

**CABINET RESPONSE TO THE REPORT OF THE COUNCIL'S SELECT COMMITTEE CHAIRS AND VICE CHAIRS GROUP**

Item under consideration: Devolution and Local Government Reorganisation (D&LGR)

**Recommendations:**

- I. The group recommends continued lobbying of government for a solution on debt which includes government assistance, so that Surrey residents do not have to unfairly bear the burden of debt run up in specific district and borough areas. This is vital to ensure that both shadow authorities are financially sustainable from Vesting Day and that critical services are not impacted by historic debt.**
- II. The lessons learned from Surrey's implementation of the ERP replacement project were well documented in the report of the Digital Business and Insights (DB&I) Task Group, which made 18 recommendations for future IT or change programmes. The group recommends that these should be revisited as part of implementation workstream planning to ensure all those involved, including Districts & Borough partners, understand the cost and other risks involved including to service users and their data.**
- III. The group recommends that the Executive prioritise implementation resource to support planning for effective transition of IT systems and data and seeks specific additional financial resource from government, recognising that managing the aggregation or disaggregation of IT systems and data is likely to present one of the most significant challenges to local government reorganisation in Surrey.**
- IV. The group recommends that work to understand sufficiency of supply for SEND in the proposed geography is prioritised by the executive during the implementation phase, so that shadow authorities can be fully informed early on of the demand for critical services in their areas and where there may be gaps and pressures in supply which is likely to impact capital and revenue budgets, particularly around Home to School Transport and schools places.**
- V. The group is deeply concerned about the future financial picture for Surrey and the pressures that may be placed on residents including from Council Tax harmonisation and urges continued efforts by the Executive to lobby government to mitigate the impact of any funding reforms including the Fair Funding Review and subsequent Council Tax equalisation, and to address the debt position by writing off Woking's existing stranded debt.**
- VI. The group recommends that resourcing future work on the Community Boards model is prioritised by the Cabinet during the implementation phase to ensure that SCC is best placed to put forward sound recommendations to shadow authorities on the approach to local**

engagement, and to ensure the Boards are able to perform a meaningful role delivering real results and improvements for residents.

- 3a
- VII. The group recommends that the pilots planned later in the year prioritise the development of solutions to address these points and that the model is developed to include spending *powers for the Boards to make decisions on allocation of monies* (such as Community Infrastructure Levy (CIL)) in order that they can deliver results for local people on the ground.
- VIII. The group further requests that Councillors are actively involved in the pilots given the principle that Boards should be '*Councillor-led as part of a strong model of democratic local community leadership*' and that outcomes and lessons learned from these pilots are reported back to scrutiny for review.
- 

#### Cabinet Response:

- i. **Debt lobbying:** Surrey County Council's (SCC) final plan for local government reorganisation (LGR) in Surrey recognises the significant debt present in our county and the impact that would have on the financial stability of any new unitary councils formed through LGR. We have asked for further discussions with government to ensure the new councils do not immediately require Exceptional Financial Support.

The plan includes the following asks of government:

- Write off the existing stranded debt related to historic commercial activities as the only viable option to ensure the financial sustainability of new unitary authorities and avoid ongoing exceptional financial support. This conclusion is in line with the conclusion of the commissioners for Woking Borough Council.
- Provide funding to cover a material level of Surrey's LGR implementation costs, modelled at £85 million for two unitaries, to limit the need for reserves across Surrey's local authorities to be used to fund these costs so reserves can be maintained to support future sustainability.

We are committed to furthering these discussions with government as soon as possible so a suitable solution to the debt is found.

- ii. **Digital Business and Insights (DB&I) Task Group Recommendations:** During the SCC discovery phase of LGR implementation, insights and data will be gathered across a number of workstreams. The intention is to draw upon the intelligence gathered to shape the subsequent phases. The learning points set out within the prior report from the Task Group will be included amongst the materials gathered as part of this process with the intention of promoting use within design and delivery phases.
- iii. **Transition of IT systems and data:** A Technology and Data workstream has been established as part of the SCC LGR programme. This workstream will undertake the discovery, design and implementation activities required to put

in place the fundamental technology functionality and secure access to data that will enable critical service operations and governance processes to function at the new unitary councils.

Before considering the requirement to seek additional financial support, funding arrangements will need to be confirmed, and a forecast shortfall identified. An initial assessment of costs has been undertaken as part of the implementation cost modelling for the Final LGR Plan. These figures included the costs of change for systems and data. These will be refined during the discovery phase of the devolution and LGR programme and carefully considered as part of subsequent phases and decision-making.

- iv. **Sufficiency of supply for SEND:** A detailed needs analysis and update of the SEND Sufficiency Strategy is already underway as part of the Additional Needs Transformation Programme. This will capture data on the current provision, numbers of places, uptake and demand by geography, as well as projecting the needs and sufficiency requirements into the future to 2029. This sufficiency baseline and future assessment work, which will be completed by the end of the summer 2025, will support analysis for LGR on where current provision is located against demand, in addition to facilitating activity to make the most effective use of available capital funds and addressing Key Stage Transfer pressures.
- v. **Future financial picture:** SCC responded to the government's early consultation on the Fair Funding Review (FFR) principles and approach, which was carried out in February 2025. We will continue to respond to consultations as they are released and lobby government about the impact of FFR on the county of Surrey, working with our established networks, such as the County Councils Network (CCN), to seek to influence as far as possible the best outcome for Surrey.

It is though likely based on the plans that government have set out to date that Surrey's funding will be reduced to some extent as a result of FFR. As set out in the Final LGR Plan, when combined with service pressures and the high level of historic debt this presents an extremely challenging financial context.

As referenced in the Cabinet's response to recommendation 1, a request in Final LGR Plan is for government to write off stranded debt related to historic commercial activities and is committed to furthering discussions with government as soon as possible to enable a sustainable solution to be agreed.

It will be for the new unitary authorities to decide on how council tax band D rates in each of the new unitary areas should be harmonised. Given the acute financial challenges faced by local government in Surrey, the County Council's Section 151 Officer's advice in the Final Plan is for band D rates to be harmonised in year 1. This to ensure equity of what residents pay across each of the new unitaries and to avoid a reduction in income raised to fund vital services for residents that would result if harmonisation is delayed beyond the first year, thereby supporting future financial sustainability.

- vi. **Resourcing Community Boards:** Work to test and develop the Community Boards model in four pilot areas will be prioritised and resourced by SCC as part of LGR implementation planning. This reflects how crucial the approach is to improving outcomes in communities. It is also important to stress that the model is based on all partners working more effectively together and it is anticipated that resources from other organisations will be engaged in the work. Any opportunities to extend the pilot to one or two further areas during the implementation period will be conditional on partners opting to assign additional resourcing.
- vii. **Community Board spending powers:** The pilots of Community Boards will test a number of aspects of the model in order to ensure they are effective and can deliver real results for communities - this will include options for funding local initiatives, the framework for local decision-making, and the right level and type of administrative or other support.
- viii. **Councillor involvement in Community Boards:** Councillors will be actively involved in the Community Board pilots and the outcomes and lessons learned from these pilots will be reported back to scrutiny for review.

**Councillor Tim Oliver OBE**  
**Leader of the Council**  
**6 May 2025**