trading companies to deliver income and efficiencies and in doing so has established a Strategic Investment Board, which reports annually to the Council. The purpose of the Board was to safeguard the Council's interest as shareholder and to take decisions in matters that required the approval of the Council as owner of a company.

The report is due to be considered by the Strategic Investment Board at its meeting in February 2023. As part of good governance, it has previously been agreed to have the annual and mid-year reports scrutinised in advance by the Resource & Performance Select Committee.

Executive Summary:

1. The Strategic Investment Board was created in June 2019 following the combining of the Shareholder Board and the Investment Board. The Shareholder Board and the Investment Board were created following the report to Cabinet in March 2013 outlining the Council's strategic approach to innovation and evaluating new models of delivery. It has been established in accordance with best practice governance principles to ensure effective oversight and alignment with the strategic objectives and values of the Council. The Board's responsibilities and powers include:
 - a) approval of annual business plans; and
 - b) reviewing the financial and overall performance of trading companies; and
 - c) appointing and removing directors.
2. The Strategic Investment Board is comprised of four members of the Council's Cabinet and is supported by senior officers of the Council, including the Section

151 Officer (Executive Director of Resources) and the Monitoring Officer (Director of Law & Governance).

3. The Board works in accordance with its Terms of Reference which are reviewed on an annual basis
4. Meetings are scheduled to take place on monthly basis.

Risk Management and Implications:

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

Financial and Value for Money Implications:

6. The Strategic Investment Board is responsible for monitoring the financial performance of companies in which the council owns shares and also maintains oversight of the Council's group position. The Board and its advisors ensure that the relationship between the Council and its companies are on an "arms-length" basis as required by legislation. This means, for example, that the Council must recover the full cost of any accommodation, goods and services supplied to a trading company. Any financial assistance provided must be for a limited period, provided under a formal agreement and made in the expectation of returns in the future.

Recommendations:

7. It is proposed, in respect of the Mid Year Report of the Strategic Investment Board (Annex A), that:
 - a) The Resource and Performance Select Committee reviews and notes the Report, and
 - b) The Strategic Investment Board approves the report.

Next steps:

The report is due to be considered by the Strategic Investment Board at its meeting in February 2023. Cabinet will then be asked to endorse the report.

Report contact

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Annexes

Annex A: Strategic Investment Board Mid-Year Report – Part 1

Annex B: Strategic Investment Board Mid-Year Report – Part 2

Sources/background papers

N/a

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Strategic Investment Board

Mid-Year Report

Financial Year 2021/22 with mid-year update in
2022/23



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



The Council's strategic framework for innovation and investment has supported the development of initiatives to enhance the financial resilience of the Council. The Strategic Investment Board (SIB) monitors the Council's trading activity and its investments in companies to ensure satisfactory performance and effective risk management. The financial returns delivered by trading and investment helps to ensure that we continue to deliver quality services to our residents.

The SIB provides effective over-sight ensuring alignment with the strategic objectives and values of the Council. The SIB 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 mid-year report of the SIB provides an overview of the progress we have made in the year to deliver innovation in service delivery and in enhancing the financial resilience of the Council. The report also gives an update on the companies' full year performance for 2021/22 which were in part impacted by the now ended Covid-19 restrictions.



Tim Oliver
Leader of Surrey County Council

Purpose

The primary and most common purpose behind the creation of a Local Authority Trading Company (LATC) is to enable a Council to participate in commercial trading activities. Many local authorities have created a LATC for this purpose, with the most common reason given being in order to grow income to protect services.

The decision to create a company or invest in shares is now taken by the SIB upon the basis of a business case. Like many other Councils, Surrey County Council (SCC) has created companies to trade and grow income; with profits generated for the Council available to support the delivery of the Council's Medium Term Financial Plan and enhance financial resilience. This is however not the only reason for the creation of a company or investment in shares.

Surrey Choices for example was set up to safeguard the provision of services to people with learning and physical disabilities. Cabinet likewise approved the creation of a Property Company to strengthen the Council's ability to invest in a diversified and balanced portfolio of assets in pursuit of its Investment Strategy. The investment in the UK Municipal Bonds Agency was made to give the Council an alternative source of finance at preferential rates. The establishment of a Recruitment Joint Venture, Connect2Surrey, will enable the Council to have flexibility and control of temporary and interim recruitment in a changing market to suit both the needs of the Council and of the workforce.

The Council has created companies and purchased shares in order to –

Deliver services, benefiting from efficiencies driven by operating in a commercial environment

Trade & generate income

Invest in assets to deliver an income

THE STRATEGIC INVESTMENT BOARD

Governance

- The SIB was created in June 2019 following the combining of the Shareholder Board and the Investment Board as noted in the 2018/19 report.
- The Board and its role are noted in the constitution of the Council.
- The Board works in accordance with its Terms of Reference which are reviewed on an annual basis.
- Meetings are scheduled to take place monthly.
- A review of the governance of the companies was conducted during 2021/22. The overarching findings were that the existing governance and reporting processes were sound and provided visibility of decision making and of performance.
- However, improvements were identified and have now been implemented. These include an increase in:
 - reporting and oversight by Members and scrutiny; safeguarding against conflicts of interest; communication between company and shareholder; formal Director training

The Strategic Investment Board is comprised of three members of the Council's Cabinet and is supported by senior officers of the Council, including the Section 151 Officer (Executive Director of Resources) and the Monitoring Officer (Director of Law & Governance).

Members

- Leader
- Deputy Leader and Cabinet Member for Corporate Support and Resources
- Cabinet Member for Economic Development and Property
- Cabinet Member for Transport and Infrastructure

Advisors

- Chief Executive
- Deputy Chief Executive (Section 151 Officer)
- Director of Law & Governance (Monitoring Officer)

Strategic Investment Board Annual Report

The SIB is further supported by the Asset Strategy Board (ASB) and the Shareholder Investment Panel (SHIP). The roles of both the ASB and the SHIP are detailed on Page 101 of the report.

Strategic Investment Board & Decision-Making Process

The day-to-day operation of each company is the responsibility of the Directors (of each company) with the SIB being responsible for taking decisions on behalf of the Council where these are of a more strategic nature. The extent of this decision-making will depend upon the Council's shareholding and upon terms included in a company's Articles of Association (matters reserved for the Shareholder) and / or a Shareholders Agreement in relation to Joint Venture companies. The Articles of Association for the Council's wholly owned companies stipulate that the shareholder, that is the SIB on behalf of the Council, are required to approve or make decisions in relation to the following matters summarised in the table below.

<u>Decision</u>	<u>Rationale</u>
Changes to the Articles	Removes all controls
Appoint and remove Directors	To ensure that the company is appropriately managed and that there is satisfactory governance
Material change in the nature or scope of the business	To ensure companies only undertake activities for which approval has been given and to protect the Council's reputation
Purchase of shares or interest in another company. Acquisitions of any business or any shares.	Significant business decision which may involve further financial risk
Borrowing or the raising of finance (except from SCC). The creation of any security interest (except SCC)	To avoid taking on debt that undermines security for SCC debt (excluding de-minimis bank overdrafts) and to avoid incurring further financial risk
Issuing, withdrawal or buy back of shares	To maintain SCC ownership as originally intended

