



## COUNCIL OVERVIEW BOARD

1 FEBRUARY 2017

### SURREY CHOICES BUSINESS PLAN

**Purpose of the report:** Scrutiny of the Shareholder Board.

As part of its strategy to innovate in developing new models of delivery and to benefit from the freedoms introduced by the Localism Act, Surrey County Council established a Shareholder Board, which reports annually to the Council. The purpose of the Board is to safeguard the council's interest as shareholder and to take decisions in matters that require the approval of the Council as owner of a company.

The Council Overview Board is able to call the Shareholder Board to account for decisions it has taken in relation to any company for which the Council is a shareholder and for any returns it is making.

The Council Overview Board has requested a report to enable it to scrutinise the performance and business plan of Surrey Choices Ltd.

#### The Shareholder Board

1. The Shareholder Board was created following the report to Cabinet in March 2013 outlining the Council's strategic approach to innovation and evaluating new models of delivery. It has been established in accordance with best practice governance principles to ensure effective over-sight and alignment with the strategic objectives and values of the Council. The Board's authority and powers include:
  - appointing and removing directors;
  - approval of annual business plans; and
  - reviewing the financial and overall performance of trading companies.
2. The Board safeguards the Council's interest and takes decisions in matters that require the approval of the Council as a shareholder in a company. The shareholder role is exercised over all companies owned by the Council, and in relation to any shares held whether the purpose is trading, service provision, or investment. Decisions in relation to the day to day operation of companies are the responsibility of the directors of each company.

## Surrey Choices Ltd

3. Surrey Choices Ltd commenced trade in August 2014, following Cabinet approval of the business case in December 2013. The company provides people with learning and physical disabilities with a range of services in a variety of settings. The service offer includes day services and support for people who wish to seek employment or become engaged in work, volunteering or training opportunities. The Shared Lives services matches carers who provide support in a family environment.
4. The council created the company in order to ensure the sustainability of the services provided and to create a commercial environment in which to deliver efficiencies and continued innovation. The business case demonstrated that the company would make a modest profit with benefits to the council expected in two ways-
  - Income generated from trading activity by supplying services to those people with personal budgets and those that privately purchase services and,
  - A reduction in the cost of services from economies of scale delivered as a result of trading activities and from reducing fixed costs.
5. The company delivers services to the council under a commissioning contract, this is currently a block arrangement meaning that the risk of any volume increase rests with the company rather than with the council. Over the last 18 months or so the number of new referrals from the council has significantly increased and this lead to a deteriorating financial situation for the company. Examples of the changes in volume since the commencement of the contract are provided in the table below. The Shareholder Board is satisfied that these cases would have created a volume pressure within the council under previous arrangements and therefore supported that the company and the Adults Social Care Service (ASC) undertake a review of the contract and enter negotiations to make appropriate amendments to the block contract.

	2014/15 commencement of contract	2015/16 actual	increase
Volumes			
Day Services: number of sessions *	181,000	224,133	24%
Day Services: number of clients	604	670	11%
Employability: number of clients	823	1,008	22%
Shared Lives: number of placements	28	48	71%

\* A session is a half-day of client activity

6. These discussions concluded in October 2016 and recognise the importance of ensuring the continuation of the services provided to the residents of Surrey. The revised contract results in a net budget pressure to ASC of £1.2m which is reported in the financial monitoring report to Cabinet. The contract management meetings with the Adults Service have been reinvigorated with strategic commissioning meetings taking place regularly with the Strategic Director of ASC

and a number of sub-groups established to focus on key areas, including performance reporting and quality of service outcomes.

7. Changes have been made to the management team following the resignation of the Managing Director in August 2016. An interim Managing Director is currently in post whilst the recruitment process for a permanent replacement is underway. Management layers have been reduced across the business and the use of agency staff has reduced.
8. The company has put in place a number of changes to improve the internal controls and governance environment following concerns expressed in last year's audit report and this progress is recognised in the latest report from the external auditor, Grant Thornton.
9. The Shareholder Board approved the new Business Plan of the company in December 2016. This plan is based upon prudent assumptions, particularly in terms of non-council business and demonstrates that a break-even position is achievable in 2017/18 with modest profits thereafter. This is achieved primarily as a result of cost savings and these, together with the overall results will continue to be reviewed by the Shareholder Board on an ongoing basis. The detailed business plan of the company is appended to this report for consideration by the Council Overview Board as a confidential Part Two item since it includes information of a commercially sensitive nature.
10. The Shareholder Board are sufficiently encouraged by the progress being made to continue to support the business to achieve the forecast return to profitability. Within this context the board agreed to the request of the company to provide a further working capital loan of £100,000 since the detailed cash flow forecasts of the company identified some months where an overdraft facility is required. The company fully utilised the loan facility previously provided by the council last financial year.

<b>Recommendations</b>
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That the Business Plan of Surrey Choices Ltd is presented to the Council Overview Board for the purpose of scrutiny.

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**Annexes:**

PART TWO CONFIDENTIAL ANNEX: Surrey Choices Ltd Business Plan  
(December 2016)

**Sources/background papers:**

1. Annual Report of the Shareholder Board: Cabinet 29 July 2015
  2. Annual Report of the Shareholder Board: Cabinet 21 June 2016
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