

Surrey County Council Auditor's Annual Report

Year ended 31 March 2024

28 February 2025

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Audit and Governance Committee
Woodhatch Place,
11 Cockshot Hill,
Woodhatch,
Reigate,
RH2 8EF

28 February 2025

Dear Audit and Governance Committee Members
2023/24 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the summary of our audit of the financial statements and our final commentary on the Value for Money (VFM) arrangements for Surrey County Council. This report and commentary explains the work we have undertaken during the year. The commentary covers our findings for audit year 2023/24. Members will be pleased to note that we have not identified any significant weaknesses during our work.

This report is intended to draw to the attention of the Council's any relevant issues arising from our work. It is not intended for, and should not be used for, any other purpose.






We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 12 March 2025.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Janet Dawson'.

Janet Dawson
Partner
For and on behalf of Ernst & Young LLP
Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website ([Statement of responsibilities of auditors and audited bodies \(from 2023/24 audits\) - PSAA](#)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee and management of Surrey County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit and Governance Committee and management of Surrey County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than Audit and Governance Committee and management of Surrey County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



BOARDROOM



01 Executive Summary

Executive Summary

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) published in November 2024 and the supporting guidance of the National Audit Office (NAO) published within their Auditor Guidance Note 3 (AGN 03). This commentary aims to draw to the attention of the Council and the wider public relevant issues from our work including recommendations arising in the current year and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

The 2024 Code paragraph 4.10 has suspended the requirement to issue an auditor's annual report by 30 November. It states that auditors may exercise judgement to determine when to issue their annual report including their commentary on arrangements to secure value for money.

Responsibilities of the appointed auditor

We have undertaken our 2023/24 audit work in accordance with the Audit Plan that we issued on 8 May 2024. We have complied with the NAO's 2024 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- the 2023/24 financial statements;
- conclusions relation to going concern; and
- the consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- any significant matters or written recommendations that are in the public interest; and
- if we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (continued)

2023/24 Conclusions

Financial statements	We issued an unqualified opinion on 28 February 2025.
Going concern	We have concluded that the S151's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statements	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Consistency of the Pension Fund annual report and other information published with the financial statements	We issued an unqualified report on 28 February 2025 to the effect that the financial information in the Pension Fund Annual report and published with the financial statements is consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.

Executive Summary (continued)

2023/24 Conclusions

Public interest report and other auditor powers	We had no reason to use our auditor powers. We received one objection to the statement of accounts, which is under consideration and which we expect to conclude shortly.
Whole of Government Accounts	We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO has not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our Audit Certificate until these procedures are complete.
Certificate	We will issue our certificate following the conclusion of the objection and completion of Whole of Government Accounts procedures.

Executive Summary (continued)

Value for Money

Scope

Auditors are required to be satisfied that Surrey County Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

Executive Summary (continued)

Value for Money (continued)

Reporting

Our commentary for 2023/24 is set in section 03. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our Audit Progress Report presented to the Audit and Governance Committee in November 2024 .

In accordance with the NAO's 2024 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures and whether we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant risks identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant risks identified

Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2024

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2024:

[EY UK 2024 Transparency Report | EY - UK](#)



02 Audit of the financial statements

Audit of the financial statements

Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We issued an unqualified opinion on 28 February 2025.

We reported our audit scope, risks identified and detailed findings to the 22 January 2025 Audit and Governance Committee meeting in our Audit Results Report. We outline below the key issues identified as part of our audit in relation to the significant risk areas. The findings for each of the accounts areas are set out in the Audit Results Report in Appendix A. We reported a number of internal control recommendations and management responses in the Audit Results Report, which we will follow up as part of our 2024/25 audit.

Significant risk	Conclusion
Misstatements due to fraud or error - Management override of controls	We have not identified any material weaknesses in the recognition of expenditure. We have not identified any instances of inappropriate judgements or estimates being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.
Misstatements due to fraud or error - capitalisation of revenue expenditure	Our work did not identify any material weaknesses in controls or evidence of material management override concerning the capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied.
Completeness of year end payables accruals below £25k de minimus	Our work did not identify any issues or matters to report.
Land and building valuation - PPE and IP	We undertook sample testing on PPE and IP balances for the Council and material subsidiaries including testing inputs used by the valuer. We have no identified any matters to report in this area. We have undertaken a review of assets not valued in the year and agreed with the Council a downwards valuation of £74m to land values. This has been reflected in the financial statements impacting on 1 April 2022 and 31 March 2023 Property, Plant and Equipment balances.



