

SURREY COUNTY COUNCIL

CABINET

DATE: 23 JUNE 2020



REPORT OF: MR MEL FEW, CABINET MEMBER FOR FINANCE

LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR OF RESOURCES

SUBJECT: FINANCE IMPROVEMENT PROGRAMME CLOSURE REPORT

SUMMARY OF ISSUE:

In May 2018 the former Leader and Chief Executive commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a review of the council's finances and finance function.

In response to the review, a Finance Improvement Programme (FIP) was put in place to address the issues raised. The plan for the FIP was approved by Cabinet in September 2018 and this report provides an update and recommends closure of the FIP.

RECOMMENDATIONS:

It is recommended that:

1. Cabinet approves the closure of Finance Improvement Programme.
2. Cabinet endorses the continued focus of the Finance Service on improvements (both people and process), learning from others and a culture of no complacency.
3. Cabinet recognises the importance of the organisation's continued focus on its financial discipline and endorses the further development of the Finance Academy to continue to address and develop financial management capabilities across the organisation.
4. Cabinet notes the progress made on the Digital, Business & Insights programme and recognises the importance of this programme in the further work required to improve financial processes and data insights.
5. Cabinet thanks the members of the External Assurance Panel, recognising the importance of their involvement, honest feedback, experience and expertise throughout the programme.

REASON FOR RECOMMENDATIONS:

The collective commitment to stabilising the financial position of the Council was demonstrated when the finance improvement plan was supported by the Cabinet in September 2018. Since then a new medium-term financial strategy has been developed, aligned to the Community Vision for Surrey and a balanced budget has been set for consecutive years that does not rely on the use of reserves.

Having achieved the ambitions of the action plan and addressed the issues raised by the CIPFA report, these recommendations enable the closure of the programme and ensure a

continued focus on the development of, and investment in, financial management skills across the whole organisation, to ensure that excellent financial management is at the heart of all our decision making.

BACKGROUND

1. In 2018, Surrey County Council's (the Council) finances were in a precarious position and the council was at risk of circumstances that could have prompted the issuing of a s114 notice. The Council had relied on use of reserves to balance the budget in four successive years and had not addressed the underlying causes of its financial situation. In May 2018, CIPFA were commissioned by Surrey to examine whether the Finance function at the time had the right capacity, skills and competencies; and the extent to which the Council had moved forward in delivering against its budgeted savings challenge.
2. The CIPFA report was presented to Cabinet in September 2018. It concluded that a major transformation of the Finance function was needed to meet the Council's ambitions and sustain sound financial stewardship of the Council's resources. Cabinet approved an action plan (Appendix 2) to address the issues raised in CIPFA report and the Finance Service launched the Finance Improvement Programme (FIP) to deliver against this plan.
3. The Finance Improvement Programme has delivered a number of substantial achievements over the last 18 months, ensuring a strong project approach has been taken to address the urgent need to re-build financial resilience across the organisation. The significant progress made in building a financial discipline that is fit for purpose and addresses the financial challenges the Council faces, should not be underestimated.
4. The actions set out in the Finance Improvement Plan have been completed, and the project is now recommended for closure. At this point, it is appropriate to reflect on the progress that the County Council has made since September 2018.
5. A fundamental risk for an authority that has significant financial challenges is that the effort required to manage them diverts leadership and management capacity from the achievement of the council's core objectives. Good financial management is a pre-requisite of any successful County Council, but it is never an end in itself. In optimal circumstances it is simply a way of operating that permeates all business and is an intrinsic element of the organisational culture that guides behaviours and decision making.
6. The success of the Finance Improvement Programme can be seen in the shift from a focus on delivering in-year savings to having the foundations in place to allow the adoption of a £1.4bn capital programme, designed to achieve a step change in the quality of assets used to deliver public services, to establish financially sustainable service delivery, and protect large areas of the County from flooding risk, a project that has been seeking funding for five years. This includes the creation of a Community Project Fund to regenerate high streets and enable investment in communities over the medium term.
7. It can also be seen in the way that the County Council has been able to respond to the Covid 19 public health crisis, by prioritising public health concerns, confident that its finances can take the weight of that additional burden.

8. This report sets out how we have collectively improved the financial outcomes achieved by the County Council, strengthened processes and practices, raised our financial management capabilities, and shifted aspects of our organisational culture to ensure that financial management is seen as an essential and core component. A full closure report is attached at Appendix 1.

FINANCE IMPROVEMENT PROGRAMME

9. In 2018/19, the Council was facing a £20m budget overspend on top of an already budgeted for use of £20m of reserves. It was on the edge of a s114 notice and in year savings of £40m had to be delivered within 6 months to stabilise the situation. CIPFA had identified a number of key factors that it believed had contributed to the Council's financial situation in 2018:
- A lack of confidence in the financial estimates and progress reports submitted by the Finance Service. This had arisen due to weaknesses in the underlying performance data that had generated volatility in the estimates presented.
 - Underachievement of budgeted savings in recent years
 - A risk averse culture whereby there was little incentive to challenge existing practices or to raise standards of financial management.
 - A lack of financial discipline across the Council. Budget delegations had not been formalised, leading to limited accountability and ownership amongst budget holders. As a consequence, there was a lack of granularity in a number of the estimated financial pressures and changes facing the Council, and considerable uncertainty over the delivery of some key planned savings.
 - Orbis had not provided sufficient quality of service, economies of scale or resilience in the Finance function and uncertainty was inhibiting further integration.
10. An action plan was developed (Appendix 2), in consultation with CIPFA, and agreed by the Cabinet in September 2018. The action plan focused on specific actions required to address the following:
- Building a financial discipline that is fit for purpose, by:
- building the skills and capabilities of the Finance Team;
 - building the processes and systems needed to provide timely, reliable financial data efficiently to Cabinet;
 - building on the credibility and authority of financial reports to Members & CLT;
 - raising standards of financial awareness across the service directorates.
- Addressing the financial challenges that the Council faced, by:
- securing consensus on the scale of the challenge;
 - delivering sufficient savings in 2018-19;
 - setting a realistic balanced budget for 2019-20;
 - delivering a balanced budget in 2019-20; and
 - delivering a strategy to achieve a sustainable budget for 20/21.
11. A dedicated project team was put in place to implement the action plan. This commenced with a wide consultation exercise with teams across the organisation - 'Voice of the Customer.' As a result of this exercise the action plan was iterated and added to and the 'Finance Improvement Programme' was launched. The programme roadmap is set out in Appendix 3.

12. The Programme team worked early on with senior finance staff to develop a mission statement that would capture the way in which objectives were to be fundamentally redefined and engagement with the organisation refreshed and reinvigorated. The mission statement was road tested and further refined with the wider finance team and with budget manager partners in service directorates. The end result was an agreed mission statement to achieve:

A financially sustainable County Council with a strong culture of financial management, accountability and evidence-based decision-making across the organisation...

... enabled by a trusted, proactive and insightful Finance Service operating at the heart of the organisation.

This vision has guided the work of the programme over the last 18 months.

13. A rigorous Programme approach was taken, including: a Member Board chaired by the Cabinet Member for Finance; a cross-service Officer Board chaired by the s151 officer; a Finance Improvement Group to lead the work; a Member Reference Group to support the officer work, liaising with other members; and an External Assurance Panel to provide senior peer challenge, guidance and support.
14. The External Assurance Panel was set up by the Chief Executive and the four members are current or former Directors of Finance in the Public Sector, with track records of achieving financial turnarounds in their organisations. It provided the Chief Executive with independent assurance about the transformation, by challenging and supporting the Finance Leadership Team. The Panel met with the Finance Leadership Team on a regular basis over the course of eighteen months. From the start, an open and honest approach was established with the Panel about the changes needed and the scale of the challenges faced, including those that arose along the way.
15. These governance arrangements reflected a number of key points. First of all the absolute commitment from senior members and officers to address the issues identified by CIPFA, including allowing the work required to be properly prioritised and resourced; and secondly the willingness and desire to be open and welcoming of external scrutiny of the work being undertaken, which was an important statement of intent in terms of the wider organisational culture and a commitment to become a more outward looking organisation willing and eager to learn from the best that others have achieved.

ACHIEVEMENTS AND OUTCOMES

16. The FIP has tackled all aspects of the change programme. There were six main components to achieving the changes necessary. These components are interrelated and mutually self-supporting. Changes to processes and structures in the finance team were of fundamental importance, but equally so was raising the profile of financial management, and establishing credibility and trust in the finance function across the council:
- ***Finance service restructure***, including designing and appointing a new Finance Leadership Team and restructuring the department from top to bottom, recruiting people with the desired behaviours.
 - Implementing a ***business partnering approach*** and culture

- Developing a **knowledge, skills and behaviours framework** to ensure the finance team had the skills and behaviours needed of a modern financial function
- **Co-designing a Partnership Agreement** with services, to define the roles and responsibilities and mutual expectations
- Designing and developing a **Finance Academy** to support both the finance team and financial management skills across the organisation, including elected members
- Making **improvements to processes and financial reporting**

Details of the development and achievements in each of these areas is set out in detail in the FIP closure report (Appendix 1).

17. More fundamentally, the FIP has addressed each of the issue raised in the CIPFA report and made the necessary changes to deliver real change in the finance culture and real benefits to the Council's finances.
18. **Surrey's Financial position** - The CIPFA report concluded that unexpected increases in demand and a failure to deliver a significant proportion of the planned savings in 2017-18 undermined the credibility of the financial estimates reported for 2018-19. The report confirmed that despite repeated cost reductions, the expected increase in service pressures meant that, as things stood, the Council would not have sufficient reserves to meet its expected budget gap in 2019-20, necessitating short-term spending cuts that could adversely impact on services. While there was a focus on delivering savings in 2018-19, there was no 'plan B' to deal with unanticipated demand increases or the possible failure to deliver some of the proposed savings.
19. The Council responded by implementing a difficult in-year savings plan, producing Directorate budget envelopes requiring additional savings not only to mitigate against the projected overspend but also to negate the planned use of reserves. These were regularly monitored and the achievability scrutinised. In addition, Budget Assurance Statements were implemented to establish clear budget responsibility and accountability.
20. Building on these foundations, the budget set for 2019/20 was focused on two important benchmarks: that it was realistic and achievable, and that it avoided the general use of reserves to make it balance. The Budget for 2020/21, continues on this trajectory and moves us closer towards the overall financial objective of sustainability. Significantly, this budget represents a shift from the defensive short-term outlook that has typified the Council's financial plans for several years, and replaces it with a proactive, investment led approach to delivering for Surrey residents and to achieving medium-term sustainability.
21. The Council has achieved successive balanced budgets, without a reliance on reserves or one-off funding sources, alongside an ambitious Financial Strategy aligned to the delivery of organisational and service plans. This turnaround has been achieved by finance professionals acting as business partners to the organisation, with an emphasis on engagement, insight and joint problem-solving; and supporting this with investment in people, their skills and behaviours through our innovative Finance Academy.
22. The Finance Improvement Project has also instigated the following changes to further improve the Council's financial position:

- a commitment to assess future budgets against a best practice framework;
- enhanced the Council's ongoing financial resilience by adding to the General Fund Reserve and increasing the 20/21 contingency, following a positive outturn position for 2019/20;
- assessing the position of the Council, utilising the CIPFA Resilience Index, compared to other County Councils. Our analysis of the index shows improvement in our position between 2017/18 and 2018/19 (2019/20 data not yet available);
- significant changes made to the capital budgeting, monitoring and reporting processes, strengthening governance and transparency of reporting;
- redesign and embedding of the Council's commercial approach.

23. **Financial Accountability Culture Change** - The CIPFA report said there was a lack of financial discipline across the Council. Budget delegations had not been formalised, leading to limited accountability and ownership amongst budget holders.

24. In an important demonstration of the authenticity of the efforts to refresh the working relationship between Finance and Service Directorates, the fundamentally important Partnership Agreement for Excellent Financial Management was co-designed by a group of service and finance managers working together. The content, tone, and even title of the agreement was developed jointly and with the importance of it resonating with budget managers across all services at the forefront of the approach. Following consultation with directorate leadership teams, and agreement by CLT, it was signed off by the corporate leadership team in July 2019.

25. The Agreement sets out our ambition to achieve six key financial management outcomes:

- The best use of financial resources in meeting organisational objective
- A culture of accountability where managers and members take money really seriously, and balance this against their other responsibilities and objectives
- A grip on the county council's finances, drawing on high quality financial information, aligned with activity and performance information
- Great strategic and operational decision-making, based on sound and credible financial analysis and insight
- Self-reliance among budget managers making use of effective tools, guidance and systems
- Strong relationships underpinned by mutually understood roles, constructive challenge and collaborative problem-solving

26. The 'Partnership Agreement for Excellent Financial Management' recognises that Finance cannot achieve these ambitions alone and that everyone has a role to play in ensuring excellent financial management is at the core of all our decision making. It therefore sets out the respective roles and responsibilities and a series of mutual expectations about how this can be achieved. Finance Business Partners are now members of each Directorate Leadership team, working together with services to deliver the improvements they need, and contributing much more than just a finance perspective, really adding value.

27. **Finance Service** – The CIPFA report concluded that the team was too passive in its approach. The team was focused on day-to-day tasks rather than strategic priorities.

The 'Voice of the Customer' work also reflected this perception. By co-designing both the Partnership Agreement and the Finance Academy, the Finance service is actively addressing this and pro-actively rebuilding trust with services.

