



LEADER REPORT TO COUNCIL

FLEXIBLE USE OF CAPITAL RECEIPTS TO SUPPORT TRANSFORMATION

KEY ISSUE/DECISION:

This report demonstrates how the council's new vision and transformation programme, which is set out in the Developing a Vision for Surrey in 2030 report, will be funded, governed and reported upon.

BACKGROUND:

1. Since 2010, the council has faced year on year reductions in its funding from central government, whilst at the same time managing unprecedented growth in demand and cost for its services, especially in social care and special educational needs. The projections are for this growth in demand to continue. For 2018/19 the budget has been balanced through a number of one-off measures, totalling £56m, which is not a sustainable solution.
2. The future for local government funding remains uncertain and significant additional funding is not anticipated in the medium term. Faced with these uncertainties and pressures, the Cabinet is developing a programme of transformational changes to ensure the council has sustainable services for residents. This programme will include projects to manage service demands, increase income and, or, deliver savings to overall reduce annual expenditure by approximately £250m. This includes £133m of savings already in the Medium Term Financial Plan.

Supporting Transformation:

3. To ensure the council has the right capacity and capability to develop and deliver this level of transformational change, additional costs will be incurred relating to the following areas:
 - External consultancy project management support
 - Interim leadership capacity
 - Investment in transformation initiatives and programmes.
4. As Leader, I approved the appointment of external consultancy support, MyProteus, and the associated internal support through a formal decision on 5 April 2018. The business case for this decision has been reviewed by the Investment Panel and estimates the cost for both elements to be £1.1m in total.

5. Separately, I have agreed business cases in conjunction with the Chief Executive and the Executive Director for Finance, to recruit additional senior capacity and facilitators to support the change programme, as well as to fund existing change capacity. Each of these will contribute to the achievement of the council's target of £250m spend reduction over the next three years. As the newly appointed Executive Directors take up their roles and review their team structures, there may be additional interim capacity needed to implement the transformation programmes. Business cases will be prepared for each appointment, which I will approve with the Chief Executive.
6. It is estimated that up to £5m may be required to inject the necessary pace and scale of change needed to deliver the transformation necessary to achieve a sustainable budget position. The actual spend will be closely tracked by the Executive Director for Finance and reported in detail monthly to me, as Leader, and periodically to members through Cabinet, Corporate Overview Select Committee, and Council as appropriate.
7. The Cabinet, working with the Corporate Leadership Team, have identified six key themes, each with an indicative areas of focus, against which a programme of change and transformation is being developed. The six themes are listed below and shown more fully in Annex A.
 - Service Transformation
 - Partnership and Integration
 - New Ways of Working
 - Commissioning and Procurement
 - Investment and Income
 - Technology and Digital Innovation
8. Individual business cases will be prepared for each initiative or programme that will include details of any investment required to realise future greater savings. As Leader, I will approve these business cases in consultation with the Chief Executive, where they can demonstrate that the return on the investment is greater than the use of the capital receipts, prior to costs being incurred. The Executive Director for Finance will advise on an appropriate level of return on investment. Whilst the total investment required is not yet known, it is expected to be in the region of £10m to £15m.
9. Following approval for transformation projects to commence, the actual costs and benefits, will be closely monitored and tracked by the Executive Director for Finance. The impact of the transformation projects will be similarly closely tracked and reported upon by the Executive Director (Customers, Digital and Transformation). These will be reported to me, as Leader and the Cabinet on a monthly basis, and also available to the Corporate Overview Select Committee.

<u>Funding Transformation:</u>

10. Government has a stated policy of permitting use of capital receipts, gained since 1 April 2016, to fund transformation of services to deliver savings to the public sector. The Council has received £45m capital receipts since April 2016 and in approving the budget for 2018/19, the Full County Council committed £15m of this to fund transformation initiatives already planned in the 2018/19 budget.

11. On the basis that the implementation of the council's new Vision and these further transformation programme will contribute to the improved services and cost reduction, I proposed that areas identified above be funded under the Flexible Use of Capital Receipts Strategy. This funding would only be released for use based on robust business cases being developed.

RECOMMENDATION:

The Full County Council approves;

- i. the funding of the council's new vision and transformation initiatives and programmes, and the capacity to deliver this change outlined in the report from capital receipts received since April 2016. (Paragraphs 6 to 8)
- ii. the governance monitoring and reporting arrangements to ensure that the use of capital receipts provides value for money. (Paragraph 9)

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Sources/background papers:

Revenue and Capital Budget 2018/19 to 2020/21, Corporate Strategy and Key Financial Strategies, Full County Council 6 February 2018

Statutory Guidance on the Flexible Use of Capital Receipts (updated), Department for Communities and Local Government, March 2016

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