

SURREY COUNTY COUNCIL**CABINET****DATE: 30 OCTOBER 2018****REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL****LEAD OFFICER: JOANNA KILLIAN, CHIEF EXECUTIVE****SUBJECT: ORGANISATION STRATEGY, PRELIMINARY FINANCIAL STRATEGY, TRANSFORMATION PROGRAMME, AND 'OUR PEOPLE' STRATEGY****SUMMARY OF ISSUE:**

This report sets out how the council plans to contribute towards achieving the outcomes in the Community Vision for Surrey in 2030 (Community Vision for Surrey) over the medium term, which is covered across four strategic documents that are annexed to this report. Surrey County Council's Organisational Strategy (Annex 1) sets out how the council will work with residents and partners and direct our resources to where they will have the most impact. The Preliminary Financial Strategy (Annex 2 and Appendix 1) and Transformation Programme (Annex 3) will not only secure the council's financial sustainability but will also reform the function, form and focus of the organisation. 'Our People 2021' (Annex 4) is our plan for the council's current and future workforce and sets out how we will develop our capacity and capability to contribute to the Community Vision for Surrey, achieve our priority strategic outcomes for residents, ensure the effectiveness and efficiency of the council, drive wholesale transformational change and create a high performance culture.

RECOMMENDATIONS:

Cabinet are asked to make the following recommendations to Council on 13 November 2018:

1. Approve the Surrey County Council Organisation Strategy 2019 – 2023 (Annex 1), which sets out how the council will work with residents and partners to contribute to the achievement of the Community Vision for Surrey in 2030. It sets out priority areas the council will focus on over the next four years.
2. Approve the Preliminary Financial Strategy (PFS) 2019 – 2024 (Annex 2 and Appendix 1), which sets out a draft balanced budget for 2019/20, without the use of reserves, subject to the outcome of consultation, engagement and equality impact assessments.
3. Approve the Transformation Programme (Full Business Case, Annex 3) subject to the outcome of consultation, engagement and equality impact assessments. The programme will be delivered through six delivery themes: Service Transformation, Partnership and Integration, New Ways of

Working, Commissioning, Investment & Income and Technology and Digital Innovation.

4. Approve the 'Our People 2021' strategy (Annex 4), which is the council's plan for the current and future workforce and sets out how we will develop our capacity and capability to contribute to the Community Vision for Surrey in 2030, achieve our priority strategic outcomes for residents, ensure the effectiveness and efficiency of the council, drive wholesale transformational change over the next few years and create a high performance culture.
5. Note the planned engagement and consultation activity (referenced in paragraph 27 & 28) related to the savings proposals contained within the PFS and Transformation Programme. These have been initiated under the formerly agreed delegated authority of senior officers. Cabinet is further asked to note that the outcomes of this activity will be brought back to Cabinet on 29 January 2019, where Cabinet will be asked to make recommendations to the Council meeting in February 2019 on the revenue & capital Budget and the council tax precept for 2019/20.

REASON FOR RECOMMENDATIONS:

By approving the suite of documents in the annexes to this report the Cabinet is supporting a new financial and strategic direction for the council, endorsing the priorities, key objectives and draft directorate budget envelopes for the medium term.

The Organisation Strategy, Preliminary Financial Strategy, Transformation Programme and 'Our People 2021' strategy provide a clear sense of the council's direction for staff, members, residents, partner organisations and businesses. As part of the council's Policy Framework (as set out in the Constitution) the Corporate Strategy (called the Organisation Strategy in this report) must be approved by Council.

DETAILS:

Background

1. The council sets a Corporate Strategy and revenue & capital Budget each year as standard practice. The latest versions approved earlier in 2018 were the [Surrey County Council: Corporate Strategy 2018-21](#) and [Revenue and Capital Budget 2018/19 to 2020/21](#). These gave the council clear strategic priorities and resources to support them.
2. We also have a strong track record in transforming services to improve performance and reduce costs. The [Public Value Review programme](#), which ran from 2009 to 2012, identified and delivered £279m of savings. We have also continued to make savings year on year through the budget planning process, totalling over £540m since 2010/11.
3. Since 2010, the council has planned for reductions in funding from central government. Reserves were built up to mitigate this loss of income, however, continued reductions in local government funding, and delays in the Fair Funding review, have meant that this period has lasted for longer than could

have been foreseen. The council's strategy to build up reserves was prudent as it has had to draw down on them since 2014 to help balance the budget.