28. The restructuring of the team focused around the business partnering approach, ensuring that the knowledge, skills and behaviours required of a modern finance function were demonstrated throughout the process. The recognition and unleashing of the talent within the finance team, augmented by some excellent external recruitment, and the time and space for reflection that it offered were vital to resetting the relationship with the wider council, including elected members, and to achieving the recovery of trust and a reputation for professional excellence.
29. The way in which the Finance function has been able to quickly react and adapt to the response to the COVID pandemic, reflects the improvement in the resilience of the service. The team has been able to work as business partners across the organisation to enable rapid responses to service needs. Activities to date have included:
 - a) keeping up to date on national government guidance and funding/grant changes for our services;
 - b) addressing potential workforce capacity issues, including establishing a Finance Team for the Surrey Local Resilience Forum through staff redeployment to these business-critical roles;
 - c) established supplier support processes, including flowchart of processes and established Panels and weekly log of decisions for Cabinet/CLT, including hardship support to the voluntary, community and faith sector;
 - d) provided guidance on Government support for businesses;
 - e) continued to support all services and the Surrey Local Resilience Forum, providing urgent financial advice for decision-making;
 - f) reported pressure on finances (costs/loss of income) and risks through weekly updates to Operational Group and CLT, which fed into the Delta Returns to MHCLG;
 - g) working with services on likely scenarios, including potential surges in demand for services, against core planning assumptions to review the 20/21 budget and develop 21/22 and beyond;
 - h) established a County Council Covid Collaboration Group, hosted by SCC;
 - i) co-ordinating the Public Finance implications of the Surrey Recovery Co-ordination Group;
 - j) capture and learn from the experience by talking to staff, to inform improvements to how we work in the future.
30. **Financial Management Skills** - The CIPFA report stated there was a risk averse culture whereby there was little incentive to challenge existing practices or to raise standards of financial management. The Finance Academy is a direct response to this and is designed to improve the skills and knowledge of all involved – finance staff, service managers and elected members.
31. The Finance Academy is a different approach to a learning and development programme and is based on a number of design principles which were developed alongside representatives from across the organisation. The aspiration for the Finance Academy platform to be a single point of reference for all financial management related

material, including case studies, best practice examples and hints and tips on our systems and processes.

32. **Orbis Partnership** – The CIPFA report said that uncertainties surrounding the role of Orbis, the slow pace of integration within Orbis and a lack of clarity on forward plans was a hindrance to change within the Finance Team.
33. In order to accelerate the recovery within the Finance team, further integration within Orbis was paused, and the subsequent restructure embedded a shift back to a sovereign finance team for the Council. This was less a reflection on the potential through the shared service partnership, and more a recognition that clearer focus on the particular challenges faced by the Council was required, this was also reflected in the independent review carried out of the Orbis partnership. Some Centres of Expertise remain, in areas where integration has worked well. In these specific areas, we have retained partnership arrangements and continue to have good and close working relationships with Orbis partners.
34. **Processes, Data & Reporting** - The CIPFA report indicated that the Finance team was relying heavily on 'workarounds', proxy measures and broad assumptions due to the lack of reliable performance data.
35. Engagement with both the finance team and services on financial data and processes resulted in a number of targeted work streams to deliver:
 - 'Quick Wins' – immediate improvements helping to improve experiences within the team and those of our budget holders;
 - an intensive review of our budget monitoring process, including detailed process mapping;
 - review and update of our monthly reports to both Directorate Leadership Teams and the Corporate Leadership team;
 - Launch of the Digital, Business and Insight Programme (DB&I).
36. The DB&I Programme commenced about a year ago to upgrade or replace the existing Enterprise Resources Planning system (currently SAP), which is used to manage the organisation's business critical Finance, HR, Payroll and Procurement processes. The programme is now at an advanced stage of the procurement process.
37. The aim of the programme is to deliver a more modern, intuitive and efficient back office system and processes to enable the council to achieve its transformational ambitions to drive service transformation, improve management decision making through easily accessible data and insight, and to have a flexible and mobile workforce.
38. This programme will have a significant impact on the ability of Finance to move to Phase 2 of delivering best practice process improvements in terms of insightful, timely and understandable information for rapid management decision-making. Finance is therefore an important contributor to this project.
39. **Culture change**- The CIPFA report said there was insufficient focus on raising performance standards.

40. The finance team have developed a clear focus on continuous improvement, dedicating time to develop and evaluate improvement initiatives, including creating specialist roles and developing the Finance Academy. We reach out to colleagues to utilise their skills and experience and act upon their feedback. We formally review ourselves against the CIPFA Financial Management Model at regular intervals.
41. Having achieved a dramatic turnaround in 18 months, we are now setting our ambitions much higher. Instead of looking inward and becoming complacent, we are restless in our pursuit of the best ideas from elsewhere, being inspired by them and aiming to exceed expectations.
42. In addition, we have been shortlisted for Finance Team of the Year at the Public Finance Awards 2020.

STAKEHOLDER FEEDBACK

43. In the initial phase of the FIP in 2018, baseline data was collected as part of the 'Voice of the Customer' activities. Recently, the Finance Team have re-visited this work to understand any changes, as we look to close FIP.
44. Two surveys were constructed, one for Finance staff and one for budget holders. Both were based on a set of 30+ statements drawn from the CIPFA Financial Management Model, with respondents being asked to score the extent to which they agree with each statement on a scale of 1-4 (where 4 = strongly agree). The statements are divided into five domains: Core, Plan, Decide, Manage and Monitor.
45. Finance Staff - In 2018 the overall average score was 2.57 out of 4.00. The recent survey showed an overall increase of 11% to 2.88, with all 5 domains seeing an increased score. Individual statements which require further attention relate to using external best practice, pricing, financial processes and financial systems. These areas will be focused on as part of ongoing continuous improvement and are largely addressed by projects already in progress, such as DBI and a review of fees and charges.
46. Budget Holders - The largest increase in score related to the development of a financial strategy to sustain the organisation's medium and long term financial health. Statements relating to financial processes and systems and budget accountability require further improvement. The Finance Team will look to address these through the continued role out of the 'Financial Management Partnership Workshops' through the Finance Academy and through the DBI project.
47. The outcome of these surveys will be used to set a new baseline of the progress we have made. Going forward we will survey our services/colleagues/partners about their views on the finance service regularly to gauge genuine continuous improvement over the next few years.

LESSONS LEARNED

48. The Finance Improvement Programme has demonstrated the importance of having a strong project framework and governance arrangements surrounding a service transformation. In addition, the project has benefited greatly from a recognition of:

- a) the importance of resourcing the senior leadership capacity in the service, resourcing the change team and having impact measures running alongside the programme to monitor progress on an ongoing basis;
- b) the importance of investing in the talent we had in the team while also making sure that we were unstintingly demanding in external recruitment, to make sure every important decision strengthened rather than weakened the team;
- c) the role of the External Assurance Panel in keeping us honest, and the powerful impact of positive feedback from such experienced external figures on the team as well as the insight and advice offered;
- d) how important it was to use the co-production approach;
- e) the impact of being absolutely open about and accepting of the challenges, sharing these and not being complacent about the need to change;
- f) sharing progress, both in terms of challenges and achievements, with officer and member colleagues, so that the whole journey was a joint one.

EXTERNAL ASSURANCE PANEL FEEDBACK

49. The External Assurance Panel was set up by the Chief Executive to provide independent assurance about the Finance Improvement Programme, by challenging and supporting the Finance Leadership Team. The External Assurance Panel have met and engaged with the Surrey Finance Leadership Team on a regular basis over the last 18 months.
50. Feedback from the Panel: *The Finance Leadership Team have been open with us about the changes needed and the journey they are on. They have been enthusiastic and determined, but also willing to look outwards and learn from others, asking our advice about difficult issues they were experiencing.*
51. *Over the last 18 months, we have witnessed the journey of the Financial Improvement Programme, from plans to delivery. It has tackled all aspects of the change programme: looking at the skills and behaviours needed of a modern finance function; implementing a Business Partner culture; designing and appointing a new Leadership Team; restructuring the department from top to bottom and recruiting people with the desired behaviours; co-designing a Partnership Agreement with services; making improvements to processes; and designing a Finance Academy to support the Finance team and services, as well as elected members. Morale has improved and there is a buzz in the wider team.*
52. *Most crucially, they have radically improved the finances of Surrey by working with the services. The Council's financial outlook has improved materially over the past eighteen months and reserves are higher than was anticipated by the previous Medium Term Financial Plan.*
53. *Even with this change, there is no complacency in the team. The External Assurance Panel will continue to meet with the Finance Leadership Team in 2020 as they continue the transformation and improvement.*
54. The External Assurance Panel comprises:
 - Mike Lockwood (Chairman)
 - Brian Roberts, Finance Commissioner for Northamptonshire County Council
 - Andrew Burns, CIPFA Associate Director
 - Jane West, Chief Operating Officer, London Borough of Havering
 - (previously Margaret Lee, Executive Director for Corporate and Customer Services, Essex County Council)

CONSULTATION:

55. Feedback from stakeholders, both Finance staff and budget holders, is included in this report. In addition, the Member Reference Group has been regularly updated on the progress of the FIP and supports the closure of the FIP programme.

RISK MANAGEMENT AND IMPLICATIONS:

56. The FIP has addressed all risks, both financial and reputational, raised on the CIPFA report and has embedded risk management in the financial strategy.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

57. The cost of the FIP, recruitment and ongoing improvements has been funded from within the MTFS.

SECTION 151 OFFICER COMMENTARY

58. The s151 Officer is content that the FIP has achieved the necessary changes recommended in the CIPFA report, both in terms of financial culture but also of financial sustainability.

LEGAL IMPLICATIONS – MONITORING OFFICER

59. There are no significant legal implications arising from the report.

EQUALITIES AND DIVERSITY

60. There are no equality or diversity implications associated with this report.

Contact Officer:

Rachel Wigley, Director of Financial Insight, 07970 977984

Consulted:

Executive Director of Resources
 Corporate Leadership team
 Cabinet Member for Finance & Property
 Member Reference Group
 Finance Staff
 Budget Holders
 External Assurance Panel

Annexes:

Appendix 1 Closure report
 Appendix 2 Finance Improvement Action Plan
 Appendix 3 Programme Roadmap

Sources/background papers:

Financial Improvement Plan Report, Item 8, Cabinet 25 September 2018

Finance Improvement Programme Closure Report – June 2020

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1. INTRODUCTION

In 2018, Surrey County Council's finances were in a precarious position and the council was on the verge of issuing a s114 notice. The Council had relied on use of reserves for many years to balance the budget and had not tackled the underlying causes of its financial situation.

In May 2018, CIPFA were commissioned by Surrey to examine whether the Finance function at the time had the right capacity, skills and competencies; and the extent to which the Council had moved forward in delivering against its budget savings challenges. The CIPFA report is contained in Appendix 2.

The CIPFA report concluded that a major transformation of the Finance function was needed to meet the Council's ambitions, as well as sustaining sound financial stewardship of the Council's resources. Cabinet in September 2018 approved an action plan put forward to address these issues. The Financial Improvement Programme (FIP) was launched and as a result of early consultation with stakeholders the action plan was iterated and added to. Appendix 3 sets out the FIP roadmap.

The actions set out in the Finance Improvement Programme have been completed, and the project is now recommended for closure. At this point, it is appropriate to reflect on the progress that the County Council has made since September 2018.

A fundamental risk for an authority that has significant financial challenges is that the effort required to manage them diverts leadership and management capacity from the achievement of the council's core objectives. Good financial management is a pre-requisite of any successful County Council, but it is never an end in itself. In optimal circumstances it is simply a way of operating that permeates all business and is an intrinsic element of the organisational culture that guides behaviours and decision making.

The success of the Finance Improvement Programme can be seen in the shift from a focus on delivering in-year savings to having the foundations in place to allow the adoption of a £1.4bn capital programme designed to achieve a step change in the quality of assets used to deliver public services, to establish financially sustainable service delivery, and protect large areas of the County from flooding risk, a project that has been seeking funding for five years. It can also be seen in the way that the County Council has been able to respond to the Covid 19 public health crisis, by prioritising public health concerns, confident that its finances can take the weight of that additional burden.

This report sets out how we have collectively improved the financial outcomes achieved by the County Council, strengthened processes and practices, raised our financial management capabilities, and shifted aspects of our organisational culture to ensure that financial management is seen as an essential and core component.

2. CIPFA REPORT

In 2018/19, Surrey County Council was facing a £20m budget overspend and was set to use £20m of reserves in order to balance the year's revenue budget: the fourth year that this kind of measure had been necessary. It was on the edge of becoming the second local authority to issue a s114 notice and needed to deliver in year savings of £40m, within 6 months, in order to stabilise the situation. CIPFA's report confirmed the extent of the problems and identified a number of key factors that had contributed to Council's financial situation:

- A lack of confidence in the financial estimates and progress reports submitted by the Finance Service. This had arisen due to weaknesses in the underlying performance data that had generated volatility in the estimates presented.
- Underachievement of budgeted savings in recent years

- A risk averse culture whereby there was little incentive to challenge existing practices or to raise standards of financial management.
- A lack of financial discipline across the Council. Budget delegations had not been formalised, leading to limited accountability and ownership amongst budget holders. As a consequence, there was a lack of granularity in a number of the estimated financial pressures and changes facing the Council, and considerable uncertainty over the delivery of some key planned savings.
- Orbis had not provided sufficient quality of service, economies of scale or resilience in the Finance function and uncertainty was inhibiting further integration.