03

Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

Revenue budget:

The 2023/24 financial year has featured some of the most severe pressures faced for many years. Public services are under significant strain, with ongoing funding uncertainty, further compounded by increased demands for vital services and the highest inflation in four decades.

The Council has ended the year with a £2.8m overspend (less than 0.3% of the net revenue budget), after the utilisation of the base budget risk contingency of £20m. The requirement to utilise the contingency for a second year in succession and the need to draw on reserves to balance the year-end position for the first time since 2017/18 reflects the significant pressures and high inflation environment experienced throughout the year.

The Council achieved £53.9m (circa 78%) of the £69.4m target of efficiencies set out at the beginning of the financial year (2022/23: £27.5m (circa 59%) of the £46.8m target of efficiencies achieved), including those delivered through transformation programmes. The highest pressures that resulted in underachievement of savings targets were in Children’s and Adults’ social care, with lesser pressures within Central Income & Expenditure and Environment, Transport & Infrastructure.

Capital budget:

The Council has an ongoing capital programme of c£1.2bn over the next 5 years and a further £611m in the capital pipeline. The majority of the budget and pipeline funds are directed towards infrastructure and property development.

Dedicated schools grant:

The Council recorded an accumulated DSG deficit (£79m in 2023/24, £62m in 2022/23) which is shown as an unusable reserve in its accounts. This is the net amount from an overspend on the High Needs Block of £106.4m, less unspent balances on the other blocks of £26.8m. The High Needs Block overspend is mainly offset by an earmarked reserve. This was a voluntary action taken by the authority to protect the resilience of the Council’s balance sheet and offset the accumulating deficit. It also forms a vital part of the safety valve agreement, being the Council’s contribution to the deficit recovery.

The ‘safety valve’ agreement was signed between the Council and the Department for Education in March 2022 to covers the financial years from 2021-22 to 2027-28. The Council undertook to reach a positive in-year balance on its Dedicated Schools Grant (DSG) account by the end of 2026-27 and in each subsequent year.

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services (continued)

No significant weakness identified

As of February 2025, the Council no longer is forecasting to remain within the current spending profile of the Safety Valve and has requested an extended timeline with the Department of Education. This is being considered alongside the national safety valve programme. The Council has identified and acknowledged the persistent risks many of which are beyond the local authority's direct control. The main risk remains increased demand for Special Education support exacerbated by consumer price inflation and the DSG grant uplift not keeping pace with inflation across this and other costs. In response, the Council regularly reviews Safety Valve activity to consider additional actions, including substantial Capital investment and focussing on use of local provision such as an additional/ refreshed programme called "keeping children local - revised continuum of provision.

Based on the interview we held with the Executive Director for Children's Services, we understand that there is a clear risk that the Council may stop complying with the Safety Valve requirements in future years due to continuing service pressures. However, the Council is working on a readiness programme to respond to those possible future challenges. Significant financial pressures on Children's Services are common in the area due to external factors increasing the demand for Children's Services without sufficient funding and supply to meet these challenges. The Council approaches this issue as an organisation-wide problem and seeks solutions at a full Council level.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Council's Constitution underpins how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Chief Internal Auditor provided Reasonable Assurance that Surrey County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.

A strategic risk register is in place to help manage and monitor the most significant risks which continues to be updated as a 'live' document reviewed and discussed at an appropriately senior level.

Transformation programme

The Council set up an Internal Strategic Transformation and Improvement Assurance ('STIAB') Board to determine change and transformation priorities across the organisation with a purpose of shaping the direction for future transformation, driving management of costs along with other benefits for the Council in the medium to long term.

The STIAB also aims to revise governance arrangements that oversee and assure the Council's key top level transformation programmes alongside four thematic boards focused on Place & Communities, Adults Wellbeing and Health Partnerships, Children, Families and Lifelong Learning. The 2024/25 forward plan of actions for the transformation areas prioritise Children's and Adults' social care where financial pressures are the strongest.

