



CLLR DAVID HODGE
LEADER

23 November 2016

Dear Keith, Steve and Stuart

Thank you for your letter of 4 November 2016 regarding scrutiny of Surrey Choices.

The Shareholder Board continues to work with Surrey Choices to ensure they are in a strong sustainable position going forward. The Board has worked with Surrey Choices to develop their business plan which will be coming to the November meeting. We have recruited interim senior staff over the summer and the Shareholder Board will be further discussing the recruitment process for a permanent Managing Director.

In 2015/16 Adult Social Care agreed a contract envelope of £12.1m for the ASC services provided to the council by Surrey Choices. The actual amount paid to Surrey Choices in 2015/16 was £11.7m, £0.4m lower than the contract budget. The main reasons for the reduction in expenditure were as follows:

- a) The cessation of the Personalisation Team at the end of December 2015 (a team that was supporting ASC to conduct personalised assessments of individuals attending Surrey Choices' services, but was no longer required once all Surrey Choices' service users had been assessed).
- b) A reduction in expenditure on Short Breaks respite services due to capacity in these services being lower than had originally been anticipated.
- c) Changes to the use of Fairways day centre which meant that the service charge and rent Surrey Choices paid to the council was reduced in the last quarter of 2015/16 and hence the amount ASC paid to Surrey Choices also reduced in kind.

Although these three changes had a part year impact of £0.4m in 2015/16, the full year effect was a reduction in expenditure of £1m. The starting point for negotiations in 2016/17 was therefore a contract budget of £11.1m (the original £12.1m contract budget less the £1m reduction associated with the three changes listed above).

During contract negotiations for 2016/17 it became apparent that the full cost of delivering services to ASC was not being recovered by Surrey Choices. As a result an increase to the contract of £2m was agreed to represent Surrey Choices' current cost of service provision. The deed of variation signed for 2016/17 therefore set out a planned total contract payment of £13.1m for 2016/17. Within this deed of variation, a commitment was made by Surrey Choices to reduce the contract value in 2017/18 by a minimum of £0.8m in recognition of efficiencies that Surrey Choices is planning to make as a result of a reconfiguration of its business.

The increase to Surrey Choices' contract in 2016/17 has resulted in a budget pressure for ASC of £1.2m. The reason that it is not the full £2m is that ASC retained most of the budget relating to the £1m reduction associated with areas a-c set out above. This funding would have been used to offset increased spot care costs resulting from increased demand if the increase to the Surrey Choices contract had not been required.

Yours sincerely



David Hodge
Leader of the Council



David McNulty
Chief Executive

Cc.

Ann Charlton, Director of Legal, Democratic & Cultural Services
Helen Atkinson, Strategic Director Adult Social Care & Public Health