3. FINANCIAL IMPROVEMENT PROGRAMME

The Finance Improvement Programme (FIP) was developed, in consultation with CIPFA, to address the issues raised in their review. The focus of the plan was on:

- Building a financial discipline that is fit for purpose by
 - up-skilling and re-structuring the Finance team,
 - improving the quality of financial estimates generated, and
 - raising standards of financial management across the Council.
- Addressing the financial challenges that the Council faced by
 - securing consensus on the scale of the financial challenges ahead,
 - delivering sufficient savings in 2018-19,
 - as well as setting and delivering a balanced budget for 2019-20 whilst meeting statutory duties.

A rigorous Programme approach was taken, including: a Member Board chaired by the Cabinet Member for Finance; a cross-service Officer Board chaired by the s151 officer; a Finance Improvement Group to lead the work; a Member Reference Group to support the officer work, liaising with other members; and an External Assurance Panel to provide senior peer challenge, guidance and support.

The External Assurance Panel was set up by the Chief Executive and the four members are current or former Directors of Finance in the Public Sector, with track records of achieving financial turnarounds in their organisations. It provided the Chief Executive with independent assurance about the transformation, by challenging and supporting the Finance Leadership Team. The Panel met with the Finance Leadership Team on a regular basis over the course of eighteen months. From the start, an open and honest approach was established with the Panel about the changes needed and the scale of the challenges faced, including those that arose along the way.

These governance arrangements reflected several key points:

- the absolute commitment from senior members and officers to address the issues identified by CIPFA, including allowing the work required to be properly prioritised and resourced; and
- the willingness and desire to be open and welcoming of external scrutiny of the work being undertaken, which was an important statement of intent in terms of the wider organisational culture and a commitment to become a more outward looking organisation willing and eager to learn from the best that others have achieved.

3.1 The Programme mission statement

The Programme team worked early on with senior finance staff to develop a mission statement that would capture the way in which objectives were to be fundamentally redefined and engagement with the organisation refreshed and reinvigorated. The mission statement was road tested and further refined with the wider finance team and with budget manager partners in service directorates. The result was an agreed mission statement to achieve:

A financially sustainable County Council with a strong culture of financial management, accountability and evidence-based decision-making across the organisation...

... enabled by a trusted, proactive and insightful Finance Service operating at the heart of the organisation.

This vision has guided the work in the programme over the last 18 months.

The programme involved six major components to achieve the changes necessary. These components are interrelated and mutually self-supporting. Changes to processes and structures in the finance team were of fundamental importance, but equally so was raising the profile of financial management and establishing credibility and trust in the finance function across the council.



3.2 Business partner approach

The Finance Service has adopted a business partnering approach to supporting the Council. This has been a key building block to many of the other aspects of the Finance Improvement Programme. As business partners, Finance aims to be a trusted, proactive and insightful Finance Service operating at

the heart of the organisation. To achieve this, a set of expected behaviours was developed and the Finance service are committed to embedding these:



The vision and commitment to business partnering is further supported by the Finance Service strap line 'Successful Together'.

3.3 Partnership agreement

The Finance Service recognised that it could not adopt an effective Business Partnering approach alone. It needed to engage with the rest of the Council and listen to the feedback of the services it supports.

Improving the organisations financial management arrangements is one of the focus areas of our Organisational Strategy and recognises that in order to be a modern and confident organisation delivering value for money services, there needs to be clarity about the financial management roles and responsibilities. There also needs to be an understanding about how finance and services work together in partnership across the organisation to achieve this.

In an important demonstration of the authenticity of the efforts to refresh the working relationship between Finance and Service Directorates, the fundamentally important Partnership Agreement was co-designed by a group of service and finance managers working together. The content, tone, and even title of the agreement was developed jointly and with the importance of it resonating with budget managers across all services at the forefront of the approach. The partnership Agreement was signed off by the Corporate Leadership Team in July 2019, following consultation with Directorate Leadership Teams.

The Agreement sets out the ambition to achieve six key financial management outcomes:

- The best use of financial resources in meeting organisational objective;

- A culture of accountability where managers and members take money really seriously, and balance this against their other responsibilities and objective;
- A grip on the county council's finances, drawing on high quality financial information, aligned with activity and performance information;
- Great strategic and operational decision-making, based on sound and credible financial analysis and insight;
- Self-reliance among budget managers making use of effective tools, guidance and systems;
- Strong relationships underpinned by mutually understood roles, constructive challenge and collaborative problem-solving.

The Partnership Agreement recognises that Finance cannot achieve these ambitions alone and that everyone has a role to play in ensuring excellent financial management is at the core of all our decision making. It therefore sets out the respective roles and responsibilities and a series of mutual expectations about how this can be achieved. Strategic Finance Business Partners are now members of each Directorate Leadership Team, working together with services to deliver the improvements they need, and contributing much more than just a finance perspective, really adding value.

3.4 Restructure

The business partnering approach provided the building blocks for the recent restructure of the Finance Service. The Finance Leadership Team structure was completed by March 2019 and the whole of the Finance Team was then restructured, with the new structures live from 1 November 2019.

The restructuring of the team, the recognition and the unleashing of the talent within the finance team, augmented by some excellent external recruitment, and the time and space for reflection that it offered were vital to resetting the relationship with the wider council, including elected members, and to achieving the recovery of trust and a reputation for professional excellence.

The commitment to embedding business partnering was at the core of the Finance restructure and resulted in a recognition that a modern Finance Team needed to be professionally and technically competent in finance and accounting skills but also needed to develop the 'softer skills' required to be an effective business partner.

As a result, a Behaviours, Skills and Knowledge Framework was developed which sets out the expectations for each level within the service and this was used as the basis for the assessments and interviews carried out for the restructure.

The CIPFA report said that Orbis had not provided sufficient quality of service, economies of scale or resilience in the Finance function and uncertainty was inhibiting further integration.

In order to accelerate the recovery within SCC finance, further integration within Orbis was paused, and the restructure embedded a shift back to a sovereign finance team for SCC. This was less a reflection on the potential through the shared service partnership, and more a recognition that clearer focus on the particular challenges faced by SCC was required. Where integration works well, for example in treasury management, VAT advice, insurance and financial assessments of organisations, we have retained partnership arrangements and continue to have good and close working relationships with Orbis partners.

3.5 Finance Academy/Behaviours, skills & knowledge

Underpinning the whole of the Finance Improvement Project is the Finance Academy. This recognises that changing the way the service works, improving processes and re-engaging with services needs to be supported by investment in the financial management skills and capabilities of the whole organisation.

The Finance Academy is a different approach to a learning and development programme and is based on a number of design principles, which were developed alongside representatives from across the organisation. The content on the Finance Academy platform will come in many forms but will be accessible anytime and from anyplace. Much of the content is short, recorded pieces that can be re-visited when required. The aspiration for the Finance Academy platform to be a single point of reference for all financial management related material, including case studies, best practice examples and hints and tips for systems and processes.

The CIPFA report stated that *'Securing the commitment of everyone connected to Surrey County Council to resolving the financial difficulties faced' will be critical to overcoming its financial challenges'*, the Finance Academy is a direct response to that and is designed to improve the skills and knowledge of all involved – finance staff, service managers and elected members.

3.5.1 Service Managers/Budget Holders

The priority area for the Finance Academy was the numerous budget holders across the organisation (c 300). The first phase of 'Financial Management Partnership Workshops' were designed and piloted with a group of budget holders representing a number of services. These were developed in line with the Finance Academy design principles and are based around a series of pre-recorded videos, including:

- The Financial Context of the Council
- The Finance Partnership Agreement
- Constructive Challenge
- Revenue Budget Monitoring

These sessions importantly train budget holders alongside the finance business partners who support them to help to embed the partnership agreement, enhance relationships and develop a common understanding.

3.5.2 Elected Members

A three stage approach to refreshing and developing the financial understanding of our elected Members has been developed:

- Fundamentals Programme – aimed at all Members, and consisting of three modules:
 - Introduction to Local Government Finance
 - How Financial Governance Works at SCC
 - Accessing & Interpreting Financial Information at SCC
- Insights Programme – aimed at members holding specific roles (eg scrutiny committee, audit & governance)
- Strategic Finance Programme – aimed at Cabinet Members

Modules 1 & 2 of the Fundamentals Programme was delivered in late 2019 / early 2020. Module 3 was scheduled to be delivered in March, but was postponed due to the COVID-19 outbreak and the initiation of lock-down. Attendance at these sessions was not as high as had been hoped (each session was held three time in three different locations), although feedback of those that attended was very positive. Members were asked to complete a feedback form and score a number of aspects of the training either Very good, good, adequate or poor.

Feedback: % of feedback forms scored as 'Good' or 'Very Good'

	Good or Very Good	
	Module 1	Module 2
	%	%
Achievement of event aims and objectives	90%	81%
Delivery of the event by the presenters	90%	94%
Quality of the presentation, ie PowerPoint slides	90%	100%
Suitability of the venue	78%	76%
Pre-event administration	81%	94%
Would you recommend the event to colleagues?	95%	94%
Attendance	13	21

Videos of the slides from all 3 modules, along with voice overs of summarised content are available on the Members Portal. This is aimed to both broaden the reach of the sessions delivered but also enable the content to be revisited where necessary.

3.5.3 [Finance Service](#)

The Finance Academy also recognises the importance of a Finance Service committed to continual professional development, as has initiated the following:

- Developed a skills, knowledge and behaviours programme to ensure that there are opportunities to develop skills in line with the expectations of the framework which originated as part of the Finance restructure, and builds of the skills required within the Partnership Agreement for Excellent Financial Management;
- Re-established the Finance trainee scheme, ensuring that we are bringing in new talent to the organisation, working towards their professional CIPFA qualification in the form of an apprenticeship;
- Developed cohorts within the Finance team, bringing people together with similar ambitious or at similar stages in their career, to self-assess and put together learning and development requirements so that programmes can be designed to specific needs;
- Development sessions for the Finance Leadership Team, devoting dedicated time to developing themselves into a high performing team.

3.6 [Review of processes](#)

As part of the FIP, one of the key themes was to make improvements to the financial processes, including when and how we engaged with services to share budget monitoring information, improving reporting and linking it to what service data is telling us.

We asked both the finance team and services what financial data and process improvements they believed were required. This resulted in several targeted work streams:

- ‘Quick Wins’ – the change champions within Finance led on a number of improvements that could be made without the need for significant investment in time or resources, bringing about some immediate improvements helping to improve experiences within the team and those of our budget holders.
- An intensive review of our budget monitoring process, including detailed process mapping – this work assisting in identifying some of the quick wins and will also be used as we look to further improve these processes and how they interact with other systems, alongside the Digital Business and Insights Programme.
- Review and update of our monthly reports to both Directorate Leadership Teams and the Corporate Leadership Team.
- Launch of the Digital, Business and Insight Programme.

3.6.1 [Digital, Business & Insights \(DB&I\) Programme](#)

The DB&I Programme commenced about a year ago to upgrade or replace the existing SAP system at Surrey County Council. The programme is now at an advanced stage of the procurement process to replace the existing corporate Enterprise Resource Planning system, which is used to manage the organisation’s business critical Finance, HR, Payroll and Procurement processes.

The aim of the programme is to deliver a more modern, intuitive and efficient back office system and processes to enable the council to achieve its transformational ambitions to drive service transformation, improve management decision making through easily accessible data and insight, and to have a flexible and mobile workforce.

This programme will have a significant impact on the ability of Finance to move to Phase 2 of delivering best practice process improvements in terms of insightful, timely and understandable information for rapid management decision-making. Finance is an important contributor to this project.

4 ACHIEVEMENTS AND OUTCOMES

The programme has tackled all aspects of the change programme: looking at the skills and behaviours needed of a modern finance function; implementing a Business Partner culture; designing and appointing a new Leadership Team; restructuring the department from top to bottom and recruiting people with the desired behaviours; co-designing a Partnership Agreement with services; making improvements to processes; and designing a Finance Academy to support the Finance team and services, as well as elected members.

More fundamentally, it has addressed each issue raised in the CIPFA report and made the necessary changes to deliver real change in the finance culture and real benefits to the Council’s finances.

4.1 Culture change

The CIPFA report said there was a risk averse culture whereby there was little incentive to challenge existing practices or to raise standards of financial management. There was a lack of financial discipline across the Council. Budget delegations had not been formalised, leading to limited accountability and ownership amongst budget holders. As a consequence, there was a lack of granularity in a number of the estimated financial pressures and changes facing the Council, and considerable uncertainty over the delivery of some key planned savings.

The components for the Finance Improvement Project addressed the need for culture change in relation to both financial accountability and the culture within the Finance Service.

- Financial Accountability - the 'Partnership Agreement for Excellent Financial Management' sets out the expectations and roles across the organisation to ensure that financial management responsibilities are defined and understood. In addition, the Finance Academy presents a learning and development programme to further development and enhance financial management skills and capabilities.
- Finance Service: The restructuring of the team focused around the business partnering approach, ensuring that the knowledge, skills and behaviours required of a modern finance function were demonstrated throughout the process. The recognition and unleashing of the talent within the finance team, augmented by some excellent external recruitment, and the time and space for reflection that it offered were vital to resetting the relationship with the wider council, including elected members, and to achieving the recovery of trust and a reputation for professional excellence.