MySurrey - migration to the new ERP system

The Council implemented a new Enterprise Resource Planning system MySurrey during FY 2023/24. The Council's Internal Audit team undertook work to provide assurance that there are: effective controls in place to monitor integrations, documented processes and procedures in place for the integrations, including error logging, and controls exist to reconcile and validate data so that it is reflected accurately in the ERP system and the Councils accounts.

The Internal Audit team provided Partial Assurance in respect of MySurrey - Integrations. This opinion means that there were weaknesses in the system of control and/or the level of non-compliance was such as to put the achievement of the system or service objectives at risk.

The Internal Audit team identified six primary risks and management proposed actions to respond to each of these risks. The targeted implementation date for these actions ranges from end of September 2024 to end of December 2024.

A new MySurrey Stabilisation Programme Board has been established to oversee the activities required to stabilise the MySurrey system and ensure findings of the recent internal audit report are actioned. There is also a Lessons Learned Report commissioned by the Resources & Performance Select Committee aimed at identifying areas of improvements for the future.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (continued)

No significant weakness identified

Centre for Governance and Scrutiny's - governance inspection (Jan 2023)

The Centre for Governance and Scrutiny's ('CfGS') undertook a review of the Council's governance using their Governance Risk and Resilience Framework which considers good governance through the behavioural and cultural characteristics of an organisation. The Report was presented to members in January 2023 by the Director of Law and Governance that detailed the findings of the CfGS's review of Council governance using their Governance Risk and Resilience Framework. CfGS concluded that Surrey's systems, processes, and behaviours around governance were robust. But it was still necessary for the Council to prepare to strengthen and refine systems which were currently resilient.

As per our management enquiries, the original actions in response to the above findings have been completed as at September 2024 and the Council's Centre for Governance and Scrutiny drafted a report to be presented at the November 2024 Audit & Governance Committee. The purpose of the report is to provide an update to Members on the actions taken in response to the 2022 Centre for Governance and Scrutiny's (CfGS) review of Council governance using the Governance Risk and Resilience Framework. As per the draft report, the risk areas identified within the CfGS letter quoted above have been addressed by officers over the last 18 months and the actions identified have transitioned into business as usual activity.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to make informed decisions and properly manage its risks.

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Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The effectiveness of the Council's interventions and the quality of its services is monitored through the preparation of regular performance reports showing progress towards goals and targets set in the budget and business plans. Key areas are highlighted for decision-makers to take corrective action if necessary.

We have held regular (at least monthly) meetings with management throughout the audit process, reviewed minutes of key meetings and attended the Audit and Governance Committees, during the period since our initial assessment of the proper arrangements for informed decision making. There have been no indications of fundamental failures in the proper arrangements to improve economy, efficiency and effectiveness of service delivery by the Council.

The Council has been subject to external inspections during 2023/24 and in prior years. These inspections highlight areas of economy, efficiency and effectiveness in designated areas of the Council's services subject to inspection.

Ofsted inspections (children and families)

The Ofsted inspection in early 2022 found that services for children and families in Surrey have improved leading to a rating of "requires improvement" and the service leaving intervention after a previous inadequate rating in 2018.

Since 2022, the Council's Children's services have been subject to three more inspections:

- Joint targeted area inspection of Surrey in May 2023;
- Area SEND inspection of Surrey Local Area Partnership in September 2023 and;
- Focused visit to Surrey local authority children's services.

Ofsted has not yet revised the overall rating of "requires improvement" attributed in 2022 and noted a few areas of improvement and provided recommendations during each of the inspections above.

We held an interview with the Executive Director for Children's services to understand how the Council ensures that recommendations are implemented and performance against targets is monitored. Based on this discussion, we understand that the Ofsted recommendations are implemented into the work programme for Children's services, which governs the day to day work of the directorate. The Council's social work is supervised and the extent of supervision is monitored and performance is reported monthly to the CLT. We saw an example of reporting which covered Children's service performance against a number of performance indicators.

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Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services (continued)

No significant weakness identified

Joint Targeted Area Inspection ('JTAI') Report (Ofsted, Care Quality Commission ('CQC') & His Majesty's Inspectorate of Constabulary and Fire & Rescue Services ('HMICFRS'))

The Council was subject to an inspection from the JTAI in May 2023, which highlighted the strengths and improvement needs around children and family services provided by the Council.