Strategic Investment Board Annual Report

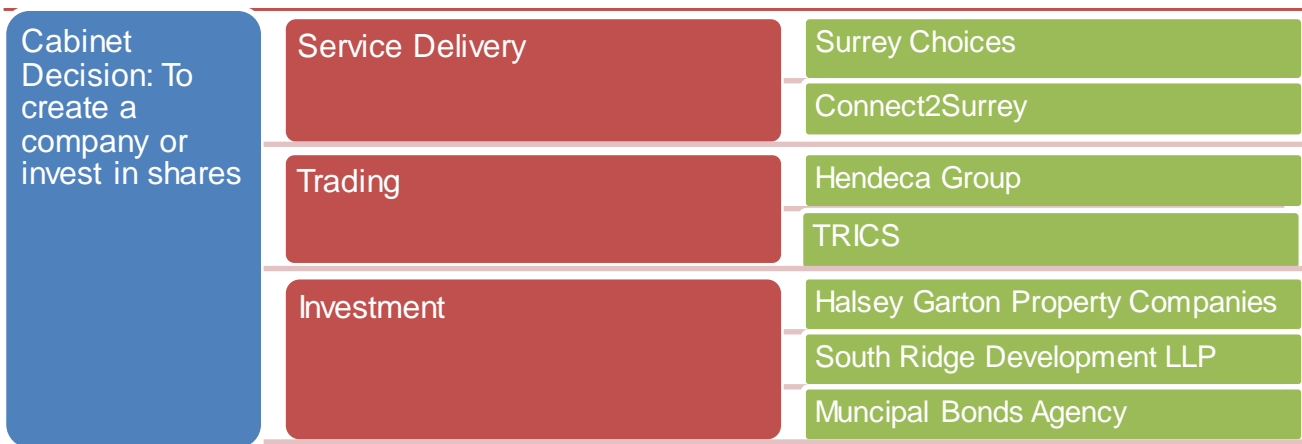
<u>Decision</u>	<u>Rationale</u>
Enter any Joint Venture, consortium or partnership	To ensure companies only undertake activities for which approval has been given in order to protect SCC reputation. To ensure that it is the shareholder that takes decisions that may involve substantial financial risk (rather than the Directors alone)
Selling, transferring, leasing, assigning property or assets (excluding de-minimis and replacement of operational equipment)	To avoid dilution of assets or security in relation to SCC debt
Disposal of any business or any shares	To maintain SCC ownership as originally intended
Entering into an administration order or steps to voluntarily wind up the company	To protect SCC's reputation

The SHIP, an Officer-led panel, chaired by the Director of Finance – Corporate Finance and Commercial (Deputy s151), works within delegated authority limits set by the SIB. The Panel's remit is to review and challenge the subsidiaries performance within year and assist with the approvals and operational workings of the respective companies. This enables approvals to be made in a timely manner so that operational effectiveness is not impacted by an elongated approval process. The SHIP also provides governance, as the client, for projects delivered by any of the subsidiaries and acts as the Senior Responsible Owner. Items that fall outside of the approval limits afforded to the SHIP will still be discussed and scrutinised by the Panel before coming forward to the SIB.

The ASB is a Council Member led Board, supported by Officers, which reviews and considers submissions from the Capital Programme Panel (CPP). The CPP's role is to oversee the Council's Capital Programme, considering asset plans, new projects, schemes and overall capital programme delivery. The ASB will monitor the performance of the subsidiary companies, with a particular focus on property related matters. Furthermore, the ASB will challenge to ensure any property related submissions made by the SHIP moving forward to the SIB for approval, are aligned to the strategies which has been approved by the SIB and Cabinet. Submissions received by the ASB from the CPP will move forward to Cabinet for approval.

THE COUNCIL'S SHAREHOLDINGS

The decision to create a company or to invest in shares is taken by Cabinet, or in accordance with delegated decision-making at the SIB. The decision is made upon the basis of a business case which articulates the financial implications and associated risks for the Council. These proposals are made with realistic and prudent expectations regarding the investment required and the length of time it will take to establish a successful company. The Council recognises that returns will not necessarily be received in the short-term but will contribute to financial resilience in the longer term and, may deliver wider benefits that may supersede financial returns.



Company	Ownership
Halsey Garton Property Ltd	100.0%
Halsey Garton Residential Ltd	100.0%
Surrey First Ltd	100.0%
Hendeca Group Ltd	100.0%
Surrey Choices Ltd	100.0%
Surrey and Kent Commercial Services LLP *	50.0%
South Ridge Developments LLP	50.0%
TRIC Consortium Ltd	16.7%
UK Municipal Bonds Agency	3.4%

* Trading as Connect2Surrey

The SIB provides oversight for LLPs in a similar way to companies limited by shares. Further information about LLPs is included in the glossary section.

The South Ridge Developments LLP is now closed therefore there is no further update for the company in the sections below.

Directors

Each company must have at least one person named as a Director – the Council itself cannot act in this capacity. The SHIP has delegated authority from the SIB for appointing (and removing) Directors to act on behalf of the Council. Directors have specific responsibilities in Company Law and

therefore the board or panel making the selection will need to ensure that persons with the appropriate skills are appointed. The name of the person(s) appointed to each company is noted in the next section of the report. In the case of Joint Ventures, the person appointed by the Council to act in respect of its shareholding is noted.

Since the last report the following Directors have been appointed:

Hendeca Group	• Neil Jarvey
Halsey Garton Property Investments	• Verity Royle, Bill Yardley
Halsey Garton Property	• Verity Royle
Halsey Garton Residential	• Verity Royle
Surrey Choices	• Riasat Khan
Connect2Surrey	• Mike Lea, Matt Johnson

These directors work alongside the other appointed directors, bringing their valuable experience to the board, and will be responsible for delivering the day-to-day activities of the company in accordance with the strategies and business plans agreed by the SIB.

As Directors, their role is not to provide scrutiny, but to be accountable to the SIB, alongside other directors, for the performance of the company and for their own performance as a Director. The SIB will continue to be the subject for scrutiny rather than individual directors.

Directors appointed by the Council receive no additional remuneration and undertake this role as part of their duties as an officer or member of the Council.

Funding

Changes to the Public Works Loan Board (PWLB) lending rules have stopped Councils taking on additional borrowing to invest purely for commercial gain. Unless seeking external funding, this limits the companies to work within the current envelope of investment that has been made to date,

or alternatively, make investments where commercial returns are of secondary benefit. Recent proposed powers as part of the draft Levelling Up & Regeneration Bill confirm the Government's long-running concerns that a small number of authorities are taking on very high, disproportionate

levels of debt or have become excessively exposed to risk from commercial investment strategies. The government continues to put in place controls to reduce this risk and any changes to future strategies need to be developed in compliance with the Prudential framework. The Council's revenue budget includes an element of income generating investment activity. The Capital, Investment & Treasury Management Strategy 2022/23 set out the extent to which expenditure plans are dependent on achieving the expected net income from investments over the lifecycle of the MTFS, to ensure proportionality. Investment activity is forecast to remain between 2-2.5% of the Council's net revenue budget over this period. Should we fail to achieve the expected return, the Council has earmarked reserves in place to manage one-off fluctuations in investment income achieved.

Company Details

The following pages contain information about each company, including a description of activities and purpose, Cabinet approval and date of incorporation and progress made to date. Financial information has been included where this is generally publicly available (e.g., from the statutory accounts of each company) or not commercially sensitive. However, information that is commercially sensitive, such as the future business plans, have been excluded.