4. The council also makes sure it responds to the challenges and opportunities for Surrey's workforce so residents continue to receive good quality services and the council is an attractive employer to work for. The most recent example of this was the [Human Resources and Organisational Development Strategy 2017 – 2019](#), approved by the People, Performance and Development Committee (PPDC) in November 2017.

Surrey County Council's Contribution to the Community Vision for Surrey in 2030

5. Surrey as a place and the context within which the council, other public and voluntary, community and faith (VCF) sector partners and businesses operate has significantly changed over the last decade and will continue to do so. Recent reports to Council on 22 May 2018 ([Developing a Vision for Surrey in 2030](#)) and 9 October 2018 ([A Community Vision for Surrey in 2030](#)) set out some of the main challenges, including population changes, rising demand for services and support, government policy changes, funding reductions and the impact of continued financial constraints. These reports also outlined how, while many residents and businesses thrive in Surrey, not everyone has the same opportunities to flourish. Surrey is an affluent county and this image often masks the problems that some residents face, such as domestic abuse, homelessness and mental health issues.
6. On 9 October Council endorsed a new Community Vision for Surrey in 2030 ([A Community Vision for Surrey in 2030](#)), informed by extensive stakeholder engagement. The Community Vision for Surrey recognises the need for, and value of, a shared set of outcomes to focus on - to inspire public services, the VCF sector, businesses, residents, staff and members - as we collectively strive to improve the lives of everyone who lives in the county. The Community Vision for Surrey describes the kind of place we all want Surrey to be, and includes ten outcome-focused ambition statements.
7. The fast changing, and continually evolving, context within which the council is working, coupled with development of a new Community Vision for Surrey, means the council needs to build on its strong track record. The council has developed the following documents:
 - An Organisation Strategy (Annex 1) that sets out how the council will work with residents and partners and direct our resources to where they will have the most impact. It is our plan for how, over the next four years, we will work towards achieving the outcomes in the Community Vision for Surrey, and focus on making a real difference to residents' lives.
 - A Preliminary Financial Strategy (Annex 2 and Appendix 1) that sets out the overall framework within which the council will manage its financial resources and supports the delivery of the council's priorities and the Community Vision for Surrey in 2030. Reserves are now back at the low levels they were in the 2009/10 financial year, and the council needs a revised strategy. The PFS will drive the five year Medium Term Financial Plan, the revenue budget and the capital programme. It also sets out a draft balanced budget for 2019/20,

proposing a budget envelope for each of our service areas to achieve outcomes to meet residents' needs, without the use of reserves, except for in the most extreme circumstances. The proposals contained within this draft budget will impact on service delivery in future years and the savings proposals are required in order to deliver a balanced budget for the next year, as well as ensuring a sustainable budget in future.

- A Transformation Programme (Annex 3), shaped around six thematic areas, which will reform the function, form and focus of the organisation to help us deliver the Community Vision for Surrey. The impact of the Transformation Programme on the council will be significant. Activities that do not add value will be decommissioned, processes will be simplified, communities will have a greater role and commercialisation will be an operating principle in much of what we do.
 - The 'Our People 2021' strategy (Annex 4) is our plan for the council's workforce (current and future) and sets out how we will develop our capacity and capability to contribute to the Community Vision for Surrey, achieve priority strategic outcomes for residents, ensure the effectiveness and efficiency of the council, drive wholesale transformational change and create a high performance culture.
8. This suite of documents aim to respond to the new context, and our approach to the planning process this year means they are more integrated than ever before. The new documents are interdependent – the aims of one will struggle to succeed without the others - and will support the council to achieve improved outcomes for residents and develop a more sustainable, effective organisation and services in future years.
 9. In particular, the council is taking a new approach to setting the statutory budget and council tax for the forthcoming financial year. On 29 January 2019 Cabinet will be asked to make recommendations to the Council meeting in February 2019 on the revenue and capital budget and the council tax precept for 2019/20. We are making public the draft budget strategy, and the proposals that underpin it, much earlier than we have done in previous years, and the approval of the PFS is an important milestone in that process.
 10. The PFS sets out a draft balanced budget for 2019/20 and, subject to the outcome of consultation, engagement and equality impact assessments (detailed further in paragraphs 16 to 32 and 46 to 52) is the blueprint that will inform the statutory budget. Starting the process earlier will enable us to better plan for the future, carry out thorough engagement and consultation with residents and stakeholders over the coming months, make any necessary adjustments to how residents' needs will be met - for example as a result of consultation feedback - and ensure we have everything in place to begin to make savings from 1 April 2019. In addition, the council will fully consider the impact of the upcoming Local Government Financial Settlement in setting the statutory budget and council tax, both for 2019/20 and in to the medium term.
 11. The PFS sets out how we plan to achieve financial sustainability, including through the following activity:

- A Transformation Programme (Annex 3) which focuses on reforming the way we deliver outcomes and changes the way we work to ensure we are doing the very best we can for our residents within a sustainable budget.
 - Delivering in-year additional savings where required. A £40m cost reduction plan has been put in place for 2018/19 to reduce the need to use reserves and manage costs. If this reduction can be achieved, this will mean the council will not have to use any reserves this year. We will regularly monitor and scrutinise achievability and progress of this plan.
 - The production of draft directorate budget envelopes for 2019/20 (in Appendix 1), within which we will manage expenditure in order to ensure budget sustainability. These have been informed by broad strategic principles (in Annex 2) and have been developed to enable demand containment and cost savings plans, service transformation, and further efficiency savings that will impact on service delivery in future years.
 - Maintaining sound financial management policies and controls to ensure value for money in our use of resources.
 - Implementing budget assurance statements to establish clear budget responsibility and accountability. Budget managers have always been charged with effective management of resources but this revised accountability for delivering within more defined budget envelopes is now contracted for in individual budget accountability statements. Cabinet Members will also be held to account appropriately against the agreed budget envelopes.
12. The PFS forecasts our total funding for 2019/20 to be £890m (see Annex 2 and Appendix 1).
 13. At its Budget and Council Tax meeting on 6 February 2018, Council approved a Flexible Use of Capital Receipts Strategy. This enables the council to use capital receipts to fund the revenue costs of service reform projects. At its meeting on 22 May 2018, Council approved £5m for capacity for the Transformation Programme, and highlighted further investment of up to £15m. It is currently anticipated that the total cost of the Transformation Programme will be £20.2m over the three years to 2020/2021. Without this investment it will be impossible to secure the savings and benefits.
 14. The benefits anticipated to be delivered through the Transformation Programme are £82m in 2019/20, rising to £124m in 2020/21. Benefits will start to be delivered from 2018/19 with full realisation of most savings by 2020/21. As we progress our transformation journey, additional projects are likely to be identified and through robust governance will be added to the Transformation Programme over time.
 15. The council will develop a range of supporting strategies and business plans, including outcome-focused service plans and individual performance objectives for all staff, to support the new financial and strategic direction.

CONSULTATION:

Organisation Strategy

16. Over the summer the council facilitated the most systematic and extensive engagement exercise of residents and partners it has ever done to inform the development of the Community Vision for Surrey. This feedback has also been used to shape the focus of the Organisation Strategy (Annex 1). The strategy is also underpinned by evidence of need, drawing on a range of sources including the [Vision for Surrey evidence base](#).
17. The Cabinet, supported by the Corporate Leadership Team, have been central in defining the council's key priorities included within the Organisation Strategy, and identifying the drivers of change to transform and become a very different organisation.
18. In addition, members have been more widely engaged in the shaping of the Organisation Strategy, including through Corporate Overview Select Committee (COSC) reviewing the Community Vision for Surrey and corporate Full Business Cases at their meeting on 20 September 2018, and are scheduled to review the Organisation Strategy on 25 October 2018.