The Council submitted a response to the Joint Inspectorate in August 2023 which lists the areas identified that require improvement, the actions proposed by the Council, the respective leads and timescale as well as the expected impact, monitoring and compliance. The timescale for actions stretches from September 2023 into the financial year 2024/25. As per our management enquiries as at September 2024, the actions within the JTAI written statement of action have been reviewed as part of the ongoing preparation for a full Inspecting Local Authorities Children's Services (ILACS) inspection.

HMICFRS inspection of Surrey Fire and Rescue Service

HMICFRS inspected the Council's fire services from the end of March 2023 through to the end of April 2023. The inspection assessed 11 areas and it found them to be "good" in one area, "adequate" in three areas and "requires improvement" in seven areas.

In response, the Council's Fire and Rescue Service issued an Improvement plan report for 2023 - 2025 (IIP). The IIP was developed with the Service Leadership Team and was shared for feedback with all Leaders within the Council's wider workforce. The IIP is updated on a quarterly basis and progress presented to the Service Leadership Team, the Portfolio Holder and the HMICFRS Service Liaison Lead for updates and questions.

Subsequent to this inspection, the Council held a Communities, Environment and Highways Select Committee where the performance and progress following the outcomes of the inspection were reported and discussed.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to use information about its costs and performance to improve the way it manages and delivers its services.



04 Other Reporting Issues

Independence - Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

Our final fee proposal was included in our Audit Results Report at the conclusion of the audit in February 2024. We have set out on this page the elements of the fee that have led to additional audit scope and effort. For more details, please see the analysis in our Audit Results Report.

	2023-24 Current Year
	£
Total Fee - Scale Fee (1)	384,130
Valuation procedures to gain assurance over assets held by Halsey Garton Property Ltd. (2)	12,000
New system implementation (3)	20,000
ISA315 Procedures - currently not included in scale fee (4)	13,000
Prior Period Adjustments (5)	20,000
Waste plant valuation and specialist valuation support; accounting model specialist support	20,000
Street Lighting PFI model accounting treatment and specialist support (6)	12,000
Additional work not considered by the scale fee to assess the Council's preparedness for the adoption of IFRS 16 and to consider related disclosures in the financial statements (per plan)	6,000
Objection	10,000
Quality and Preparation Issues (7)	18,000
Total audit	515,130