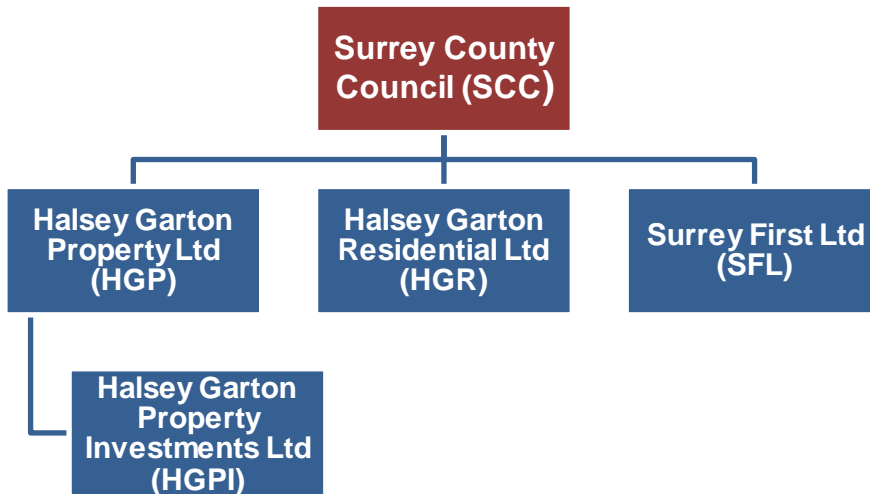


Company Profile & Business Case

The Halsey Garton companies were incorporated in June 2014. The initial remit for the companies related to Halsey Garton Property Ltd which was incorporated to fully implement the recommendations of the Investment Strategy approved by Cabinet in July 2013 via Halsey Garton Property Investments Ltd. Halsey Garton Residential Ltd was dormant until August 2020 when it became active following the long lease purchase of 23 properties, now increased to 80. Surrey First (formerly Halsey Garton Property Developments Ltd) remains dormant.

The Halsey Garton companies are named after people associated with the history of Surrey County Council. Halsey was the first Chairman of the Council (1893) and Garton was the High Sheriff of Surrey in 1913.

Company Structure





Cabinet Approval	May 2014
Ownership	100 per cent
Date of Incorporation	June 2014
	Commenced trade in November 2015
Council Investment	Share Capital £93 million Loans of £234 million
Return on Investment	2016/17 - 2018/19 the company proposed and paid dividends of £3.9 million. 2019/20 - 2021/22 the company did not propose a dividend. Interest payments to the Council in 2021/22 of £14.3 million (2020/21 £14.3 million).
Directors	Nicola O'Connor (resigned June 2022), Diane Wilding, Verity Royle, Bill Yardley

Council Investment

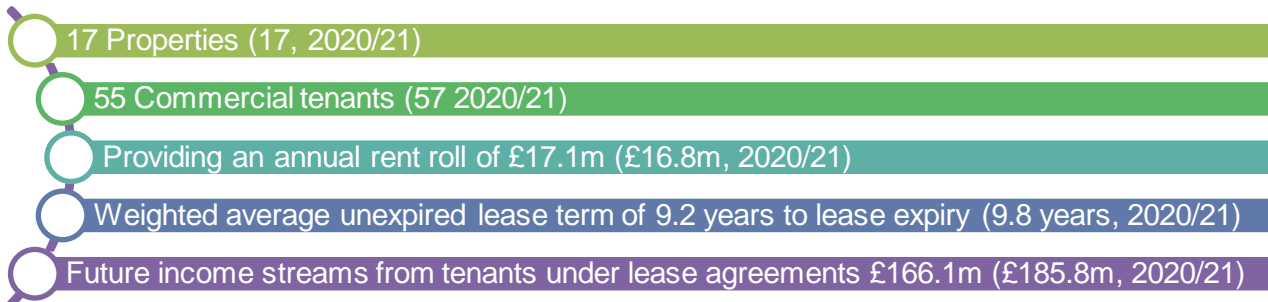
The strategy of the company was revised in 2019 with no further investment to take place outside of County borders. Therefore, the existing portfolio of 17 assets was to be managed and held to deliver ongoing revenue returns to the Council. The 2019 strategy was reviewed and re-approved by the SIB in February 2022, with a recommendation to employ a dedicated Managing Director to assist in shaping the strategy of the company going forward given the changes to market conditions and funding constraints in recent years. Following this recommendation Charles Maxlow-Tomlinson was appointed in April 2022 and is working with the Board to develop a future strategy proposal for consideration by the shareholder.

Changes to funding rules

The aforementioned PWLB funding rules changes, and those which may be made as part of the draft Levelling Up & Regeneration Bill, will need to be considered and factored into any future investment and the strategy of the Company going forward.

Progress Report

The company purchased its first asset in November 2015. The company owns investment assets with a value of £291 million (£251 m, 2020/21), with the following key indicators at 2021/22 year end.



The company did not propose a dividend in 2021/22 following the continued impact of the Covid-19 pandemic and general market uncertainty in the financial year.

The company delivered a pre-tax operating profit of £1,584k, well-above budget of £399,000 due to an increase in rental income and unrequired budgeted bad debt provision. Despite the market conditions, no significant new bad debt provisions were made in relation to arrears owed by tenants at year end.

Rent collection rates have continued to be strong following the Covid-19 closure period with 95 per cent off all rents due in 2021/22 collected. The company continues to actively manage void units and the impact of tenants under CVA's (company voluntary arrangement's) within the portfolio.

The company's property managing agents have stated the rent collections are an above average performance when compared to similar portfolios. The company is forecasted to be profitable before taxation for the year 2022/23, however, due to impact of the pandemic and general market trends, no dividend is anticipated to be paid from the 2022/23 trading year.



Cabinet Approval	May 2014
Ownership	100 per cent
Date of Incorporation	June 2014
	Commenced trade in August 2020
Council Investment	Share Capital £4.1 million Loans of £7.1 million (as at 31 March 2022)
Return on Investment	£Nil
Directors	Nicola O'Connor (resigned June 2022), Diane Wilding, Verity Royle

Council Investment

The Council has provided debt and equity funding for the purchase of 80 residential properties totalling £11.2 million to date.

Progress Report

The company held 80 properties on long-term leases at the end of the financial year 2021/22. A small loss of £30,000 was made during 2020/21, representing eight months of trading which included start-up costs. In 2021/22, the first full year of trading, the company made a pre-tax operating profit of £191,000.

The company does not have any formal plans to purchase or develop any additional assets. Any future strategy decisions for the company will need to consider the current review on 'Right to Buy' legislation by the Government.

The forecast for 2022/23 is for the company to make a profit in line with prior year. While there continues to be high demand for the properties and an increase in revenue relating to a full year of holding the full portfolio; the company is still in the process of refurbishing and updating the properties.

Connect2Surrey

(legal name: Surrey and Kent Commercial Services LLP)

SIB Approval	July 2021
Ownership	50 per cent
Date of Incorporation	September 2021
	Commenced trade in February 2022
Council Investment	Loans of £153,000
Return on Investment	£Nil
Board Members	Mike Lea (SCC), Matt Johnson (Commercial Services Kent Ltd)

Council Investment

The Council has provided debt funding of £153,000, together with a further £153,000 from Commercial Services Kent Ltd (CSKL), in order to invest in the start-up infrastructure required for a Temporary Resource Recruitment joint venture with CSKL.

Business Case

Previously Temporary Resource has been acquired through various Master Vendor agreements with large private sector companies.

It has been an ambition of SCC for some time to set up its own Temporary Resource solution but this was always hampered by lack of expertise, inadequate systems and cost of set up.

Following the expiration of the contract with Adecco in January 2022 SCC created a partnership with a neighbouring public sector organisation (Commercial Services Kent) in order to provide the best solution and key drivers for this were:

- To regain control of our agency worker spend.
- To have our own Agency which can work with hiring managers to understand what the requirements are and how they are changing in a challenging market.
- To have a more Surrey-focused solution in terms of 'what is best of SCC', rather than work with a large Master Vendor where we are competing with other Local Authorities.