This turnaround has been achieved by finance professionals acting as business partners to the organisation with an emphasis on engagement, insight and joint problem-solving; and supporting this with investment in people, their skills and behaviours through our innovative Finance Academy.

The Finance Team now have a clear focus on continuous improvement, dedicating time to develop and evaluate improvement initiatives, including creating specialist roles and developing the Finance Academy.

Becoming more outward looking, the Finance Team will continue to reach out to colleagues to utilise their skills and experience and act upon their feedback and formally review the service against the CIPFA Financial Management Model at regular intervals.

Having achieved a dramatic turnaround in 12 months, we are now setting our ambitions much higher. Instead of looking inward and becoming complacent, we are restless in our pursuit of the best ideas from elsewhere, being inspired by them and aiming to exceed expectations.

Most crucially, we have, by working with the services, radically improved the finances of Surrey. We have achieved a balanced budget and an ambitious Financial Strategy to deliver organisational and service plans. The Council's financial outlook has improved materially over the past twelve months and reserves are higher than was anticipated by the previous Medium-Term Financial Plan.

In addition, we have been shortlisted for the Public Finance Team Award 2020.

4.2 Surrey's Financial position – Revenue and Capital

The CIPFA report said there was a lack of confidence in the financial estimates and progress reports submitted by the Finance Service. This had arisen due to weaknesses in the underlying performance data that had generated volatility in the estimates presented and an underachievement of budgeted savings in recent years.

4.2.1 Revenue Budget

When we commenced our transformation journey 18 months ago the Council's finances were in a very challenging position, so challenging in fact that we were rapidly heading down the path of issuing a s114. The 2018/19 budget was set with a short-term focus and was unachievable; there was a culture of using Reserves to balance budgets where savings were not delivered, and Reserves were running low.

Roll-forward one year and following an in-year recovery plan to not use Reserves, which ended a period where reserves had fallen for three successive years. The budget set for 2019/20 was focused on two important benchmarks: that it was realistic and achievable, and that it avoided the general use of Reserves to make it balance.

The Budget for 2020/21 builds more strongly on this foundation and moves us closer towards the overall financial objective of sustainability. Significantly, this budget represents a shift from the defensive short-term outlook that has typified the Council's financial plans for several years, and replaces it with a proactive, investment led approach to delivering for Surrey residents and to achieving medium-term sustainability.

This shift is most evident in our revised Capital Programme and the ambition laid out within it. This increase in investment is not a reflection of any expectations that our medium-term funding perspective will be any easier, but instead a recognition that investment in the right infrastructure can help keep the on-going costs of service delivery sustainable and within available resources, as well as delivering the transformational change set out in the Council's 2030 Vision.

Working with our External Assurance Panel, we have committed to assessing future budgets against a best practice framework. The six hallmarks and an assessment of progress against these in setting the 2020/21 budget and MTFs are detailed in the table below.

Self-assessment against the Hallmarks of building the Budget

Hallmark	Self-Assessment
The budget has a medium-term focus which supports the Strategic Plan	<ul style="list-style-type: none"> Transformation funding was built into the budget to deliver the Organisation Strategy over the medium-term to support the delivery of efficiencies. Ambitious capital investment. The revenue implications of borrowing were built into the budget
Resources are focused on our vision and our priority outcomes	<ul style="list-style-type: none"> A Feasibility budget was created and directed to accelerate the delivery of the capital ambition and therefore outcomes for residents.
Budget not driven by short-term fixes and maintains financial stability	<ul style="list-style-type: none"> Moving away from funding transformation from flexible capital receipts to the use of revenue budget, with 75% of the transformation budget funded through revenue.
The budget is transparent and well scrutinised	<ul style="list-style-type: none"> The 2020/21 Draft Budget was scrutinised at individual Select Committees. Service efficiencies and pressures were provided in greater detail applicable to each Committee.
The budget is integrated with the Capital Programme	<ul style="list-style-type: none"> The Capital Programme includes proposals that help deliver efficiencies over the medium-term in key revenue demand areas e.g. ASC and SEND provision. The revenue budget includes all the borrowing costs of funding the Capital Programme.
The budget demonstrates how the Council has listened to consultation with local, people, staff and partners	<ul style="list-style-type: none"> A residents' survey was undertaken in December and the feedback incorporated into efficiency proposals. We consulted with partners from the business and voluntary, community and faith sectors.

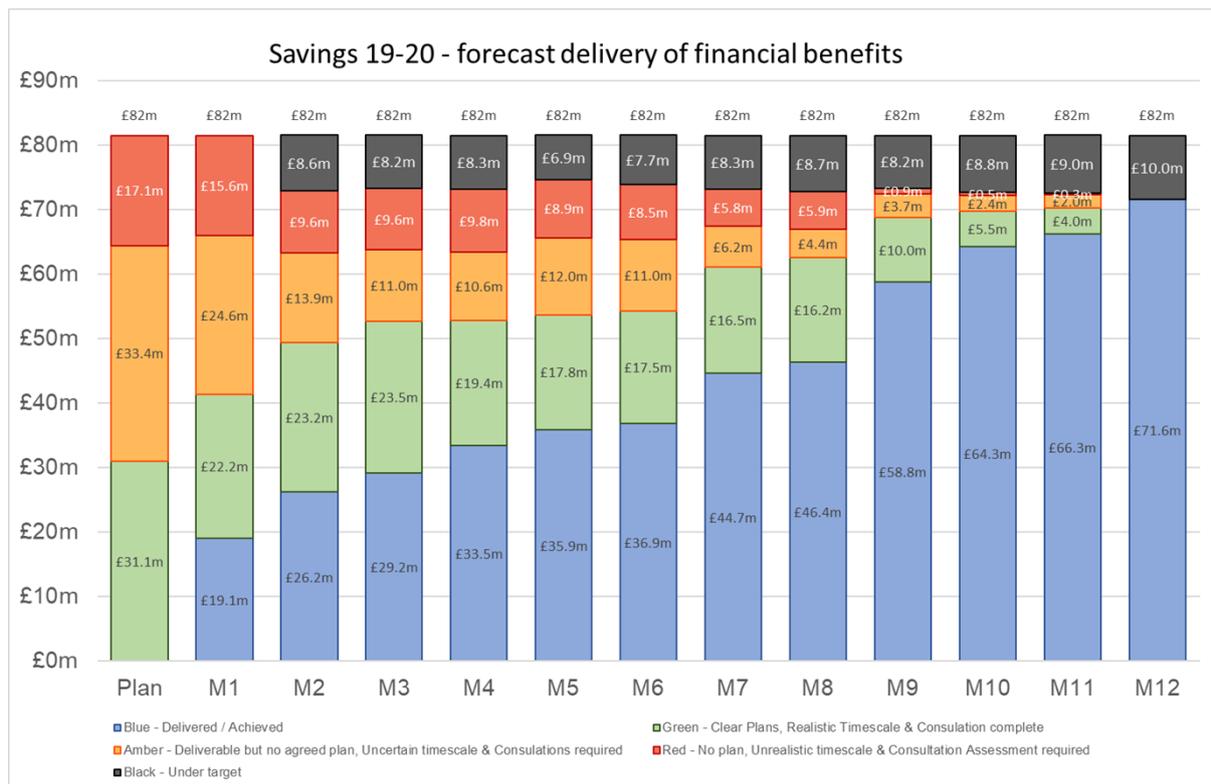
4.2.2 [2020/21 General Fund Reserves](#)

For a number of years, the Council had been used to balancing budgets with the use of General Fund Reserves. From 2018/19 the Council set a balanced budget without the use of Reserves for the first

time in some time. This practice has continued into subsequent years. Giving a healthy outturn position for 2019/20 (£0.2m surplus) we were able to further build the Council’s resilience into the medium-term by adding to both the 2020/21 Contingency and General Fund Reserve. £2.5m was added to the 2020/21 Contingency (available for general use), bringing the total to c£32m. Additionally, £2.8m was added to the General Fund Reserve, bringing the total Reserve to £24.1m (an increase of 13%). This was in line with our ambition to ensure appropriate cover of risks against our net revenue budget.

4.2.3 [Efficiencies Programme](#)

In order to balance the budget for 2019/20 the Council had to deliver a significant level of efficiencies. The Council achieved £72m of the £82m of required efficiencies (88%), the balance of £10m was substituted by one-off alternative savings. Achievement throughout the year is shown in the table below:



4.2.4 [2019/20 Closure of Accounts](#)

Early and ongoing dialogue with external auditors regarding the timetable for the audit and delivery of the final audit opinion, has proved invaluable. Despite having opportunity to delay the production for the draft Accounts to August (as suggested by MHCLG), the Council has not availed itself to that extension. The draft Accounts were submitted to External Audit by 31st May and the audit is progressing, as close as possible to the original timetable.

4.2.5 [CIPFA Resilience Index](#)

In 2018, CIPFA announced it was working on a Financial Resilience Index, aimed at supporting good practice in the planning of sustainable finance. In December 2019, CIPFA made the index publicly available for the first time. The index did not come with CIPFA’s own scoring, ranking or opinion on the financial resilience of an authority. However, users of the index had the ability to undertake comparator analysis drawing their own conclusions. The tool consists of nine primary and six secondary indicators.

Our analysis of the index, comparing the Council against all other County Councils, shows an improvement in our position between 2017/18 and 2018/19. We do not yet have information for

2019/20. The extent to which indicators present as 'higher risk' has reduced and the number of indicators presenting on the 'lower risk' side of the scale has increased.

The greatest area of strength for Surrey is in the primary indicator of Council Tax Requirement as a proportion of net revenue expenditure. The Council ranks highest of all County authorities. Presumably, the rationale behind this indicator is that Council Tax is a stable form of income so authorities with a higher ratio on this measure face less exposure to changes in other funding streams, for example central grant funding.

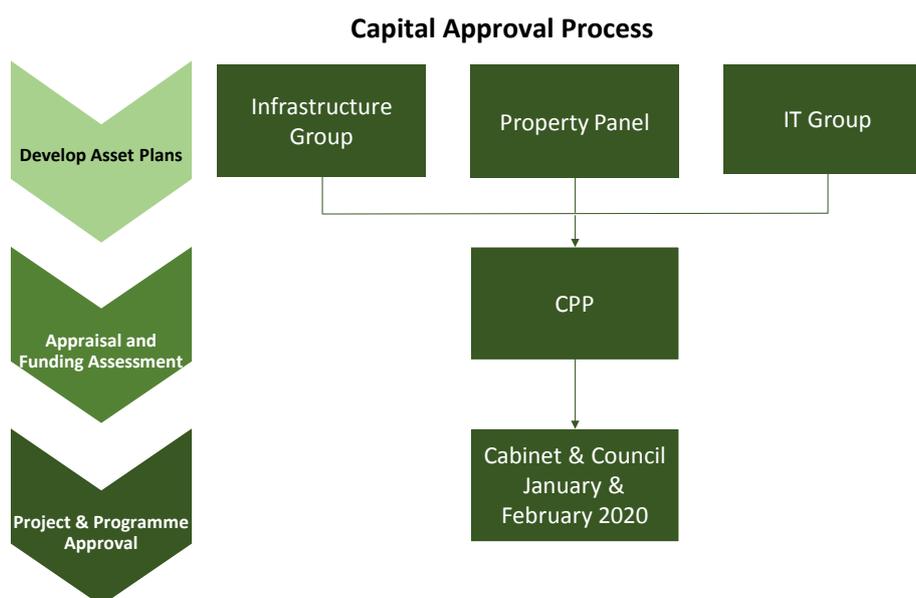
The primary indicators showing improvement for the Council, i.e. those moving towards the lower risk side of the index between 2017/18 and 2018/19, mostly relate to reserves measures. The most notable improvement being the 'Reserves Sustainability' measure which is an indicator of the rate of depletion of Reserves. The improvements reflect the concerted effort the Council made in 2018/19 to reduce the reliance on reserves to balance the revenue budget.

4.2.6 [Capital Budgeting and Reporting](#)

In 2019, Surrey embarked on a significant change to its capital budgeting, monitoring and reporting processes. There was a lot to change as the entire end-to-end processes needed updating and to be reflective of our ambition. We embarked on reviewing and updating all our processes, with more work still to be done as we move forward. We are however in a much better place, where we have a much firmer grip on ensuring how and when projects and programmes are delivered.

The planning process to develop the Capital Programme was built around organisational priorities and is fully integrated with the revenue budget process. The officer-led Capital Programme Panel (CPP) produced a framework for a renewed capital strategy which focused upon a set of criteria including alignment with strategic priorities, outcomes for residents, deliverability and value for money.

To ensure affordable, value for money capital solutions and to reduce the risk of unplanned slippage, the governance and delegation around Capital Programme appraisal and approval has also been updated. CPP constituted three Strategic Capital Groups based on core expenditure budget envelopes (Property, Infrastructure and IT) as shown in the diagram below. These Groups were tasked with developing the new Capital Programme for 2020/21 and over the medium-term based on an asset planning approach.



The approach has allowed the review of the existing asset base with a view to identifying the optimal medium-term asset requirement to enable service delivery which meets the needs of residents.

Additional capital spend needed to achieve the optimal asset base has been captured in the programme.

An ambitious Capital Programme of this nature necessarily includes projects and programmes at various stages of development. The programme therefore comprises two clearly defined elements:

- A capital budget which was approved by Council in Feb 2020, and
- A capital pipeline of schemes which represent the Council's wider ambitions for capital spend, including areas that require further development and scrutiny before they are included in the capital budget.