All fees exclude VAT



05 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
<p>How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them</p>	<p>The Council identifies all the significant financial pressures that are relevant to its medium term plans through its Medium Term Financial Strategy ('MTFS'), which is the financial plan for the Council and it contains the funding strategy for delivering the Council's objectives for a forward looking period of five years. The latest published MTFS is for 2024/25 - 2028/29 and it contains the position approved by the Full Council in February 2024. Management is currently developing the MTFS for 2025/26 - 2029/30. Monthly iterations of the MTFS are discussed with the Corporate Leadership Team ('CLT'), which includes the Chief Executive, and the Executive Directors of the Council's directorates. Regular updates are also taken to Cabinet and Select Committees.</p> <p>This forecast enables emerging risks and issues to be reflected in the Council's financial planning in a timely manner. Financial pressures and identified efficiencies are described in the MTFS of the Council.</p>
<p>How the body plans to bridge its funding gaps and identifies achievable savings</p>	<p>The Council identifies financial efficiencies at directorate level as part of the MTFS setting process. Efficiencies are only budgeted for future years depending on the predictability of government direction about the future of the ringfenced grants.</p> <p>Alongside the goal of achieving efficiencies, to bridge its funding gaps, the Council approved the following recommendations to full Council on Council Tax and the Adults Social Care Precept;</p> <ul style="list-style-type: none"> • 2.99% increase in core Council Tax for 2024/25 and proposed increase of 1.99% from 2025/26 • 2% increase in the Adults Social Care Precept for 2024/25. <p>Nevertheless, the gap is expected to continue to grow over the medium term, based on current projections, to the order of £271m. The Council recognises that tackling this gap will require a medium-term focus and a fundamentally different approach over the medium-term horizon.</p> <p>The Council set up a transformation programme led by the Strategic Transformation, Improvement and Assurance Board ('STIAB'), which has been tasked with noting the budgeted MTFS efficiencies for 2024/25 across the directorates and dealing with the care package pressures. The STIAB also monitors delivery of all transformation-based efficiencies, which are monitored on a monthly basis and progress reported to the CLT as part of the monthly budget monitoring reporting.</p> <p>While the financial environment is very challenging, the Council has established a strong track record in recent years of delivering efficiencies and transformation and taking financial management responsibility seriously.</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council uses the MTFs process to direct its resources using the most efficient means possible towards achieving its purpose and priorities, while ensuring that core services are delivered to residents.</p> <p>There is a Strategic and Integrated Planning Group which brings together the key activities of Budget Planning, Business Planning, Workforce Planning, Performance Management, Organisational priority setting and Transformation.</p>
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>The MTFs is based on clear integration with the organisation strategy, the transformation programme and corporate priorities; developed in partnership across the organisation through the Strategic and Integrated Planning Group.</p> <p>In addition, Surrey's local authorities have developed a Local Strategic Statement ('LSS') (Ref: 24 SCC Surrey Local Strategic Statement) to facilitate cooperation on key strategic planning issues. It sets out shared objectives around spatial, infrastructure and economic issues and a broad direction for spatial planning on strategic priorities. The Council's LSS for Surrey sets out a consensus around common objectives and priorities through an overarching spatial planning vision for the county covering the period 2016 - 2031. It is informed by existing and new evidence developed to support local plans preparation by the borough, district and county councils. The LSS provides an important high level statement which articulates the growth ambitions and spatial priorities of Surrey authorities for the short to medium term and forms the basis of engagement on strategic issues as authorities progress local plans.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The Council holds a risk contingency budget of £20m in the annual base budget. In addition, the level of financial reserves has been increased consciously over recent years to reflect the assessment of the risk environment.</p> <p>From a revenue budget perspective, the Council also sets a minimum level of general fund reserves proportionate to the assessed risk environment and specific pressures to ensure continued financial resilience despite an increasingly volatile and uncertain external environment.</p> <p>From a capital budget perspective, the Council undertook additional work in developing the proposed capital programme for 2024/25 - 2028/29 to assess the impact of borrowing costs on the revenue budget in the short, medium and long-term. It also established a borrowing limit for schemes that will be funded centrally and set out an improved framework to ensure prudent decisions are taken in the approval of capital schemes with "unfunded" borrowing, to prioritise those that provide the best value for money.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Arrangements in place

The Council has a risk management strategy in place. Surrey County Council operates a three lines of defence approach. The first line of defence being the Risk Owner who manages the risk. The second line of defence is the expertise, support, monitoring and assurance undertaken principally by the Risk Manager along with the Audit and Governance Committee. The third line of defence provides more independent assurance (outside of the scope of the formal risk processes) undertaken through internal and external audit.

Risk assessment categorises risks according to likelihood of occurrence and impact on the organisation using a scoring-based system. By methodically working through the risk event and identifying the causes and effects, it encourages a better understanding of the risk and a more structured definition of the risk.

A strategic risk register is in place to help manage and monitor the most significant risks which continues to be updated as a 'live' document. In addition, risk registers are also in place for each of the Directorates who, in turn, update their risks. The Corporate Leadership Team review the strategic risks as a standing agenda item every month. In addition, strategic risks are reviewed with Cabinet Members on a quarterly bases with a focus on the key changes over the period. Further, the Audit and Governance Committee review the risk management policy every six months to ensure it is fit for purpose and also receive a copy of the corporate risk register.

The Chief Internal Auditor provided Reasonable Assurance that Surrey County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.

The Council has a Counter Fraud Strategy and Framework covering 2021 - 2024, which follows the principles set out in Fighting Fraud and Corruption Locally Strategy (2020) - the Local Government blueprint for tackling fraud in Local Government.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (continued)

Arrangements in place

The Chief Internal Auditor is responsible for the delivery of internal audit and counter fraud services to Surrey County Council, East Sussex County Council and Brighton & Hove City Council as part of the Orbis Partnership. Within the Orbis Internal Audit Service, the Counter Fraud partnership team provides resource and experience to support the Council with both proactive and responsive support relating to any instances of financial irregularities and fraud related risks.