- To shift the focus of the market into Surrey and increase the value to Surrey residents, both from a recruitment point of view (hiring Surrey residents, school & college leavers etc) and to improve the representation of Surrey based agencies.
- To improve the diversity of our workforce through working with local faith, charitable and disability-focused organisations to improve the hire rate in the temporary market and thereby provide a pipeline into permanent recruitment.
- To provide revenue streams for SCC through further commercial opportunities to offer services wider across the county to Surrey's businesses that have similar recruitment needs and challenges

Progress Report

The LLP has begun trading broadly in line with the business case submitted to the SIB, with regular reporting in place to both the SHIP and the SIB to provide updates on performance. The LLP has been impacted by the challenging recruitment market, especially the national shortage of social care workers. There has been considerable work to build the profile of the LLP within SCC. This has seen senior members from the Connect2 group being assigned to the start-up phase to help build relationships across the council. Working groups have been created with workforce teams in social care alongside Human Resources (HR) to provide a holistic response to the market conditions. A specialist recruitment company with emphasis on attraction has been acquired by the Connect2 group and is focusing on attraction in the South East market. There have been some early shifts in the staff structure to provide further expertise in social care including. The third party supply chain has been successfully migrated across from the previous Master Vendor supplier, and the company will submit extended first year accounts at the end of 2022/23 to Companies House. Connect2Surrey is working closely with hiring managers to further onboard specialist vendors into the Dynamic Purchasing System framework to make sure there is good coverage across all disciplines. It is increasing commercial opportunities and has signed-up another Surrey local authority.

Hendeca Group

Cabinet Approval	March 2013
Ownership	100 per cent
Date of Incorporation	June 2013
	Commenced Trade in December 2013
Council Investment	£100 Share Capital
Return on Investment	The company has paid the following dividends:
	2014/15: £400,000 2015/16 £400,000
	2016/17: £440,000 2017/18 £400,000
	2018/19: £500,000 2019/20 £400,000
	2020/21: £200,000 2021/22 £340,000
Directors	Janine Lewis (resigned August 2022), Lynne Hobbs, Neil Jarvey, Paul Forrester (resigned June 2022), Steven Ruddy (resigned Nov 2021), Jeffrey Harris (resigned May 2021), Roger Childs (resigned May 2021)

Company Profile

Hendeca commenced trade in December 2013 following Cabinet approval as part of the New Models of Delivery strategy in March 2013. The company was known as S.E.Business Ltd, changing name to Hendeca Group Ltd during 2019/20. The company provides business to business (B2B) professional, technical, training and contingency services, enabling the Council to trade in those functions in which it has particular expertise and capacity.

Progress Report

In 2021/22 the company delivered pre-tax profits of £836,000, which was significantly above those expected in the approved Annual Business Plan. These profits have been delivered in the main through the contracts held in the fire aviation contingency market. The company also delivered Information Technology (IT) services to a private sector organisation operating in the health sector which has not been renewed. Further profit was delivered through the company's Training services which continue to expand. The dividend paid by the company for 2021/22 of £340,000 reflects the continued policy to retain some profit for investment into the company to assist with seeking new opportunities

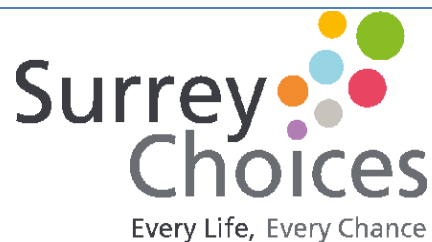
In 2022/23, Hendeca's focus has been to continue to remove the reliance on the contingency contract currently held. The company has financial security over the short to medium-term, which will allow continued investment into identified business opportunities to help deliver this aim.

The main business opportunities identified and currently being targeted are growth in the B2B training market, particularly in the field of fire safety in construction. Changes to the Health and Safety Regulations following the Grenfell Enquiry mean that Hendeca has a team of suitably qualified instructors to support focus in this target market. Ideally there will also be further expansion into the contingent services market.

The Training market compliments the skill set held within the company currently and is a service which is beginning to grow organically. To expediate this growth the company are exploring the feasibility of partnering with, or acquiring, other organisations.

Following the work undertaken to improve the branding and website of the company to take services to market, Hendeca now has an active social media presence on LinkedIn, Twitter, Instagram and Facebook. All of the team are encouraged to Like and Share on the various platforms and to contribute suitable copy in order to promote the company and its available services. The website is due to be further updated to make the full catalogue of training bookable online to improve the customer experience.

Hendeca employs staff as required to deliver confirmed contracts, and engages appropriate contractors, advisors and service providers to undertake the activities of the company. Where these are provided by SCC the Council makes an appropriate charge to the company, ensuring that the full cost of the activity is recovered.



Cabinet Approval	December 2013
Ownership	100 per cent
Date of Incorporation	March 2014
	Commenced Trade in August 2014
Council Investment	£100 Share Capital
	Loans of £2.8 million
Return on Investment	
Directors	Jane Earl (Chair), Mette Le Jakobsen (Managing Director), Rachel Wigley, Stefan Nahajski (NEDs), Riasat Khan

Company Profile

Surrey Choices Ltd commenced trade in August 2014, following Cabinet approval of the business case in December 2013. The company provides people with learning and physical disabilities and autistic people with a range of services in a variety of settings. The service offer includes day services and support for people who wish to seek employment or become engaged in work, volunteering, or training opportunities, as well as a short breaks service which supports family carers. In addition, the Shared Lives service matches carers who provide support in a family home environment to people with disabilities. The commissioning contract to supply services to the Council triggered the transfer of 246 employees from the Council to the company under Transfer of Undertakings (Protection of Employment) (TUPE) regulations in August 2014, of whom 63 are still employed as of 31 August 2022. Today the company has a turnover of ca. £13 million and employs ca. 300 people.

Progress Report

The company delivers services to the Council under a commissioning contract; this is currently primarily a block arrangement meaning that the risk of any volume increase rests with the company rather than with the Council, however the Short Breaks and Shared Lives services are now paid for on a spot basis. In the first 18 months of operation the Council increased the number of new referrals, and this led to a deteriorating financial situation for the company and losses for the first

two years of operation, however since then there has been a significant turn-around in the success of the company. Pre-tax profits of £397,000 were delivered in 2017/18, £734,000 in 2018/19, £658,000 in 2019/20, £343,000 in 2020/21, and £258,000 for the year to 31 March 2022 (all figures are quoted prior to the actuarial gain or loss on the defined benefit pension scheme). In addition, the company has made early loan payments, in 2022/23 and for the past two years, reducing the debt payable to Surrey County Council to £1.75 million.

The current Executive Team has now been in post for four to five years and continues to make a significant and positive impact, building resilience with a strong and consistent senior management team and a strengthened company board which now includes two independent Non-Executive Directors. The board was joined earlier in the year by Cllr Riasat Khan following the resignation last year of Cllr Clare Curran.

The forward looking five-year strategic business plan for 2022/23 and beyond, approved by the Shareholder Board in 2019, was co-designed with the Council's ASC senior team. It continues to focus on delivering transformational shifts in service delivery and was jointly reviewed and re-indorsed in May 2022.

Surrey Choices is developing all its current portfolio of services, with a primary focus on community inclusion, the expansion and development of employment services, vocational opportunities and flexible community-based support. In addition Surrey Choices is also expanding the Shared Lives service, which is not only cost effective but delivers excellent outcomes for individuals and has won best UK Shared Lives Provider in the UK in 2022 for the second year in a row.

The company continues its focus on the Changing Days programme, which is developing inclusive models of support that enables people with disabilities and autistic people to develop independence, choice and control. As well as the change in operating model towards more person-centred support, the Changing Days programme seeks to reduce reliance on commissioned transport and to end segregated day care centres in favour of community hubs which are integrated within local communities. To date, this has led to a reduction in the footprint occupied of 25 per cent with an overall target reduction of 50 per cent.

Recruitment and Vacancies

Recruitment and retention remain the greatest risk faced by the Company, alongside the care sector a whole, with a vacancy rate at the end of August 2022 of 15 per cent (45.1 full time

equivalent - FTE). Significant resources continue to be invested in recruitment, including the addition of a Recruitment Co-ordinator to the HR team and an increase in the internal referral fee.

2022/23 Financial Forecast

The current forecast profit for 2022/23 has reduced from the 2021/22 surplus to £50,000, £50,000 below the budgeted surplus, primarily due to the planned £1.25 million efficiency savings, representing the year two total of the £3.5 million three-year savings programme, exacerbated by delays to achieving efficiency savings from changes to the property portfolio. During Quarter 4 Surrey Choices is targeting the remaining large segregated older properties at The Knowle (Fairways), Lockwood, and Bletchingley.