An ambitious Capital Programme built around organisational priorities and integrated with the revenue budget represents a major milestone, but organisational benefits will only be realised if the Programme is delivered. Managing that delivery requires continuous development of our approach to monitoring, reporting and corrective action. This will develop during 2020/21 and beyond, based on:

- Drawing a clear link between financial progress and the delivery of scheme milestones, capturing deliverables alongside the financial forecast
- Reporting deviations from plan in good time to propose and agree corrective actions
- Promoting a culture where forecasts are based on a realistic assessment of what can be delivered
- Establishing a monthly profile of capital budget, spend and forecast to inform realistic forecasting.

Our approach to reporting and monitoring will be developed and delivered in partnership with service managers and Members, starting with Month 1 and iterating throughout the year.

4.2.7 [A Commercial approach](#)

Another significant change to how we do business in Surrey has been a complete redesign and embedding of our commercial processes.

Corporate Finance are consulted on commercial property options to ensure any Capital outlay is within the overall Capital programme. We have introduced rigorous modelling of all parameters, supported by a robust business case in line with the HMT Green Book model.

Below is a summary of some of the projects that have been initiated and supported to date.

In addition, a review of our fees and charges policy is underway. A desktop exercise has been undertaken to review all the income received by SCC and identify those income streams over which SCC can have further influence. The identified income streams are to be reviewed in more detail with the relevant Strategic Finance Business Partner aiming to;

- understand the operational environments highlighting any progress that may have been made to date
- challenging on any areas where SCC is behind the benchmarking data, or not maximising income
- identify potential areas of opportunity
- Build this into the annual budget setting process

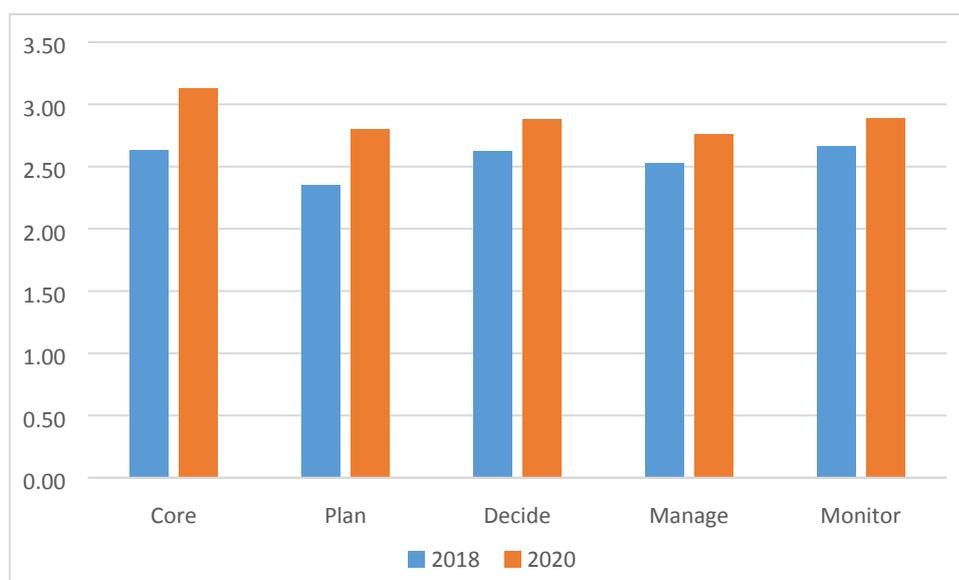
5 STAKEHOLDER FEEDBACK

In the initial phase of the FIP in 2018, baseline data was collected as part of the 'Voice of the Customer' activities. Recently, the Finance Team have re-visited this work to understand any changes, as we look to close FIP.

Two surveys were constructed, one for Finance staff and one for budget holders. Both were based on a set of 30+ statements drawn from the CIPFA Financial Management Model, with respondents being asked to score the extent to which they agree with each statement. The statements are divided into five domains: Core, Plan, Decide, Manage and Monitor.

- Finance Staff – about 30 finance staff were asked to complete the survey. Names were chosen to replicate those who had completed it in 2018, where possible, to provide a direct comparison. Where 2018 respondents have since left the organisation, staff with similar responsibilities were selected.
- Budget Holders – about 50 budget holders were asked to complete the survey. These were also chosen to replicate those attending customer workshops in 2018.

Finance Staff - 25 staff completed the survey (22 in 2018). Respondents were asked to score each statement on a scale of 1-4 (where 4 = strongly agree, an average overall score is therefore 2.5). In 2018 the overall average score was 2.57 out of 4.00. The recent survey showed an overall increase of 11% to 2.88.



The average score for Core and Plan statements show significant improvement. Plan was the weakest score in 2018 and it's now in line with the others. All three other domains also show a good level of improvement (8-9%).

Individual statements showing the largest improvement are in accountability, skills, financial strategy, transformation and manager engagement.

Individual statements which require further attention relate to using external best practice, pricing, financial processes and financial systems. These areas will be focused on as part of our ongoing continuous improvements and are largely addressed by projects already in progress such as DBI and a review of fees and charges.

Budget Holders - The 2018 workshops did not “score” the statements directly, but used them to identify areas of strength and weaknesses – hence direct comparisons with 2018 are more limited.

In the recent survey, the average score was 2.95, with no domain scoring less than 2.8. Comparing to 2018, the statements that were rated as “strong” remain those scoring highly in the recent survey. The development of a financial strategy to sustain the organisation’s medium and long term financial health, has seen the largest increase, being rated low in 2018 and achieving a score of 3.06 more recently.

Only three statements scored less than 2.5. These related to financial processes and systems and budget accountability. The Finance Team will look to address these weaknesses through the continued role out of the ‘Financial Management Partnership Workshops’ through the Finance Academy and through the DBI project.

We will use the progress we have made to set a new baseline and survey our services/colleagues/partners about their views on the finance service regularly to gauge genuine continuous improvement over the next few years.

The following quote from the Chief Executive reflects the progress made:

“When I arrived in Surrey 24 months ago one of my key priorities was to get the council’s finances right. Our financial challenge was well-publicised, the organisation was propping its budget up with use of reserves in a fundamentally unsustainable way, and the Capital Investment Programme was not driven by the organisation’s strategy. Turning this around has been one of the council’s key achievements on its improvement journey so far – setting a budget for consecutive years that do not rely on reserves, and building a new medium-term financial plan aligned to our community vision for Surrey for 2030. The Finance Team has been integral to this turnaround – picking themselves up after a critical external review and re-engaging with the wider organisation to provide insight and to work with staff to devise the solutions that achieve our objectives. One of my mantras is to “assume we are all adults” – that people who work for the council are capable, mature and have good intent – and Finance colleagues here have worked tirelessly to escape the “parent-child” diktats that often characterise relationships elsewhere. Partly as a consequence there has been a transformation in budget accountability, with managers now demonstrating real ownership of our financial position. There is more to be done to develop and embed financial management skills across all levels of our organisation, but I am confident that the Finance team will help us build these further”.

6 EXTERNAL ASSURANCE PANEL FEEDBACK

The External Assurance Panel was set up by the Chief Executive to provide independent assurance about the Finance Improvement Programme, by challenging and supporting the Finance Leadership Team. The External Assurance Panel have met and engaged with the Surrey Finance Leadership Team on a regular basis over the last 18 months.

Feedback from the Panel:

The Finance Leadership Team have been open with us about the changes needed and the journey they are on. They have been enthusiastic and determined, but also willing to look outwards and learn from others, asking our advice about difficult issues they were experiencing.

Over the last 18 months, we have witnessed the journey of the Financial Improvement Programme, from plans to delivery. It has tackled all aspects of the change programme: looking at the skills and

behaviours needed of a modern finance function; implementing a Business Partner culture; designing and appointing a new Leadership Team; restructuring the department from top to bottom and recruiting people with the desired behaviours; co-designing a Partnership Agreement with services; making improvements to processes; and designing a Finance Academy to support the Finance team and services, as well as elected members. Morale has improved and there is a buzz in the wider team.

Most crucially, they have radically improved the finances of Surrey by working with the services. The Council's financial outlook has improved materially over the past eighteen months and reserves are higher than was anticipated by the previous Medium Term Financial Plan.

Even with this change, there is no complacency in the team. The External Assurance Panel will continue to meet with the Finance Leadership Team in 2020 as they continue the transformation and improvement.

The External Assurance Panel comprises:

- Mike Lockwood (Chairman)
- Brian Roberts, CIPFA Associate Director of Local Government and Finance Commissioner for Northamptonshire County Council
- Andrew Burns, CIPFA Associate Director
- Jane West, Chief Operating Officer, London Borough of Havering
- (previously Margaret Lee, Executive Director for Corporate and Customer Services, Essex County Council)

7 LESSONS LEARNT

The Finance Improvement Programme has demonstrated the importance of having a strong project framework and governance arrangements surrounding a service transformation. In addition, the project has benefited greatly from a recognition of:

- the importance of resourcing the senior leadership capacity in the service, both during periods of change when there were temporary vacancies in the team, but also on an ongoing basis to ensure there is capacity to dedicate towards transformational activity alongside the importance of delivering business as usual activities;
- the importance of resourcing the change team, in relation to specialist programme management, but also in areas of specific expertise such as Occupational development and business process mapping;
- the importance of having impact measures running alongside the programme to monitor progress on an ongoing basis. This ran alongside the council's financial performance which was demonstrably improving and therefore creating credibility;
- the importance of investing in the talent we had in the team while also making sure that we were unstintingly demanding in external recruitment, to make sure every important decision strengthened rather than weakened the team;
- the role of the External Assurance Panel in keeping us honest, and the powerful impact of positive feedback from such experienced external figures on the team as well as the insight and advice offered;
- how important it was to use the co-production approach (for both the Partnership Agreement and the Finance Academy design principles), this negated the need to persuade others of the solution proposed as it was developed together;
- the impact of being absolutely open about and accepting of the challenges, sharing these and not being complacent about the need to change;

- sharing progress, both in terms of challenges and achievements, with officer and member colleagues, so that the whole journey was a joint one.

8 CONTINUOUS IMPROVEMENT

The Finance Service wants to put continuous improvement at the forefront of all that it does and has committed to continue to learn from others and look outwards to learn the best from other organisations. Collaborations across county councils have been established and will continue to be developed.

In addition, we will continue to conduct a budget “wash up” each year to learn lessons from the process to ensure improvements each time.

The Finance Team will use the progress made to set a new baseline and survey services, colleagues and partners about their views on the finance service yearly. This will then be repeated to gauge genuine continuous improvement over the next few years.

Surrey County Council Finance Improvement Plan

Version:	Owner	Date
1.0	K Kilburn	28 August 2018
2.0	K Kilburn	11 September 2018

The following pages outline the responsibilities and suggested tasks, actions and deliverables for the following:

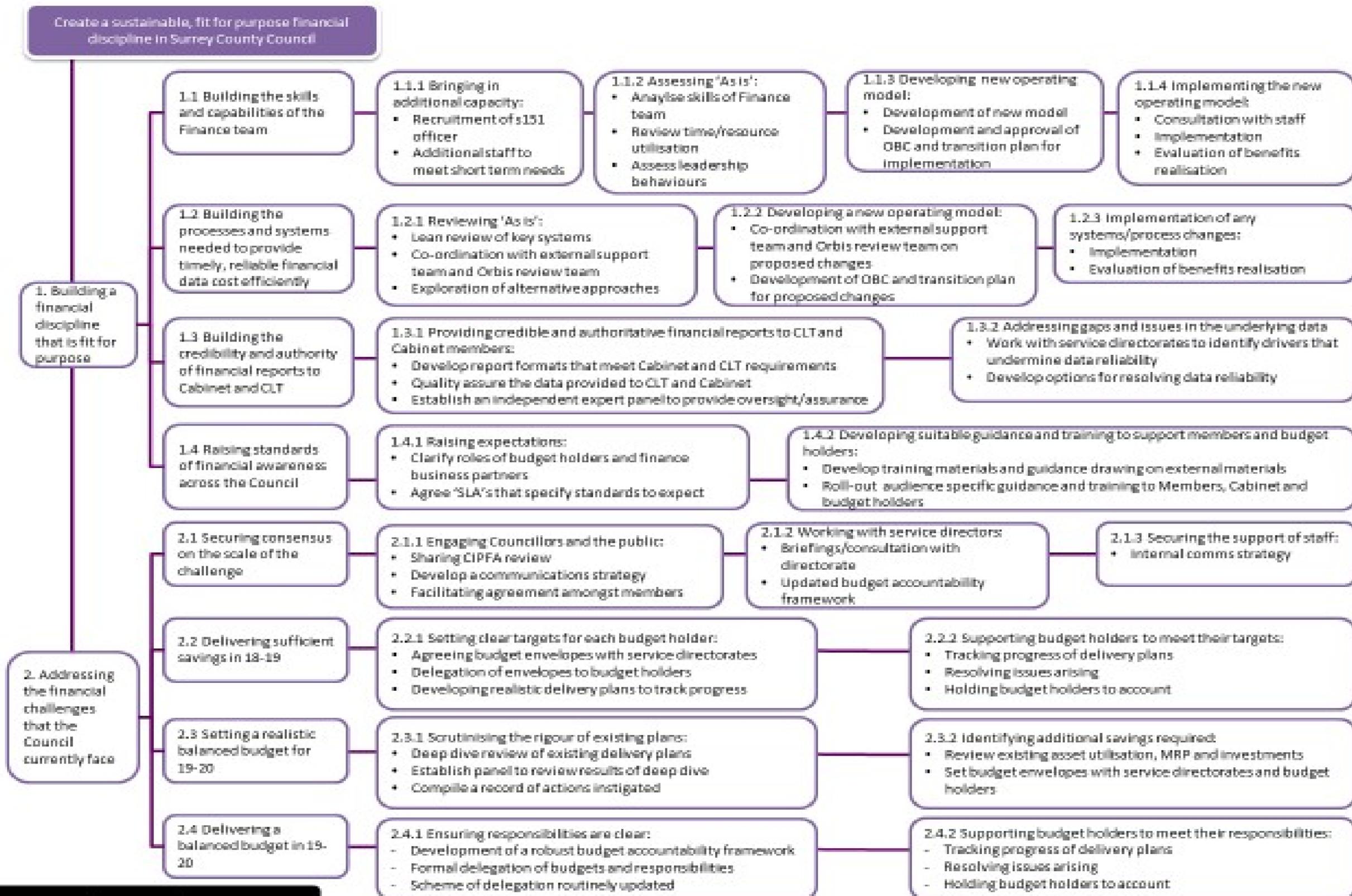
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Key