An annual Internal Audit Counter Fraud Report is presented to the Audit and Governance Committee, which provides a summary of the investigation and advisory activity completed by the Internal Audit Counter Fraud Team within the year.

The Council's strategy against fraud and corruption encompasses the following steps:

- acknowledge the threat of fraud;
- encourage prevention;
- promote detection;
- identify a clear pathway for investigation; and
- set out the appropriate sanctions, including the recovery of losses.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body approaches and carries out its annual budget setting process

Arrangements in place

With regards to the revenue budget setting, the Council develops a set of Core Planning Assumptions to help manage uncertainties (i.e. inflation forecasts, Government leadership and policy changes and funding), setting out assumptions about the council's most likely operating context. The assumptions are developed from emerging policy trends and predictions drawn from government messaging, strategies, policy think tanks and other influential institutions to build an expectation of future conditions. They are not intended to define a specific future, but list important factors that may affect the Council's resources and services to inform strategic and financial planning in the short to medium term.

Throughout the planning process, the Council follows the budget envelope principle where Directorates are challenged with producing a budget that matches available funding. This entailed Directorate identifying efficiencies to offset pressures from demographic growth, inflation and new responsibilities. In setting the budget, pay, contract and price inflation is calculated by Directorates, informed by corporate assumptions.

The Council incurs two types of capital expenditure:

- the service delivery Capital Programme
- the Capital Investment Programme

Strategic Capital Groups ('SCGs') for Infrastructure, Property and IT develop capital projects throughout the budget setting process which are scrutinised and approved by the Capital Programme Panel ('CPP'); a group of senior officers from across the organisation, including the Council's Deputy S151 officer and senior service representatives. Projects approved by CPP are then included in the budget when approved by Cabinet and Council.

As part of the budget-setting process, Directorate budget envelopes are set to provide targets and monthly iterations are reviewed. Cabinet and CLT have at least two budget focused Away Days a year. A draft budget is presented to Cabinet in November each year in advance of Final budget proposals being presented in January and then to Full Council in February. The Council assesses itself against the key hallmarks of good budgeting.

The Corporate Leadership Team agreed a budget planning approach for 2025/26, which presents a high-level timeline for the budget planning process in 2025/26, as well as lessons learnt from prior year and proposed approach going forward.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Arrangements in place

An integrated approach to setting the MTFS is undertaken starting early each year (e.g. Feb 24 marked the beginning of the 2025/26 - 2029/30) process. Monthly iterations of the MTFS are taken to the Council Leadership Team, with regular Member consultation through information briefings to Cabinet, three rounds of Select Committee engagements (June, Sept & Dec each year). All Members' briefings are carried out two to three times a year and Opposition Party Briefings are also provided. This ensures timely communication of management information that supports budgetary control and statutory financial reporting requirements.

Management prepares an annual financial performance outturn report for revenue and capital, including the year-end Treasury Management and debt outturn position. This is taken to Cabinet for discussion and identification of corrective actions going forward, where needed.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Arrangements in place

Surrey County Council has agreed a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Leader of the Council is responsible for most day-to-day decisions. These decisions can be delegated to a Cabinet, individual Cabinet Members, Local Committees, individual local Members, or officers. The Council appoints the Leader from the 81 elected county councillors for a four year term. The Leader appoints a Deputy Leader and a Cabinet. The Cabinet is made up of the Leader, Deputy Leader and between one and eight other elected councillors. When major decisions are to be discussed or made, these are published in the Leader's Cabinet forward plan in so far as they can be anticipated. The Cabinet meets in public except where personal or confidential matters are being discussed. Decisions have to be made in line with the Council's overall policies and budget. If a decision which is outside the budget or policy framework is required, this must be referred to the Council as a whole to decide.

Overview and scrutiny

There are a number of select committees which between them support the work of the Leader/Cabinet and the Council as a whole. These are: Adults & Health Select Committee; Communities, Environment and Highways Select Committee; Children, Families, Lifelong Learning & Culture Select Committee; and Resources & Performance Select Committee. They are responsible for advice and policy development, and for the scrutiny of decisions on executive functions. These committees both research policy options for the Leader/Cabinet and review and scrutinise policy, practice and performance. They can 'call-in' a decision which has been made but not yet implemented. This enables them to consider whether the decision is appropriate. They may recommend that the decision is reconsidered by the decision maker.