Cabinet Approval	July 2014
Ownership	16.67 per cent
Date of Incorporation	October 2014
	Commenced trade in January 2015
Council Investment	£37,500 Share Capital
Return on Investment	The company has provided the following dividends- 2015: £81,347 2016: £83,821 2017: £80,219 2018: £93,040 2019: £90,291 2020: £98,667 2021: £96,179 2022: to be declared
Surrey County Council Director	Mike Green

Company Profile

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

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

Business Case

The creation of the company ensures that the commercial activities of the consortium Councils is being undertaken in an appropriate manner and will enable the growth potential of the database into other territories to be fully exploited.

Council Investment

The Council, together with the other five local authority shareholders, invested equity funds to provide for working capital and set-up expenses. The funds provided were from balances held by the consortium, created from surpluses from previous activity.

Progress Report

The Company commenced trading on 1 January 2015 when it took over the operation of the database from the incumbent supplier. The company comprises of the Managing Director, recruited to deliver the day-to-day operation of the company, three employees that TUPE transferred from the previous supplier and two further employees recruited to support its recent growth. The company is benefiting from increased memberships with user activity on the increase particularly from the residential development sector. 2022 saw a further increase in members of 1 per cent on 2021, which considering the impact of Covid upon businesses is higher than expected, membership numbers have risen each year since inception.

TRICS has now become a truly international company, with its Australasian Database being released in September 2018. The second phase of this region's database being released in September 2019, with the improved TRICS Surveys being added from this date. It is anticipated that TRICS-commissioned surveys can start within the region in 2023, as Covid has made undertaking surveys in these regions very difficult.

The company continues to deliver profits in excess of expectations and has distributed a dividend to its shareholders each year since its creation, thereby delivering a significant return on investment within a short timeframe.



MUNICIPAL BONDS AGENCY

Cabinet Approval	Decision taken under delegated approval in September 2015
Ownership	3.4 per cent
Date of Incorporation	September 2014
Council Investment	£450,000 share capital

Company Profile

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

Business Case & Council Investment

The agency aims to provide access to all local authorities to raise external borrowing provided that they meet the criteria set, and at the time of SCC's investment, preferential terms were expected to be provided to those Councils that are also shareholders in the company. It is uncertain whether this commitment will stand in the future.

Progress Report

UKMBA distributed a framework agreement which set out the terms upon which local authorities will be able to borrow from them. Authorities were expected agree to a joint guarantee that would operate if a local authority defaulted on its part of a joint borrowing. Requirement to provide the guarantee has been removed, however an approval of a credit check to borrow is required.

The PWLB's reduction of its borrowing rates by 1 per cent in 2020 introduced a new borrowing benchmark for local authorities and made the lending market more competitive. UKMBA sees market opportunities to issue bonds for councils inside the new PWLB rate and, therefore, continues to receive an increased interest from prospective borrowers. The LGA continues to financially support the agency.

The recent Bank of England base rate rise and the war in Ukraine have also impacted the financial markets. The sterling debt market has been affected with a sharp increase in volatility which contributed to the delays of the Company's planned pipeline of bond transactions in 2021. However, the demand for fixed income securities of various maturities remains strong and UKMBA expects to resume marketing its new bonds in the second quarter of 2022.

While interest remains from local authorities which could result in further bond issues, the lack of activity after the initial bond issue has led to the auditors of UKMBA to continue to state that there is material uncertainty related to going concern. As a result, SCC continue to carry the value of the investment at £nil. Should the performance of the company recover the investment value can be reinstated. However, the treatment adopted removes any future risk relating to the company for the Council.

GLOSSARY

Articles of Association

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

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

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

Assets

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

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

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

Debt Financing

Debt financing provides the funds required to run a business. A company may borrow the money required to grow and develop the business.

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

Companies created by the Council, such as Hendeca Group and Surrey Choices have been set-up with limited equity funds. Funding for growth and working capital requirements has been provided by the Council under an agreed loan facility. The Council provides loans to enable Halsey Garton Property to buy investment assets.

GLOSSARY

Directors Duties

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

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

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

Group Companies

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

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

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

Joint Venture

A Joint Venture company is one that is owned by more than one shareholder, where the shareholders concerned are corporate bodies in their own right. The term Joint Venture is not one that is legally defined and is often used in respect of other arrangements that do not necessarily involve a limited company. For example, a Joint Venture may also be a Limited Liability Partnership or may be used to describe an arrangement between public bodies.

GLOSSARY

LATC (Local Authority Trading Company)

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

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

It is possible that other company structures may be applicable in certain circumstances; however, these structures tend to involve the removal of Council control or would mean an inability to return profits-examples are companies that are limited by guarantee.

Limited Liability Partnership (LLP)

A Limited Liability Partnership is an alternative legal structure that is similar to a traditional partnership (e.g., as used by a firm of solicitors) but it limits financial risk whilst still being able to benefit from flexibility of structure, tax, profit distribution and the rights and duties of the partners. A partner of an LLP is called a member and is similar to a degree to a shareholder. A partnership agreement will usually be put in place to set out the rights, responsibilities and liabilities of each member and will specify the way in which the LLP will be managed.

LLPs do not have to pay Corporation Tax – it is “transparent” for tax. This means that each member is taxed in accordance with its own tax status. This is beneficial for the Council as it means that Corporation Tax is not payable on its share of net profits. A LLP however can only be set-up by a Council in certain circumstances and cannot be established where the purpose of the LLP is purely to trade or deliver an income.

An LLP is permissible for the creation of the “JV” with Places for People since this entity is being established for the purpose of creating a model to deliver benefits to residents from the development of housing and mixed used schemes utilising the Council’s vacant sites. As this is an activity that the Council can undertake in its own right (rather than requiring a company to be set-up) a LLP is an appropriate structure.

GLOSSARY

Reserved Matters

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

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

Share Capital (Equity)

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

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

Shareholders

The Shareholders (the owners of a company) and directors have different roles in a company. The Shareholders own the company and the directors manage it. The Directors must obtain shareholder approval for decisions where the shareholder has restricted the powers of the Directors – these are called reserved matters. The Shareholder Board has delegated authority to perform these functions on behalf of the Council.

Shareholders Agreement

These are agreements between shareholders which are private documents. These agreements set out how the shareholders interact with each other and can define what happens in the event of dispute. A shareholder agreement is only relevant when there is more than one shareholder and is recommended practice for Joint Ventures.

SCC has entered into a shareholder agreement for TRICS Consortium Ltd and in relation to the investment in FutureGov Ltd (in this instance it is called an Investment Agreement but is essentially the same thing).

GLOSSARY

Support Services

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

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

TUPE

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

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

SCC is required to follow the provisions of the TUPE act. This will apply where a service is being transferred to a trading company, as occurred with the award of the commissioning contract for services to Surrey Choices. A LATC will additionally be required to follow TUPE provisions when taking over a service contract from another supplier – for example, as in the case for Hendeca Group in the provision of IT managed services previously supplied to the customer by another provider.

GLOSSARY

Teckal

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

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

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

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

Transfer Pricing / State Aid

Transfer Pricing refers to the price at which divisions of a company or a group of companies transact with each other – the terminology relates to all aspects of inter-company financial arrangements. These arrangements have potential implications for the tax authorities since they can be used by multi-national corporations to move profits to countries with lower taxes. The UK has adopted principles of “arm’s length” in tax laws.