David Hodge – DH
Colin Kemp –CK

Joanna Killian- JK
Tracie Evans-TE
Michael Coughlin – MC

Leigh Whitehouse- LW
Kevin Kilburn – KK
Andy Wood- AW



Surrey Finance Improvement Plan: Cabinet – roles and responsibilities

Work Package	Task	Responsible Owner	Purpose	Actions	Deliverable	Progress
1. Building a financial discipline that is fit for purpose						
1.1 Building the skills and capabilities of the Finance team	<ul style="list-style-type: none"> The Leader to determine a Cabinet lead for Finance 	DH	<ul style="list-style-type: none"> To provide strategic/political direction on the implementation of the improvement plan 	<ul style="list-style-type: none"> To continually review the capabilities of Cabinet and other Members to fulfil their roles, in support of the Leader 	<ul style="list-style-type: none"> Leader to consider named Councillor with responsibility for oversight of the Council's finances 	Completed
	<ul style="list-style-type: none"> To appoint an interim s151 officer 	DH /JK/ /AW	<ul style="list-style-type: none"> To ensure there is suitable, authoritative financial leadership in the Council 	<ul style="list-style-type: none"> To review and approve a suitable candidate 	<ul style="list-style-type: none"> Council approval of appointment of s151 officer 	Completed & permanent appointment made
	<ul style="list-style-type: none"> Review and approval of a new operating model for the Finance team 	DH/JK	<ul style="list-style-type: none"> To develop a more dynamic Finance function that can drive change more effectively 	<ul style="list-style-type: none"> Consideration and approval (subject to changes) of the proposed operating model Consideration and approval (subject to changes) of the transition plan to implement the new model 	<ul style="list-style-type: none"> Approval of the proposed operating model and transition plan 	Completed - Restructure completed & co-designed Partnership Agreement in place.
1.2 Building the processes and systems needed to provide timely, reliable financial data efficiently to Cabinet	<ul style="list-style-type: none"> Review and approval of all FBCs to update existing financial processes and systems where appropriate 	Change Management Board	<ul style="list-style-type: none"> To free up resources and provide the data to enable the Finance function to drive change more effectively 	<ul style="list-style-type: none"> Consideration and approval (subject to changes) of any business cases to update existing financial processes and systems Change Constitution as necessary 	<ul style="list-style-type: none"> Approval of business cases where applicable Council approve changes to Constitution 	Completed – new reporting timetable and formats for DLTs, CLT & Cabinet. Ongoing - DBI project to drive further process improvements
	<ul style="list-style-type: none"> Determining the future role of Orbis in the Council's financial resilience plans 	Cabinet/CLT	<ul style="list-style-type: none"> To establish how Orbis might deliver better economies of scale, generate centres of expertise and/or improve the resilience of the finance function 	<ul style="list-style-type: none"> Consideration of the recommendations arising from the E&Y review 	<ul style="list-style-type: none"> Tbd – dependent on the outcomes of the current review 	Completed - 31Ten review completed and recommendations implemented
1.3 Building the credibility and authority of financial reports to members and CLT	<ul style="list-style-type: none"> Specifying expectations on the timing and format of financial reports 	DH/ JK /AW	<ul style="list-style-type: none"> To ensure the Finance team are clear on how reports to Cabinet should be prepared and presented 	<ul style="list-style-type: none"> To consider and specify expectations of what is required from Finance progress To agree and approve a report format and arrangements 	<ul style="list-style-type: none"> An agreed format and process for financial reporting that meets CLT and Cabinet requirements 	Completed – new reporting formats agreed & S151 commentary reviewed for consistency
	<ul style="list-style-type: none"> Approval of an expert panel 	DH/JK	<ul style="list-style-type: none"> To provide quality assurance for reports and briefings to Cabinet 	<ul style="list-style-type: none"> To approve the appointment of an expert panel to provide additional guidance/advice on financial issues To agree to take note of any recommendations from the expert panel when considering the financial implications of an issue 	<ul style="list-style-type: none"> Approval of the terms of reference for the panel Consideration of the advice from the expert panel at Cabinet 	Completed - External Assurance Panel set up and providing ongoing support
1.4 Raising standards of financial awareness across the service directorates	<ul style="list-style-type: none"> Developing Cabinet members' financial awareness 	DH/LW/AW/JK	<ul style="list-style-type: none"> To provide sufficient challenge and scrutiny in order to raise and maintain standards and performance of the Finance team and budget holders 	<ul style="list-style-type: none"> To encourage members to attend the training provided To support the establishment of on-going coaching/mentoring for members on finance issues 	<ul style="list-style-type: none"> Attendance at the proposed finance training event The appointment of coaches/mentors 	Ongoing -Finance Academy - Fundamentals programme delivered (attendance low). Insights & Strategic Finance modules to follow (delayed by COVID pandemic)
	<ul style="list-style-type: none"> Encouraging financial scrutiny in decision-making across the Council 	DH /JK/LW/AW	<ul style="list-style-type: none"> To raise the profile and importance of good financial management across the Council 	<ul style="list-style-type: none"> To reinforce the importance of financial scrutiny by demanding Finance input on all proposals submitted by service directorates To clarify Cabinet member responsibilities on financial issues 	<ul style="list-style-type: none"> Agreement to revised arrangements on such issues 	Ongoing - Budget proposals for 20/21 considered by relevant scrutiny panels. Review of improvements being sought for 21/22
	<ul style="list-style-type: none"> Developing financial awareness amongst all Councillors 	DH/JK/AW	<ul style="list-style-type: none"> To enable all Councillors to understand the financial pressures facing Surrey CC 	<ul style="list-style-type: none"> Arrange an engaging and effective finance briefing session for all Councillors Approval of periodic financial briefing updates for all Councillors 	<ul style="list-style-type: none"> An initial briefing session for all Councillors Periodic briefings thereafter 	Completed – all Member briefings on Council's financial position

Surrey Finance Improvement Plan: Cabinet – roles and responsibilities

Work Package	Task	Responsible Owner	Purpose	Actions	Deliverable	Deadlines/Progress
2. Addressing the financial challenges that the Council currently face						
2.1 Securing consensus on the scale of the challenge	<ul style="list-style-type: none"> To review and approve the draft improvement plan 	DH/JK	To ensure the improvement plan is comprehensive and deliverable	<ul style="list-style-type: none"> To review the CIPFA findings To discuss/question the proposed actions To confirm agreement subject to any changes required To approve a communications strategy for public engagement on the issue 	<ul style="list-style-type: none"> An agreed improvement plan that is accepted by all relevant parties An approved communications strategy to support the improvement plan 	Completed – FIP programme launched. Member Board & Member Reference Group established
2.2 Delivering sufficient savings in 2018-19	<ul style="list-style-type: none"> Approval of budget envelopes to secure additional savings in 2018-19 	DH /JK/ /AW	<ul style="list-style-type: none"> To support CLT in minimising the risk of having to rely on reserves 	<ul style="list-style-type: none"> To discuss and consider the budget envelopes To approve the targets, subject to any changes required To underline the importance of meeting these targets in subsequent meetings with budget holders 	<ul style="list-style-type: none"> Formal approval of revised budgets 	Completed – in-year additional savings plan linked to budget envelopes. Outturn position did not require use of reserves.
2.3 Setting a realistic balanced budget for 19-20	<ul style="list-style-type: none"> Arrangements for the scrutiny and approval of existing planned savings 	Cabinet / CLT	<ul style="list-style-type: none"> To ensure that there are suitable governance arrangements in place to scrutinise and provide clear direction on how savings will be realised 	<ul style="list-style-type: none"> Task Budget Working Group with responsibility for reviewing and approving: <ul style="list-style-type: none"> proposals to mitigate the impact of pressures and demands on service costs business cases for transformational savings and how they will be realised the delivery of the additional savings required 	<ul style="list-style-type: none"> Formal approval of proposals 	Completed - Budget set without reliance on reserves. Positive outturn position achieved. Scrutiny committees briefed on proposed savings plans
	<ul style="list-style-type: none"> Setting budget envelopes for 2019/20 	DH/JK	<ul style="list-style-type: none"> To identify and approve sufficient savings to meet the new targets in the 2019/23 MTFP 	<ul style="list-style-type: none"> To discuss and consider the budget envelopes To approve the targets, subject to any changes required To underline the importance of meeting these targets in subsequent meetings with budget holders 	<ul style="list-style-type: none"> Acceptance of the 2019/20 budget plan 	Completed.
	<ul style="list-style-type: none"> To examine any proposed changes in the use of assets, investments, loans and reserves Generate investment income to support revenue challenges 	DH /TE/LW/ JK Investment Board	<ul style="list-style-type: none"> To consider proposals to improve the financial stability of the Council within the constraints of proper public financial management 	To examine and make decisions on: <ul style="list-style-type: none"> The utilisation of the existing asset base and any changes proposed The Council's investment policy/portfolio and any changes proposed Any plans to capitalise existing revenue expenditure Any changes to the MRP policy and existing loans Any changes in the proposed utilisation of earmarked reserves 	<ul style="list-style-type: none"> Timely consideration of any papers submitted to Cabinet 	Completed - Asset Strategy Board and Shareholder Investment Panel established to oversee all investment activity. Capital governance arrangements reviewed and improved.
2.4 Delivering a balanced budget in 19-20	<ul style="list-style-type: none"> Maintaining governance oversight of delivery against plans 	Change Management Board	<ul style="list-style-type: none"> To ensure there is suitable ownership across the Council Where progress is at risk of slipping, corrective actions will be required 	<ul style="list-style-type: none"> To task Budget Working Group with periodic reviews of responsibilities and delegations To instigate corrective actions where applicable 	<ul style="list-style-type: none"> Terms of reference for the sub-committee Maintenance of an up to date action log 	Completed - Budget set without reliance on reserves. Positive outturn position achieved.
2.5 Deliver a strategy to achieve a sustainable budget for 2020/21	<ul style="list-style-type: none"> Work with CLT on implementing transformational change, improvements and new ways for working to reduce the Council's cost base 	Cabinet	<ul style="list-style-type: none"> To ensure there is suitable ownership across the Council Where progress is at risk of slipping, corrective actions will be required 	<ul style="list-style-type: none"> Undertake a zero-based budgeting or equivalent exercise to build cost base of Council. 		Completed - Budget set without use of reserves. Transformation programme refreshed. Impact of COVID being assessed.