The select committees may be consulted by the Leader/Cabinet or the Council on forthcoming decisions and the development of policy, and shall be consulted on proposals forming part of the policy framework.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (Continued)

Arrangements in place

The Council's constitution sets out the following principles of decision making by or on the Council's behalf, both in the general public interest and in the interests of ensuring that the Council is able to defend its actions against legal challenge:

- That Members are fully and effectively advised by officers in exercising both executive and non-executive functions;
- That decisions by Members are only taken after the submission of written reports;
- That decisions have clear aims and desired outcomes;
- That relevant matters are fully taken into account in decision making;
- That nothing irrelevant is taken into account;
- That decisions are proportionate to the desired outcome;

Group oversight

The Council invests money in its subsidiaries and other organisations to support local public services and stimulate local economic growth. The Council's main wholly owned operational subsidiaries are:

- Halsey Garton Property Ltd ('HGP') which has a portfolio of national investment properties used to generate a return to the Council and
- Halsey Garton Residential Ltd ('HGR'), which holds a portfolio of Surrey-based residential properties.

The financial return from both companies takes the form of interest on the outstanding loan and dividend payments (where possible). HGP holds the majority of the investment assets across all the subsidiaries.

The Capital, Investment and Treasury Management Strategy sets out the principles for governing and managing the Council's group activities.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (continued)

Arrangements in place

In previous financial years, alongside the equity shares, the Council borrowed money and lent it to Halsey Garton Property, who invested in property to generate a revenue income for the Council to support service delivery. The value of property owned by Halsey Garton Property Ltd has decreased in value (approximately 25% reduction) largely due to pressures on the retail environment. The subsidiary is holding the assets for long-term rental income and the Council considers that short-term variations in fair value do not affect the value of the Council's investment. Over the long term, the Council expects asset values to recover.

The Council holds monthly Shareholder & Investment Panels ('SHIP') attended inclusively by the Section 151 officer. The Council's senior team reviews the business updates and risks related to these main subsidiaries. The Annual Business Plan for each subsidiary is also reviewed and performance assessed against targets.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Arrangements in place

The Council operates within a constitution that includes a Governance Framework which sets out how the council conducts its business, how decisions are made and the procedures to be followed to ensure that these are lawful, efficient, transparent and accountable to the local community. The Constitution is reviewed regularly, and this was last undertaken in 2023-24.

Decisions taken by the Council are supported by a Legal Officer commentary that sets out the authority for and legal implications of decisions. The inhouse legal team receive training and frameworks are in place to secure the provision of specialist legal advice where that expertise is required. The inhouse legal team is Lexcel accredited and holds a risk register of current legal matters.

The monitoring officer is responsible for ensuring that the authority complies with all applicable laws and is involved in providing an opinion on all decisions that are made by the authority and its various committees as to whether there is an issue with non-compliance.

The monitoring officer attends Cabinet, full Council, Audit and Governance Committee and is sighted on the Cabinet Forward Plan. There are also regular diarised meetings between the monitoring officer and the Chief Executive and the Leader of the Council. Additionally, there is a regular risk governance meeting where the Head of Paid Service, Section 151 Officer and the Chief Auditor meet with the monitoring officer to review the position of the Council.

In terms of officer or member behaviour, all members are required to submit a register of interest that is published on the council's website. The Audit and Governance Committee have a role in reviewing member behaviour and standards of conduct and gifts and hospitality. The member gifts and hospitality register is kept by Democratic Services and members are sent six monthly reminders on the requirement to declare gifts and hospitality and also to keep their register of interest up to date. The Audit and Governance Committee receive regular reports on ethical standards and these can be found on the Council's website.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The Council sets up select committees who have responsibility for performance, finance and risk monitoring for service areas within their remit. The number of select committees vary from time to time as agreed by the Council.</p> <p>Financial, performance, workforce and risk data is reported monthly to the Corporate Leadership Team. We reviewed an example of such reporting from March 2024 and noted that items covered include performance and organisational effectiveness, budget monitoring and future planning, the Council's Transformation Programme and community impact.</p> <p>Actual and forecasted financial performance is measured against the budget and reported monthly to Cabinet in the form of a financial report under the supervision and direction of the S151 officer. This is discussed with the Cabinet Member for finance and resources to identify areas for improvement.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The Council has a Corporate Performance & Insights Team, which contributes to the assessment of organisational effectiveness of the Council. This results in a report which describes what is working well against organisational targets, the ongoing challenges and plans for the next quarter.</p> <p>Performance information is also reported regularly to a dedicated meeting of the Performance & Resources Select Committee, which meets on a quarterly basis and is attended by elected members who challenge various performance indicators reported by the Council (Committee details - Resources and Performance Select Committee - Surrey County Council (surreycc.gov.uk)).</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Arrangements in place