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

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

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

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**RESOURCES & PERFORMANCE SELECT COMMITTEE
PERFORMANCE MONITORING SESSION**

14 October 2022 at 10am (Remote Meeting)

Attendees: Steve Bax
Will Forster (Vice Chairman in the chair)
David Harmer
Robert Hughes
Steven McCormick
Lance Spencer
Lesley Steeds
Hazel Watson
Jeremy Webster
Ayesha Azad

Officers: Rachel Bearman, Customer Contact & Systems Manager
Peter Dell'Osa, Head of Business Intelligence
Kunwar Khan, Scrutiny Officer
Laila Laird, Democratic Services Assistant
Louise Lawson, Strategic Finance Business Partner
Bella Smith, Head of Insight, Programmes & Governance
Adrian Stockbridge, Head of Portfolios
Richard Supple, Performance Insights & Data Analyst

Apologies Nick Darby (Chairman)
Edward Hawkins

Covering Report [Item 1]

Peter Dell'Osa provided a refreshed overview of Surrey County Council's performance in the areas within the Select Committee's remit and welcomed suggestions made by Members regarding additional key performance indicators.

Performance overview

Key points raised during the discussion:

1. David Harmer, in reference to paragraph 6 of the report and representation of the workforce under thirty, suggested it would be helpful for information about other age groups to be included. Bella Smith (Head of Insight, Programmes & Governance) confirmed that this information could be provided in future.
2. Peter Dell'Osa explained that the two measures from the resident's survey that were currently included in report were changing and committed to circulate the list of new measures to the Committee. **Action – Peter Dell'Osa**

Summary of committee actions

3. Steve Bax asked for clarification of the term 'high response figures' Rachel Bearman (Customer Contact & Systems Manager) explained that high response figures related to high abandonment rates and although not a positive figure, an improvement had been seen after January and February 2022.
4. David Harmer queried how the pattern and speed of abandoned calls were analysed. Rachel Bearman said that daily, weekly, monthly and annual statistics were used to consider resources around peaks and troughs.
5. Hazel Watson asked if was possible to plan for additional resources to cope with identified peaks. Rachel Bearman said it was not possible to increase staffing during busy periods due to budget constraints, however, funding from other resources and optimising the resources already in place mitigated any pressures as much as possible.
6. Hazel Watson asked what was currently happening in relation to Home to School transport. Rachel Bearman said that the subject continued to be challenging with resources being directed towards it as a priority. Daily calls were taking place to understand the current situation and what could be done to prevent similar difficulties occurring going forward.

Performance Report

7. Robert Hughes said that the transformation report should be central to performance to measure how the Council was delivering on important longer-term issues. Adrian Stockbridge agreed, noting that although some elements were under the remit of the Resources and Performance Select Committee, only a handful of transformation projects were under the Committee. This report aims to track the delivery of each programme against expected milestones.
8. Hazel Watson noted that a progress report on the ERP was no longer included and said that a progress update on the project would be helpful. Adrian Stockbridge said that it was not included as it was a transformation programme receiving funding and being delivered by a separate team. Adrian Stockbridge committed to bring an ERP progress report back to the Committee. **Action – Adrian Stockbridge**
9. Hazel Watson asked for a brief update regarding the Enterprise Resource Platform (ERP) programme and asked for it to be included in future Performance Monitoring reports. Bella Smith said that there had been successes regarding the recent parallel payroll run and the new Programme Director was in the process of replanning some elements with a go live expected in early 2023.
10. Steven McCormick requested an update report on the Systems, Applications and Products (SAP) programme be provided to the Committee. Will Forster suggested that the Chairman, Vice Chairman and Scrutiny Officer discuss the possible addition of an SAP update report to the Resources and Performance

Select Committee Forward Work Programme Committee (An Enterprise Resource Planning progress report mentioned in paragraph 8 is expected to cover this.) **Action - Kunwar Khan/ Peter Dell'Osa/ Adrian Stockbridge**

Finance Update

11. Will Forster asked for a breakdown of the £900,000 Resources overspend. Louise Lawson, Strategic Finance Business Partner explained that the building energy costs related to Resources Directorate were due to energy inflation costs.
12. Will Forster asked why food was in the Resources Directorate. Louise Lawson explained that this was related to the schools catering provider, perhaps due to it being a commercial activity.
13. David Harmer asked which financial year would see the effects of the Care Act on Adults Social Care. Louise Lawson said she understood that it was being built into the next year financial budget and would confirm this back to the Select Committee. Adrian Stockbridge added that assessments under the new legislation would go live from April 2023 with actual implementation from October 2023. **Action – Louise Lawson**

DATE OF NEXT MEETING [Item 3]

14 December 2022 at 10:30am

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RESOURCES AND PERFORMANCE SELECT COMMITTEE

FRIDAY, 9 DECEMBER 2022

**FORWARD WORK PROGRAMME (FWP) AND
RECOMMENDATION TRACKER (RT)**

Purpose of report: To review and agree the Forward Work Programme (FWP). To track recommendations and requests made by the Select Committee.

Introduction:

1. The Forward Work Programme (FWP) and Recommendation Tracker (RT) update is a standing item on the agenda of the Select Committee.
2. The FWP covers the expected activity in 2022/23 (Annex A).
3. The RT tracks recommendations made by the Committee (Annex B).
4. The FWP includes regular items, task and reference groups updates and the additional items the Select Committee would like to engage with in coming months. This approach should enable the Select Committee to consider planning and resourcing for its scrutiny and overview work across the year whilst retaining enough flexibility to consider essential additional items as needed from time to time. There should be no more than two task groups taking place concurrently.

Recommendations:

5. The Select Committee is recommended:
 - a) To review and agree the Forward Work Programme (Annex A);
 - b) To make any appropriate suggestions for possible amendments including programming of in-depth session and other agenda items; and
 - c) To monitor the update provided in Recommendation Tracker (Annex B).

Next Steps:

The Select Committee reviews its Forward Work Programme and Recommendation Tracker at each of its meetings.

Kunwar Khan
Scrutiny Officer | Democratic Services | Law and Governance
Surrey County Council | Kunwar.Khan@surreycc.gov.uk

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Resources and Performance Select Committee Forward Work Programme 2022 – 2023

**Resources and Performance Select Committee | Chairman: Cllr Nick Darby | Scrutiny Officer: Kunwar Khan
Democratic Services Assistant: Laila Laird**

Date of Meeting	Type of Scrutiny	Issue for Scrutiny	Purpose	Outcome	Relevant Organisational Priority	Cabinet Member/Lead Officer
2 February 2023	Scrutiny	Digital Exclusion Report	To receive a progress report about digital exclusion as discussed on 17 September 2021 Select Committee meeting.	To enable the Select Committee to monitor and seek reassurance that all residents feel supported by the Council. Nobody, particularly elderly and vulnerable are not left behind due to emphasis on digital/technology and the use of chatbots – including any impact or robustness of efficiencies.	Growing a sustainable economy so everyone can benefit Empowering communities	Denise Turner-Stewart, Cabinet Member for Communities and Community Safety Marie Snelling, Executive Director of Customer and Communities
	Scrutiny	Data Insights Transformation Programme	To receive an update about Data Insights Transformation Programme.	The Select Committee to scrutinise and provide feedback on the SCC data strategy, some of the key projects in progress, and the approach to culture change.	Empowering communities	Rebecca Paul, Deputy Cabinet Member for Levelling Up Rachel Crossley, Joint Executive Director for Public Service Reform Angela Lawrence, Head of Data

	Scrutiny	Greener Futures Finance Strategy	To receive a report from service about Greener Futures Finance Strategy.	To seek reassurance, to review robustness and to provide feedback from the Select Committee.	Growing a sustainable economy so everyone can benefit	<p>Marisa Heath, Cabinet Member for Environment</p> <p>David Lewis, Cabinet Member for Finance & Resources</p> <p>Leigh Whitehouse, Deputy Chief Executive & Executive Director of Resources</p> <p>Katie Stewart, Executive Director – Environment, Transport & Infrastructure</p> <p>Carolyn McKenzie, Director for Environment</p>
24 April 2023	Scrutiny	Procurement Modernisation Project	On a suggestion from the Cabinet Member for Finance and Resources, to bring the Procurement Modernisation Project to the Select Committee, and in order to inform Members on a number of major procurement contracts currently ongoing.	For the Select Committee to gain greater understanding and assurance on procurement modernisation.	<p>Growing a sustainable economy so everyone can benefit</p> <p>Empowering communities</p>	<p>David Lewis, Cabinet Member for Finance and Resources</p> <p>Darron Cox, Director - Procurement</p>