Surrey Finance Improvement Plan: CLT Roles and Responsibilities

Work Package	Task	Responsible Owner	Purpose	Actions	Deliverable	Deadlines/Progress
1. Building a financial discipline that is fit for purpose						
1.1 Building the skills and capabilities of the Finance team	<ul style="list-style-type: none"> To bolster the skills of the current Finance team through recruitment 	JK/AW/MC	<ul style="list-style-type: none"> To ensure there is suitable, authoritative financial leadership in the Council 	<ul style="list-style-type: none"> To interview and recruit a suitable s151 officer To recruit and appoint suitably qualified finance staff to fill identified gaps 	<ul style="list-style-type: none"> Recruitment and appointment s151 officer Recruitment and appointment of suitable qualified finance staff 	Completed - Permanent s151 recruited, Finance Leadership Team restructured, Knowledge, Skills & Behaviours Framework established and embedded.
	<ul style="list-style-type: none"> Developing a new operating model for the Finance Team 	LW/KK	<ul style="list-style-type: none"> To develop a more dynamic Finance function that can drive change more effectively 	<ul style="list-style-type: none"> To commission external support to undertake a review of the skills and capabilities of the team and how it compares to best practice To review the proposed operating model and associated transition plan. To secure political approval to proceed from Cabinet 	<ul style="list-style-type: none"> A report from external advisors on the proposed changes to the Finance team Approval of the proposed operating model and transition plan 	Completed - Restructure completed & co-designed Partnership Agreement in place. Finance Academy in place to ensure continued focus on professional development.
	<ul style="list-style-type: none"> Implementing a new operating model for the finance team 	LW/TE/MC	<ul style="list-style-type: none"> To transform the existing Finance function 	<ul style="list-style-type: none"> Establishing a project team to oversee the transition 	<ul style="list-style-type: none"> A project implementation team 	Completed
1.2 Building the processes and systems needed to provide timely, reliable financial data cost efficiently	<ul style="list-style-type: none"> Scrutiny and approval of any OBCs to update existing financial processes and systems 	LW	<ul style="list-style-type: none"> To free up resources and provide the data to enable the Finance function to drive change more effectively 	<ul style="list-style-type: none"> Consideration and approval (subject to changes) of any business cases to update existing financial processes and systems To secure political approval to proceed from Cabinet 	<ul style="list-style-type: none"> Approval of business cases where applicable 	Completed – new reporting timetable and formats for DLTs, CLT & Cabinet. Ongoing - DBI project to drive further process improvements
	<ul style="list-style-type: none"> Determining the future of Orbis 	MC	<ul style="list-style-type: none"> To establish how Orbis might deliver better economies of scale, generate centres of expertise and/or improve the resilience of the finance function 	<ul style="list-style-type: none"> Consideration of the recommendations arising from the E&Y review 	<ul style="list-style-type: none"> Tbd – dependent on the outcomes of the current review 	Completed - 31Ten review completed and recommendations implemented
1.3 Building the credibility and authority of financial reports to members and CLT	<ul style="list-style-type: none"> Specifying expectations on the timing and format of financial reports 	JK/AW	<ul style="list-style-type: none"> To ensure the Finance team are clear on how reports to CLT should be prepared and presented incl. those for onward direction to Cabinet 	<ul style="list-style-type: none"> To consider and specify expectations of what is required from Finance progress To reconcile CLT expectations with those of Cabinet members To agree and approve a report format and arrangements 	<ul style="list-style-type: none"> An agreed format and process for financial reporting that meets CLT and Cabinet requirements 	Completed – new reporting formats agreed & S151 commentary reviewed for consistency
	<ul style="list-style-type: none"> Appointment of an expert panel to provide additional financial assurance on issues 	DH/JK/LW	<ul style="list-style-type: none"> To provide an additional source of assurance on financial issues until the Finance team is sufficiently reorganised to have secured the full confidence of CLT and Cabinet 	<ul style="list-style-type: none"> To develop and agree the terms of reference for the panel To identify and recruit suitable participants To identify secretariat support to facilitate and support meetings (AF/HW) To secure the approval of the Cabinet to such arrangements 	<ul style="list-style-type: none"> Cabinet approved terms of reference Regular meetings attended by the named participants 	Completed - External Assurance Panel set up and providing ongoing support
	<ul style="list-style-type: none"> Quality assurance of financial data 	JK/LW	<ul style="list-style-type: none"> To assure Cabinet on the rigour and reliability of the data provided 	<ul style="list-style-type: none"> To commission external consultants to review and validate key information on the planned savings in 2019-20 To establish a Budget Working Group to review the rigour of the planning assumptions for future financial year savings 	<ul style="list-style-type: none"> Briefing papers from consultants on the results of each review The ToR for the Budget Working Group sub-committee tasked with overseeing financial estimates 	Completed - Internal review of all savings plans, CLT focused sessions, utilised EAP for external review. Select committees reviewed additional in-year savings.

Surrey Finance Improvement Plan: CLT Roles and Responsibilities

Work Package	Task	Responsible Owner	Purpose	Actions	Deliverable	Deadlines/Progress
1.4 Raising standards of financial awareness across the service directorates	<ul style="list-style-type: none"> Encouraging financial scrutiny in decision-making across the Council 	LW/AW	<ul style="list-style-type: none"> To raise the profile and importance of good financial management across the Council 	<ul style="list-style-type: none"> To commission Finance to develop a budget accountability framework that sets out the governance, processes, meetings and accountabilities required to set, monitor and manage budgets To reinforce the importance of financial scrutiny by demanding Finance input on all proposals submitted by service directorates To task HR with ensuring the accountability framework is reflected in existing job descriptions, performance appraisal arrangements etc To recognise instances of good financial management and to challenge where performance is below standard 	<ul style="list-style-type: none"> A budget accountability framework A paper to Cabinet on proposed changes Instigating HR to integrate the budget accountability framework into appraisal processes Periodic CLT discussions on the financial awareness demonstrated by staff in order to identify corrective actions needed or to reward progress 	Completed - Budget Accountability Statements designed and embedded. Partnership Agreement sets out mutual expectations & roles & responsibilities.
	<ul style="list-style-type: none"> Developing guidance and mentoring for Cabinet members on financial issues 	LW/AW	<ul style="list-style-type: none"> To support Cabinet members in scrutinising and raising performance standards of the Finance team and budget-holders 	<ul style="list-style-type: none"> Commission consultants to develop and run a suitable training course and provide on-going coaching & mentoring 	<ul style="list-style-type: none"> Appointment of consultants Provision of courses 	Completed - External L&D consultancy to aid Finance Academy development. Ongoing - Member training offer
	<ul style="list-style-type: none"> Developing financial awareness amongst all Councillors 	LW/AW	<ul style="list-style-type: none"> To enable all Councillors to understand the financial pressures facing Surrey CC To recognise role of scrutiny in raising awareness of financial matters and pressures 	<ul style="list-style-type: none"> Review and approval of the finance briefing session developed for all Councillors Review and approval of the periodic financial briefing updates for all Councillors 	<ul style="list-style-type: none"> An initial briefing session for all Councillors Periodic briefings thereafter 	Completed - All Member briefings on budget proposals & financial position.
2. Addressing the financial challenges that the Council currently face						
2.1 Securing consensus on the scale of the challenge	<ul style="list-style-type: none"> To review and approve the draft improvement plan 	JK/CLT	<ul style="list-style-type: none"> To ensure the improvement plan is comprehensive and deliverable 	<ul style="list-style-type: none"> To confirm agreement subject to any changes required To prepare an internal communications strategy for how to brief budget holders and staff on the challenges faced 	<ul style="list-style-type: none"> An agreed improvement plan that is accepted by all relevant parties An approved communications strategy to support the improvement plan 	Completed
	<ul style="list-style-type: none"> To prepare an external communications strategy for engaging the public on the financial pressures facing the Council 	Head of Comms/ LW	<ul style="list-style-type: none"> To minimise the risk of public concerns disrupting progress To support Cabinet in explaining why further savings are required 	<ul style="list-style-type: none"> The development of an agreed communications strategy Briefing to service directors and Cabinet on the key messages in the communications strategy 	<ul style="list-style-type: none"> A communications strategy on the budget pressures facing the Council 	Completed - Consultation and engagement as required for proposed efficiencies
2.2 Delivering sufficient savings in 2018-19	<ul style="list-style-type: none"> Approval and dissemination of budget envelopes to secure additional savings in 2018-19 	JK/AW/KK	<ul style="list-style-type: none"> To clarify responsibilities of budget holders 	<ul style="list-style-type: none"> To secure explicit agreement of service directors to the revised targets at away day in Sept 2018 To collate data on how targets will be delivered in practice To ensure service directors make suitable delegations through Budget Accountability Statements (BAS) to Budget holders To brief budget holders on their responsibilities 	<ul style="list-style-type: none"> Formal approval of revised budget envelopes by CLT Discussion at 'away day' in September Signed BAS from every budget holder Briefing sessions with budget holders 	Completed – in-year additional savings plan linked to budget envelopes. Outturn position did not require use of reserves.

Surrey Finance Improvement Plan: CLT Roles and Responsibilities

Package	Task	Responsible Owner	Purpose	Actions	Deliverable	Deadlines/Progress
	<ul style="list-style-type: none"> Supporting budget holders to develop robust delivery plans 	MC/LW/KK	<ul style="list-style-type: none"> To increase the likelihood of targets being met 	<ul style="list-style-type: none"> To underline the importance of meeting the targets in subsequent meetings with budget holders To establish a Budget Working Group to oversee progress in the delivery of savings and cost mitigation plans 	<ul style="list-style-type: none"> Establishment of a subcommittee/panel to oversee delivery of targets A log of decisive, collective actions to address issues raised by Cabinet, budget holders and Finance 	<p>Completed – budget accountability statements designed and embedded. CLT focused sessions and in-year savings discussed at scrutiny committees.</p>
	<ul style="list-style-type: none"> Supporting budget holders to deliver the planned savings 	LW/KK	<ul style="list-style-type: none"> To identify issues sufficiently early to enable corrective actions to be instigated 	<ul style="list-style-type: none"> To hold regular CLT and sub-committee/panel meetings to monitor progress To take decisive, collective action as soon as issues arise To notify Cabinet, Finance and budget holders of any changes required 	<ul style="list-style-type: none"> Regular meetings of key staff An action log of changes required 	
2.3 Setting a realistic balanced budget for 19-20	<ul style="list-style-type: none"> The scrutiny and approval of existing planned savings, transformational savings and the management of pressures and demands 	CLT / AW/LW/KK	<ul style="list-style-type: none"> To ensure that existing plans remain on track 	<p>Establish a sub-committee with responsibility for reviewing and approving:</p> <ul style="list-style-type: none"> proposals to mitigate the impact of pressures and demands on service costs business cases for transformational savings and how they will be realised the delivery of the additional savings required Service directorates to affirm the expected savings and pressures/demands and any changes that may be required Commission 'deep dive' reviews of any material changes in the figures 	<ul style="list-style-type: none"> Formal approval of proposals 	<p>Completed – budget accountability statements designed and embedded. CLT focused sessions and savings discussed at scrutiny committees.</p>
	<ul style="list-style-type: none"> To explore opportunities for additional savings, such as the use of assets, investments, loans and reserves Align with work and outcomes from Growth Commission Secure additional investment and asset-based income 	TE	<ul style="list-style-type: none"> To minimise the impact on service delivery of the additional savings required 	<p>To commission reviews to examine:</p> <ul style="list-style-type: none"> The utilisation of the existing asset base and any changes proposed The Council's investment policy/portfolio and any changes proposed Any plans to capitalise existing revenue expenditure Any changes to the MRP policy and existing loans Any changes in the proposed utilisation of earmarked reserves 	<ul style="list-style-type: none"> Review papers by the those commissioned to examine an issue Timely consideration of any proposals submitted 	<p>Completed - Asset Strategy Board and Shareholder Investment Panel established to oversee all investment activity</p>
	<ul style="list-style-type: none"> Setting budget envelopes for 2019/20 	CLT/AW/LW/KK	<ul style="list-style-type: none"> To identify and approve sufficient savings to meet the new targets in the 2019/23 MTFP 	<ul style="list-style-type: none"> To agree the budget envelopes at a service directorate level To formally delegate budgets to service directors and to task them with delegation to budget holders 	<ul style="list-style-type: none"> Agreed Budget Accountability Statements for 2019-20 with every budget holder 	<p>Completed – budget envelopes developed and Budget accountability Statements signed off</p>
2.4 Delivering a balanced budget in 19-20	<ul style="list-style-type: none"> Maintaining an up to date record of who is responsible for delivering each aspect of the MTFP 	LW/KK	<ul style="list-style-type: none"> To ensure there is suitable ownership across the Council 	<ul style="list-style-type: none"> To task a sub-committee with periodic reviews of responsibilities and delegations To notify Finance of any changes in managerial responsibilities To instigate corrective actions where applicable 	<ul style="list-style-type: none"> Terms of reference for the subcommittee Maintenance of an up to date action log 	<p>Completed - Budget set without reliance on reserves. Positive outturn position achieved. Budget accountability strengthened through Partnership Agreement, Finance Academy training and budget accountability statements.</p>
	<ul style="list-style-type: none"> Regular progress tracking 	CLT/LW	<ul style="list-style-type: none"> To maintain collective progress in achieving the targets specified To identify issues sufficiently early to enable corrective action 	<ul style="list-style-type: none"> Regular CLT a meetings to monitor progress To share good practices and encourage peer pressure on budget holders to deliver To maintain a log of actions required by whom in order to mitigate the risk of targets being missed To seek explanations form finance and budget holders on actions taken and whether risks have been managed effectively. 	<ul style="list-style-type: none"> Regular meetings Regular briefings to service directors A log of actions required/taken 	

Surrey Finance Improvement Plan:

Finance Roles and responsibilities

Work Package	Task	Responsible Owner	Purpose	Actions	Deliverable	Deadlines/Progress
1. Building a financial discipline that is fit for purpose						
1.1 Building the skills and capabilities of the Finance team	<ul style="list-style-type: none"> To bolster the skills of the current Finance team through recruitment 	LW/KK	<ul style="list-style-type: none"> To ensure there is suitable, authoritative financial leadership in the Council 	<ul style="list-style-type: none"> To prepare an induction for the new s151 officer To support the recruitment and induction of additional suitably qualified finance staff 	<ul style="list-style-type: none"> Induction package for additional finance staff 	Completed - Finance Leadership Team restructured.
	<ul style="list-style-type: none"> Assessing the strengths and weaknesses of the existing Finance team 	LW	<ul style="list-style-type: none"> To examine the people skills and capacity of the existing Finance team 	<ul style="list-style-type: none"> To commission external support to review the existing finance team. The ToR to include: <ul style="list-style-type: none"> A review of leadership skills and behaviours A skills analysis of the finance team A skills analysis of budget holders A time/activity review of the finance function Comparison of 'as is' with best practice, To engage the finance team in the review so that they have the opportunity to contribute and feel consulted 	<ul style="list-style-type: none"> A clear specification of work to be delivered Regular meetings between finance staff and the external support A report that outlines the strengths and weaknesses of the Surrey finance team 	Completed – Restructure complete. Knowledge, Skills & Behaviours Framework established and embedded. Finance Academy in place to ensure continued focus on professional development.
	<ul style="list-style-type: none"> Developing a new operating model for finance business and budget planning, and finance business partnering 	LW/KK	<ul style="list-style-type: none"> To develop a more dynamic Finance function that can drive change more effectively 	<ul style="list-style-type: none"> The development of a proposed operating model Consultation with finance staff and CLT on the proposed model The development of a proposed transition plan. The development of a learning and development strategy for finance staff 	<ul style="list-style-type: none"> A proposed operating model for the Finance team that meets Surrey's future needs A costed transition plan for how the new model will be implemented A learning and development strategy for finance staff 	Completed – Finance restructure built upon adoption of business partnering. Knowledge, Skills & Behaviours Framework established and embedded. Finance Academy in place to ensure continued focus on professional development.
	<ul style="list-style-type: none"> Implementing a new operating model for the finance team 	LW	<ul style="list-style-type: none"> To transform the existing Finance function 	<ul style="list-style-type: none"> Working with external support, HR etc to implement the transition plan To arrange regular meetings with staff to maintain morale and focus during transition 	<ul style="list-style-type: none"> Tbd – dependent on the results of the review 	Completed – Partnership Agreement sets out roles and responsibilities and mutual expectations.
1.2 Building the processes and systems needed to provide timely, reliable financial data cost efficiently	<ul style="list-style-type: none"> Reviewing data quality to improve service planning 	LW/KK	<ul style="list-style-type: none"> To address the procedural and systems issues that have contributed to the uncertainties in financial data 	<ul style="list-style-type: none"> To commission consultants to undertake a review that: Compares processes and systems in Surrey with those used elsewhere Tests data reliability and timeliness Supports budget holders in developing business case proposals for changes in process and/or systems where necessary 	<ul style="list-style-type: none"> A report that concludes on the suitability of data systems in each directorate Business case proposals for changes where necessary 	Completed – Voice of the customer and detailed budget monitoring process review Ongoing - DBI project to drive further process improvements
	<ul style="list-style-type: none"> Determining the future of Orbis 	LW	<ul style="list-style-type: none"> To establish how Orbis might deliver better economies of scale, generate centres of expertise and/or improve the resilience of the finance function 	<ul style="list-style-type: none"> To provide financial advice into the review of whether: <ul style="list-style-type: none"> Existing Orbis function offers better economies of scale than alternative shared service options The centres of expertise in Finance are offering added value Whether there is sufficient resilience in the Surrey finance team 	<ul style="list-style-type: none"> A review by E&Y 	Completed - 31Ten review completed and recommendations implemented
1.3 Building the credibility and authority of financial reports to members and CLT	<ul style="list-style-type: none"> Developing a report format and process that meets the needs of Cabinet and CLT 	AW/LW	<ul style="list-style-type: none"> To ensure that Cabinet and CLT have the data and advice needed to make evidence-based, timely decisions 	<ul style="list-style-type: none"> To consult with Cabinet and CLT on their expectations and requirements To develop reporting processes and formats that meet those needs 	<ul style="list-style-type: none"> An agreed format and process for financial reporting that meets CLT and Cabinet requirements 	Completed – new reporting timetable and formats for DLTs, CLT & Cabinet.

Surrey Finance Improvement Plan: Finance Roles and responsibilities

Work Package	Task	Responsible Owner	Purpose	Actions	Deliverable	Deadlines/Progress
	<ul style="list-style-type: none"> Support to the expert panel established to provide additional financial assurance to CLT and Cabinet 	LW/KK	<ul style="list-style-type: none"> To provide timely access to information so that the panel are able to review and follow up issues as they arise 	<ul style="list-style-type: none"> To provide papers and access to officials or other information as required To maintain a log showing actions taken on recommendations made by the expert panel 	<ul style="list-style-type: none"> An action log of recommendations from the panel 	Completed – External Assurance Panel set up and regularly consulted, in an honest and transparent manner.
	<ul style="list-style-type: none"> Quality assurance of financial data 	LW/KK	<ul style="list-style-type: none"> To assure Cabinet on the rigour and reliability of the data provided 	<ul style="list-style-type: none"> To support consultants in reviewing and validating key information on the planned savings in 2018-19 To provide briefing and other papers to the subcommittee tasked with reviewing the rigour of the planning assumptions for future financial year savings 	<ul style="list-style-type: none"> Attendance at review meetings with consultants Briefings to the sub-committee tasked with overseeing financial estimates 	Completed – provided information and responses to scrutiny of 18-19 savings.
1.4 Raising standards of financial awareness across the service directorates	<ul style="list-style-type: none"> Encouraging financial scrutiny in decision-making across the Council 	AW/LW/KK	<ul style="list-style-type: none"> To raise the profile and importance of good financial management across the Council 	<ul style="list-style-type: none"> To develop a budget accountability framework that sets out the governance, processes, meetings and accountabilities required to set, monitor and manage budgets To scrutinise all proposals to CLT and Cabinet submitted by service directorates and to flag up any that have bypassed such an arrangement To periodically raise with CLT instances of good practice/poor performance in financial management by budget holders 	<ul style="list-style-type: none"> A budget accountability framework Periodic briefings to CLT 	Ongoing – Finance culture change to encourage external input and benchmarking. Regularly consult with stakeholders for honest feedback and to measure progress.
	<ul style="list-style-type: none"> Developing guidance and mentoring for Cabinet members and Councillors 	LW/AW	<ul style="list-style-type: none"> To enable all Councillors to understand the financial pressures facing Surrey CC 	<ul style="list-style-type: none"> Working with consultants to develop training, guidance and briefing notes on financial awareness that are bespoke to Surrey's needs 	<ul style="list-style-type: none"> Support to the appointed consultants 	Ongoing -Finance Academy - Fundamentals programme delivered (attendance low). Insights & Strategic Finance modules to follow (delayed by COVID pandemic)
2. Addressing the financial challenges that the Council currently face						
2.1 Securing consensus on the scale of the challenge	<ul style="list-style-type: none"> To prepare and maintain the draft improvement plan 	LW	<ul style="list-style-type: none"> To ensure the improvement plan is comprehensive and deliverable 	<ul style="list-style-type: none"> To develop an improvement plan and associated OBC To regularly update the improvement plan to reflect changing circumstances To notify CLT of any actions that have slipped or might otherwise materially impact on the improvement plan 	<ul style="list-style-type: none"> An agreed and up to date improvement plan that is accepted by all relevant parties Exception reports to CLT on any changes required 	Completed – FIP programme launched. Member Board & Member Reference Group established
2.2 Delivering sufficient savings in 2018-19	<ul style="list-style-type: none"> Approval and dissemination of budget envelopes to secure additional savings in 2018-19 	AW/KK	<ul style="list-style-type: none"> To clarify responsibilities of budget holders 	<ul style="list-style-type: none"> To circulate a template and gather returns in order for service directors to have transparency on the targets required ahead of the away day in Sept 2018 To map the returns to the MTFP in order to ensure that the planned savings are sufficient To support service directors in delegating their budget envelopes to budget holders by late September 2018 To collate and analyse Budget Accountability Statements in order to report to CLT on any omissions, or inconsistencies. 	<ul style="list-style-type: none"> Completed templates by each service director Discussion at 'away day' in September Signed BAS from every budget holder Briefing sessions with budget holders 	Completed – in-year additional savings plan linked to budget envelopes. Outturn position did not require use of reserves.

Surrey Finance Improvement Plan: Finance Roles and responsibilities

Work Package	Task	Responsible Owner	Purpose	Actions	Deliverable	Deadlines/Progress
	<ul style="list-style-type: none"> Supporting budget holders to develop robust delivery plans 	LW/KK	<ul style="list-style-type: none"> To increase the likelihood of targets been met and for issues to be brought to attention of CLT 	<ul style="list-style-type: none"> CIPFA and Finance to meet budget holders to discuss/review plans CIPFA and Finance to provide guidance to budget holders on what constitutes good practice in risk management of savings plans Reports to be reviewed by panel/sub-committee established by CLT 	<ul style="list-style-type: none"> Regular reports to internal panel Guidance to each budget holder 	Completed - budget accountability statements and savings discussed at scrutiny committees. Regular discussions with External Assurance Panel.
	<ul style="list-style-type: none"> Supporting budget holders to deliver the planned savings 	LW/KK	<ul style="list-style-type: none"> To identify issues sufficiently early to enable corrective actions to be instigated 	<ul style="list-style-type: none"> Regular progress meetings with budget holders Exception reports to CLT on any issues arising Preparation of a year end assessment of progress made in achieving targets set 	<ul style="list-style-type: none"> Exception reports to CLT Year end assessment of performance by budget holders 	Ongoing – support to budget holders via business partnering approach and Finance Academy budget holder workshops
2.3 Setting a realistic balanced budget for 19-20	<ul style="list-style-type: none"> The scrutiny and approval of existing planned savings, transformational savings and the management of pressures and demands 	AW/LW/KK	<ul style="list-style-type: none"> To ensure that savings in the transformational plans will be realised To ensure that the pressures and demands facing each directorate are adequately estimated and managed/mitigated To ensure that existing planned savings are likely to be delivered 	<ul style="list-style-type: none"> To review each business case and brief the Change Management Board on any issues on the timing, achievability or scale of projected savings To conduct a 'deep dive' of the projected figures and mitigations for review by the relevant sub-committee To examine the delivery plans of each service directorate 	<ul style="list-style-type: none"> Briefing paper on business cases to the Change Management Board Briefing papers on pressures and changes and planned savings 	Completed - Budget set without reliance on reserves. Positive outturn position achieved. Scrutiny committees briefed on proposed savings plans
	<ul style="list-style-type: none"> To explore opportunities for additional savings, such as the use of assets, investments, loans and reserves 	LW/KK	<ul style="list-style-type: none"> To minimise the impact on service delivery of the additional savings required 	<p>To support the teams tasked with reviewing:</p> <ul style="list-style-type: none"> The utilisation of the existing asset base and any changes proposed The Council's investment policy/portfolio and any changes proposed Any plans to capitalise existing revenue expenditure Any changes to the MRP policy and existing loans Any changes in the proposed utilisation of earmarked reserves 	<ul style="list-style-type: none"> Briefing to CLT on any issues arising with the proposals developed by each commissioned team 	Completed - ASB and SHIP established to oversee all investment activity. Capital governance arrangements reviewed and improved.
	<ul style="list-style-type: none"> Setting budget envelopes for 201920 	AW/KK/LW	<ul style="list-style-type: none"> To identify and approve sufficient savings to meet the targets in the MTFP 	<ul style="list-style-type: none"> To circulate a template to each service director on how the targets will be met To provide assurance to CLT that any duplication of savings have been eliminated and that there are suitable delivery plans in place to rely on the proposals submitted To prepare Budget Accountability Statements to be circulated to service directors and budget holders 	<ul style="list-style-type: none"> Circulated template Assurance to CLT on consistency and completeness of returns 	Completed.
2.4 Delivering a balanced budget in 19-20	<ul style="list-style-type: none"> Maintaining an up to date record of who is responsible for delivering each aspect of the MTFP 	LW/KK	<ul style="list-style-type: none"> To ensure there is suitable ownership across the Council 	<ul style="list-style-type: none"> To maintain an up to date and comprehensive central record of delegations and responsibilities To notify CLT of any gaps or inconsistencies in the Budget Accountability Statements signed by service directors and budget holders 	<ul style="list-style-type: none"> Scheme of delegation Exception reports on BAS omissions/inconsistencies 	Completed - Budget set without reliance on reserves. Positive outturn position achieved. Budget accountability strengthened through Partnership Agreement, Finance Academy training and budget accountability statements.
	<ul style="list-style-type: none"> Supporting budget holders to meet their responsibilities 	KK	<ul style="list-style-type: none"> To provide timely guidance to budget holders 	<ul style="list-style-type: none"> To provide timely advice to budget holders on any issues/concerns raised To facilitate the sharing of good practices/feedback at service directorate team meetings 	<ul style="list-style-type: none"> Monthly briefing notes 	

Programme Roadmap

Phase 2 – Transform and integrate

A financially sustainable County Council with a strong culture of financial management, accountability and evidence-based decision-making across the organisation...
 ...enabled by a trusted, proactive and insightful Finance Service operating at the heart of the organisation.

Phase 1 – Getting the basics right

March 21

Streamlined, standardised and automated processes
 Good quality data enables evidence based decision making

October 20

All financial information is accessible, relevant and timely
 Whole organisation acts to ensure effective data quality
 Optimal decision making enabled by finance insight

March 20

Culture of accountability
 Strategic, proactive and insightful support
 Budget holders have appropriate financial skills
 Finance operates as an empowered, motivated and brilliant team

October 19

Finance restructure complete
 Clear roles and responsibilities
 Early Improvements delivered
 Access to required Learning and Development

March 19

New Finance Leadership Team
 Clearly defined Strategic Finance Business Partners
 19/20 budget set without reserves

Objectives

- Building the skills of finance staff & budget holders
- Building a culture of stronger budget holder accountability
- Building a culture of strategic, proactive & insightful business partnering
- Increased Member confidence in finances
- Improved financial systems & processes
- Strategy for involvement with Orbis Finance

SCC operates from a sustainable financial position

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