The 'Surrey Community Vision 2030' was developed in 2018 with residents, communities, and partners, to establish a shared vision for the county. A number of strategic partnership boards have been established to enable joint discussions, alignment of priorities, collaboration and partnership working in order to deliver against the ambitions set out in the 2030 Community Vision and Organisation Strategy.

A number of delivery focused partnership groups sit under these key strategic partnership boards, including: Surrey Adults' and Surrey Childrens' Safeguarding boards, the Skills Leadership Forum, the Innovation Leaders Group, the Greener Futures Steering Board and the Climate Change Board. These groups play an instrumental role in helping to translate the strategic discussions that take place in the overarching strategic boards into partnership activities.

The Surrey Forum:

The Surrey Forum complements other, specifically focused partnership boards, and being cross-cutting in nature, enables partners to better co-ordinate, align and collaborate on longer-term issues.

The Forum acts in effect as an informal sounding/advisory board for leaders of Surrey organisations by bringing together senior stakeholders from different organisations to hold discussions and propose action on cross-cutting issues impacting residents, the economy and/or environment. The nature of the meetings does not require them to be held in public.

The Forum is non-statutory, voluntary-based group in which constituent members have an active role in identifying and developing areas for discussion, action and improvement. Where conclusions reached in discussions require decisions, these are taken by individual members' organisations in line with their usual governance and reporting processes.

In parallel with the Forum, Surrey Leaders meet regularly together, often with the Police and Crime Commissioner, the Chief Constable, Health Partners, and LGA Principal Adviser to promote Surrey's interests, collaborate across projects and discuss items of business where agreements need to be made in a collective forum.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

Arrangements in place

As per the Council's constitution, all procurement and purchasing undertaken must adhere to the specified processes as agreed by the Corporate Leadership Team and follow the requirements of the Procurement Standing Orders. The Section 151 Officer may authorise the use of Purchasing Cards for Council staff for the purposes of defraying petty cash and other minor or urgent expenses. All material assumptions and risks inherent in evaluations of proposed contracts must be fully disclosed to those officers and members making decisions on the award of the contract, before the contract award is made.

Long term strategic contracts must include provision to secure continuous improvement, improved efficiency and value for money. All partnership arrangements and pooled budgets must be agreed under written terms appropriate to the extent of the financial risk to the Council and may only be entered into following appropriate consultation with and approval from the Section 151 Officer and the Monitoring Officer. Where the Council's contribution to, or financial risk from such arrangements, exceeds £100,000, Cabinet's approval is required. Appropriate approval must be obtained before entering into any proposed partnership.

Commissioning and procurement activities are led through the Strategic Commissioning Team and Procurement who provide advice, support and ensure adherence to legislation and professional standards.

We held an interview with the Chief of Staff on procurement and confirmed our understanding of the procurement process as described in the Council's constitution. In addition, we were informed that since June 2024, the Council set up a designated procurement Board that adds an additional level of scrutiny on value for money and this looks to have oversight over all spend of more than £25k. The Board meets approximately weekly, and it has representation from legal, procurement, and transformation teams. The aim of the Board is to provide scrutiny upfront to ensure value for money will be achieved before any work starts on it.

In assessing the value for money of a procurement case, management assesses the price, quality, including social value, and chooses the most economically advantageous solution.

Once the services/goods have been delivered, they are subject to a contract management process that applies scrutiny and review against key performance indicators. We are informed that the Council is currently working on strengthening this process.

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