	Scrutiny	IT & Digital Update	To review the Information Technology and Digital (IT&D) Service and any updates, following on from a previous overview of the service provided at the 18 March 2021 Select Committee meeting.	For the Select Committee to receive greater understanding and assurance on the work of the IT&D Service; and to provide its feedback.	Growing a sustainable economy so everyone can benefit Empowering communities	David Lewis, Cabinet Member for Finance and Resources Matt Scott, Chief Information Officer
22 June 2023	Scrutiny	Budget Monitoring Update	To receive an in-year budget monitoring report on the Council's budget.	To ensure the Council's budget efficiencies are on track and undertake in-year monitoring.	Growing a sustainable economy so everyone can benefit	David Lewis, Cabinet Member for Finance and Resources Leigh Whitehouse, Deputy Chief Executive and Executive Director for Resources Rachel Wigley, Director - Finance Insights & Performance

	Scrutiny	Equality, Diversity and Inclusion (EDI) Review	For the Select Committee to review the work undertaken since previous scrutiny of the draft plan by the Select Committee in January 2021, and then the Cabinet decision to approve the plan, made in February 2021.	To receive an update and monitor progress since this was last reported to the Select Committee, including the impact of the new lead for voluntary sector paid for by the Council.	Tackling health inequality Empowering communities	Tim Oliver, Leader of the Council Sarah Kershaw, Chef of Staff, and CLT Lead on EDI Karen Grave, Director - People & Change
	Scrutiny	DB&I Lessons Learnt	For the Select Committee to receive a report on DB&I lessons learnt, following a previous briefing on this topic on 29 June 2022.	For the Select Committee to gain greater understanding around the lessons learnt.	Growing a sustainable economy so everyone can benefit	David Lewis, Cabinet Member for Finance and Resources Leigh Whitehouse, Deputy Chief Executive and Executive Director for Resources Ian Baker, Auditor
6 October 2023	Scrutiny	Agile Office Estate Update Report	To receive an update report on Surrey County Councils Agile Office Estate strategy, a work stream of the Councils Agile Organisational Programme.	To provide oversight and monitoring.	Growing a sustainable economy so everyone can benefit	Natalie Bramhall, Cabinet Member for Property and Waste Leigh Whitehouse, Deputy Chief Executive and Executive Director for Resources

						<p>Simon Crowther, Director of Land and Property</p> <p>Matthew Pizzii, Head of Strategy and Planning</p> <p>Dominic Barlow, Assistant Director – Property and Strategy Management</p> <p>Brian Boundy, Strategic Advisor Facilities Management</p>
	Scrutiny	People & Change Workforce Update	To receive an update on the key workforce challenges facing the organisation and how the People & Change Service is working to help address and mitigate these challenges. In particular, the update provides a progress report on previous queries raised by the Select Committee on 7 October 2022.	To monitor progress and provide oversight and feedback following the Select Committee's recommendations made on 7 October 2022.	Growing a sustainable economy so everyone can benefit	<p>Tim Oliver, Leader of the Council</p> <p>Karen Grave, Director - People & Change</p> <p>Bella Smith, Head of Insight, Programmes and Governance</p>

<p>8 December 2023</p>	<p>Scrutiny</p>	<p>Draft Budget and Medium-Term Financial Strategy</p>	<p>For the Select Committee to scrutinise the draft budget, Medium-Term Financial Strategy and other relevant information before it is finalised in January 2024.</p>	<p>To ensure the 2024/25 budget deliver good value.</p>	<p>Growing a sustainable economy so everyone can benefit</p>	<p>David Lewis, Cabinet Member for Finance and Resources</p> <p>Leigh Whitehouse, Deputy Chief Executive and Executive Director for Resources</p> <p>Anna D'Alessandro, Director, Corporate Finance and Commercial</p> <p>Nicola O'Connor, Strategic Finance Business Partner</p> <p>Rachel Wigley, Director - Finance, Insights and Performance</p>
	<p>Scrutiny</p>	<p>Investment Update Report</p>	<p>For the Select Committee to scrutinise the mid-year investment report.</p>	<p>The Select Committee to provide monitoring and feedback on the mid-year investment update.</p> <p>Oversight and exercise critical friend function, to ensure transparency and good value for money within the investment portfolio.</p>	<p>Growing a sustainable economy so everyone can benefit</p>	<p>David Lewis. Cabinet Member for Finance and Resources.</p> <p>Leigh Whitehouse, Deputy Chief Executive and Executive Director for Resources</p>

						<p>Anna D'Alessandro, Director, Corporate Finance and Commercial</p> <p>Neil Jarvey, Strategic Finance Business Partner</p>
Task and Finish Groups; Member Reference Groups, Briefings						
Timescale	Type of Scrutiny	Issue for Scrutiny	Purpose	Outcome	Relevant Organisational Priority	Membership
<p>On-going, budget monitoring and scrutiny</p> <p>11 July 2022 8 September 2022 3 November 2022 3 July 2023 18 Sept 2023 7 November 2023</p>	Budget scrutiny	Budget Task Group	To enable in-depth scrutiny of the Council's budget, cutting across the remits of all four Select Committees.	To ensure that the Council's budget offers good value for money in all the Council's service areas, enabling the best outcomes for residents.	Growing a sustainable economy so everyone can benefit	<p><u>Membership:</u></p> <ul style="list-style-type: none"> • Nick Darby (Chairman) • Liz Bowes • Will Forster • Bob Hughes • John O'Reilly • Lance Spencer • Buddhi Weerasinghe • Robert Evans • Jeremy Webster
To be received in writing and informal briefing sessions						
14 December 2022		Performance Monitoring Session	Action points and notes to be published with the Resources and Performance Select Committee agenda for 9 December 2022.			Resources and Performance Select Committee

13 January 2023		Treasury Management Training	Action points and notes to be published with the agenda at a future meeting.		Resources and Performance Select Committee
20 January 2023		Scrutiny of the Capital, Investment and Treasury Management Strategy	For the Select Committee to receive information on the Treasury Management Strategy (TMS) as part of the budget process.		Resources and Performance Select Committee
9 February 2023		Facilities management and waste contract update	For the Committee to receive a facilities management and waste contract update.		Resources and Performance Select Committee
January 2024 TBC		Scrutiny of the Capital, Investment and Treasury Management Strategy	For the Select Committee to receive information on the Treasury Management Strategy (TMS) as part of the budget process.		Resources and Performance Select Committee

Standing Items

- **Forward Work Programme (FWP) and Recommendations Tracker:** Review of the Select Committee's forward work programme, and monitoring of the Select Committee recommendations and actions.
- **Notes of Performance Monitoring Session:** A record of the most recent informal Performance Monitoring session (conducted every 2-4 months).

2023 R&PSC dates are:

- 2 February 2023
- 24 April 2023
- 22 June 2023
- 6 October 2023
- 8 December 2023

**RESOURCES & PERFORMANCE SELECT COMMITTEE
ACTIONS AND RECOMMENDATIONS TRACKER
December 2022**

The actions and recommendations tracker allows Committee Members to monitor responses, actions and outcomes against their recommendations or requests for further actions. The tracker is updated following each meeting. Once an action has been completed, it will be shaded green to indicate that it will be removed from the tracker at the next meeting.

KEY			
	No Progress Reported	Action In Progress	Action Completed

Date	Item	Recommendation	Responsible Member/ Officer	Deadline	Progress check	Recommendation response accepted/ implemented
7 Oct 2022	People and Change Workforce Update	<p>The Select Committee:</p> <p>RPSC17/22: Requests that efforts gather pace to deliver positive aspirations listed in the report, particularly in areas such as staff turnover, why stay/in job interviews; internal career progression opportunities for staff, consistent organisation-wide data about exit interviews.</p> <p>RPSC18/22: Suggests that any internal progression/ job opportunities be publicised more widely to staff throughout the organisation.</p>	<p>Tim Oliver, Leader of the Council</p> <p>Karen Grave, Director for People & Change</p>	October 2023	November 2022	An update report will be presented at the October 2023 meeting of the Resources and Performance Select Committee.

**RESOURCES & PERFORMANCE SELECT COMMITTEE
ACTIONS AND RECOMMENDATIONS TRACKER
December 2022**

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KEY			
	No Progress Reported	Action In Progress	Action Completed

Page 154	<p>Procurement Service Briefing on Responsible Tax Conduct Motion</p>	<p>CEHSC21/22: The Resources and Performance Select Committee:</p> <p>Recommends that Surrey County Council signs up to the Fair Tax Declaration with the following exceptions:</p> <ol style="list-style-type: none"> 1. Agree to alternative wording with the Fair Tax Foundation regarding the following items: <ol style="list-style-type: none"> a) Undertake due diligence to ensure that not-for-profit structures are not being used inappropriately by suppliers to reduce the payment of tax and business rates. b) Demand clarity on the ultimate beneficial ownership of suppliers and their consolidated profit & loss position. 2. Remove the following item: <ol style="list-style-type: none"> a) Include tax conduct in social value scoring for assessing contracts. 	<p>Tim Oliver, Leader of the Council</p> <p>David Lewis, Cabinet Member for Finance and Resources</p> <p>Leigh Whitehouse, Deputy Chief Executive and Executive Director for Resources</p>		<p>November 2022</p>	<p>The Resources and Performance Select Committee report was drafted by its Scrutiny Officer and submitted to the full council, December 2022.</p>
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**RESOURCES & PERFORMANCE SELECT COMMITTEE
ACTIONS AND RECOMMENDATIONS TRACKER
December 2022**

Annex B

The actions and recommendations tracker allows Committee Members to monitor responses, actions and outcomes against their recommendations or requests for further actions. The tracker is updated following each meeting. Once an action has been completed, it will be shaded green to indicate that it will be removed from the tracker at the next meeting.

KEY			
	No Progress Reported	Action In Progress	Action Completed

ACTIONS

Date	Item	Action	Responsible Member/ Officer	Deadline	Progress check	Action response. accepted/ implemented
14 April 2022	People & Change Development Update [Item 10]	The Select Committee requests: RPSC15/22: Officers to provide information relating to the effect of the £2.7 million Social Care Workforce Retention Fund on employee data.	David Lewis, Cabinet Member for Finance & Resources Karen Grave Director for People & Change		November 2022	The Resources and Performance Select Committee received a response from the Head of Insights, Programmes and Governance on 4 November 2022.
13 July 2022	Update on the roll out of digital infrastructure in Surrey [Item 6]	The Select Committee: RPSC16/22: Requests that the Cabinet Member for Transport and Infrastructure together with Executive Director Partnerships, Prosperity and Growth raises with district and borough councils the potential merits of lobbying the Government/relevant authorities via appropriate available forums (Local Government Association LGA, County Councils Network CCN etc.) for more	David Lewis, Cabinet Member for Finance and Resources Michael Coughlin, Executive Director, Partnerships, Prosperity and Growth	October 2022	Sept 2022	RPSC16/22: The Local Government Association (LGA) lead officer has been contacted with regard to lobbying the government and has responded as follows: At the time we gave a detailed response to the consultation and members shared concerns with Department for Digital, Culture, Media and Sport (DCMS) at a People and Places board meeting.

**RESOURCES & PERFORMANCE SELECT COMMITTEE
ACTIONS AND RECOMMENDATIONS TRACKER
December 2022**

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KEY			
	No Progress Reported	Action In Progress	Action Completed

Date	Item	Action	Responsible Member/ Officer	Deadline	Progress check	Action response. accepted/ implemented
Page 156		effective powers and guidance to be provided to local authorities to better respond to any reasonable concerns raised by residents.	Rhiannon Mort, Head of Economic Infrastructure Katie Brennan, Digital Infrastructure, Senior Project Manager			We are continuing to lobby for fully funded local authority digital champions to help coordinate delivery locally and manage the relationship between all parties involved. We were making progress with these calls prior to the change in ministers and in September will look to engage with the new minister around this ask and also raise any concerns. Any evidence of issues raised within Surrey would be really useful to strengthen our asks.
7 Oct 2022	People and Change Workforce Update	The Select Committee: RPSC19/22: Asks for an update report no later than December 2023 covering the following areas: a. Recruitment time to hire b. Collaboration with schools and colleges c. Data on exit interviews/ surveys and in job interviews with a view	Tim Oliver, Leader of the Council Karen Grave, Director for People & Change	October 2023	November 2022	An update report will be presented at the October 2023 meeting of the Resources and Performance Select Committee.

**RESOURCES & PERFORMANCE SELECT COMMITTEE
ACTIONS AND RECOMMENDATIONS TRACKER
December 2022**

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KEY			
	No Progress Reported	Action In Progress	Action Completed

Date	Item	Action	Responsible Member/ Officer	Deadline	Progress check	Action response. accepted/ implemented
Page 157		to retain staff/ gauge job satisfaction d. Career development offer and internal job promotion opportunities for staff e. Management and leadership prospects for those who are underrepresented f. Hybrid working (including more annual leave, flexible approach to working and sabbatical opportunities) g. Summary of key performance indicators				
	6 Oct 2022	Agile Office Estate Strategy Update The Select Committee: RPSC20/22: Requests that the Committee continue to be kept updated on the progress of Agile Office Strategy decision making and delivery before any future decision is taken by Cabinet.	Natalie Bramhall, Cabinet Member for Property and Waste Leigh Whitehouse, Deputy Chief Executive and Executive Director for Resources		November 2022	RPSC20/22: An informal Select Committee was held on Friday 9 September 2022 which discussed the NW/SW strategy for Agile. Committee Members were given early sight of the emerging business case which will be taken to Cabinet in

**RESOURCES & PERFORMANCE SELECT COMMITTEE
ACTIONS AND RECOMMENDATIONS TRACKER
December 2022**

The actions and recommendations tracker allows Committee Members to monitor responses, actions and outcomes against their recommendations or requests for further actions. The tracker is updated following each meeting. Once an action has been completed, it will be shaded green to indicate that it will be removed from the tracker at the next meeting.

KEY			
	No Progress Reported	Action In Progress	Action Completed

Date	Item	Action	Responsible Member/ Officer	Deadline	Progress check	Action response. accepted/ implemented
		<p>RPSC21/22: Asks the Deputy Chief Executive and Executive Director of Resources to ensure:</p> <ul style="list-style-type: none"> a. Robust financial regulations (contracting arrangements) are in place. b. Proper due diligence regime for contractors is followed. c. That the occupancy ratio figures across the Council's office estate; and a briefing on the Energy Management Task Force be provided to the select Committee before the end of December 2022. 	Simon Crowther, Director for Land and Property			<p>December 2022. Comments were captured and considered thereafter. Further updates are not anticipated to the Committee until 2023 and would be subject to Cabinet approval to the recommendations shared with the Select Committee in September 2022.</p> <p>RPSC21/22:</p> <p>a and b: The Internal Audit team has been asked to undertake a short review of these questions. Terms of Reference have been shared and it is anticipated that this review will commence imminently.</p> <p>c. This is in hand with no further updates at this stage.</p>