Preliminary Financial Strategy

19. The council needs to be financially stable, sustainable and resilient, whilst demonstrating that it provides value for money in the services it delivers. The PFS (Annex 2) sets out the overall framework within which the council will manage its financial resources and support the delivery of the council's priorities and the Community Vision for Surrey 2030.
20. As mentioned in paragraph 9, the council is taking a new approach to setting the statutory budget and council tax for the forthcoming financial year, which will enable us to better plan for the future and carry out thorough engagement and consultation with residents and stakeholders over the coming months. This can be considered in full as part of our budget decision making process in early 2019, and any necessary adjustments or changes accommodated.
21. This section details the consultation and engagement activity that has already taken place and sets out our plans for further stakeholder engagement and consultation.
22. On 26 and 29 October 2018, two participatory budgeting workshops were held with 98 residents to gain some initial insight into where they would invest the council's budget and manage the difficult competing demands with constrained resources. Residents were recruited to attend the events to reflect the diversity of Surrey's population, for example, using a quota for a broad mix of ages, sexes, disability and whether they had dependents or not.
23. The initial feedback from engagement activity to date has been used to help shape the proposals for change and transformation. There is further engagement and consultation planned so feedback can be considered as part of the decision making on the final revenue & capital budget for 2019/20. This will include, in addition to any service specific and/or statutory consultations, completing face-to-face interviews with a statistically representative sample of 1,100 residents to gather views.

24. Officers are scheduled to meet with the Surrey Equality Group (which includes representatives from a range of VCF organisations in Surrey, chaired by Councillor Denise Turner-Stewart, Cabinet Member for Community Services) on 24 October 2018 to talk to them about the council's budget challenges and associated consultation activity. We will also arrange consultation meetings with stakeholders in Surrey, including business rate payers, the VCF sector and trade unions, and will provide members of the public opportunities to give us their feedback, for example through the council website.
25. Members have also been briefed and updated throughout development of this process, including a briefing for all members on 15 October 2018 and a Corporate Overview Select Committee (COSC) meeting on 25 October 2018.
26. The council is considering a range of measures to achieve the savings it needs to make to deliver a sustainable budget for the long-term. A number of public consultations will launch on 30 October 2018 (from paragraphs 27 & 28). Residents' and other stakeholders' views will be central to the decisions members need to take, and consultation results will be reported to Cabinet and Council in early 2019 to inform decision making around the revenue and capital budget for 2019/20.

Transformation Programme

27. Due to the nature of the policy changes being proposed by some of the transformation business cases a number of public consultations will be required. Initially, these will cover the following service areas:
 - Children's centres
 - Libraries and culture
 - Special educational needs and disability (SEND)
 - Community recycling centres
 - Concessionary travel funding
28. These consultations will be launched on 30 October 2018 and the feedback, together with the potential equalities impacts of the proposals under consideration, will be presented to Cabinet on 29 January 2019, where Cabinet will be asked to make recommendations to the Council in February on the revenue & capital budget and the council tax precept for 2019/20. This will enable services to take the resulting feedback into account when finalising their proposals and allow members to take all relevant matters into account when deciding on them, in accordance with their statutory duties.
29. Consultation will be completed where necessary across all of the business case proposals.
30. Members have also had the opportunity to feed into the development of the Transformation Programme including:
 - Cabinet and Corporate Leadership Team away days to identify and prioritise the required changes
 - Lead Members scrutinising and helping to shape individual business cases with officers

- COSC reviewing the emerging Outline Business Cases on 23 July 2018 and subsequently scrutinising the corporate Full Business Cases at their meeting on 20 September 2018
- Briefings for all members which took place on 16 July and 15 October 2018. Also specific briefings on Family Resilience on 10 September, and Practice Improvement Adult Social Care on 1 October 2018.

‘Our People 2021’ Strategy

31. The ‘Our People 2021’ strategy (Annex 4) has been developed in consultation with members and senior officers of the council. PPDC reviewed the strategy at their meeting on 20 September 2018 and COSC will review it at their meeting on 25 October 2018. The final draft will be presented to PPDC on 7 November 2018 for approval. If approved by Council on 13 November, work will continue with staff across the organisation, as well as with partner organisations, to ensure the aims and objectives of the strategy are embedded into all workforce related activity going forward.

RISK MANAGEMENT AND IMPLICATIONS:

32. The plans set out in the appendices to these report are wholesale and significant. There is a risk that the scale of change needed to implement and deliver these plans is too complex, and the pace too fast. The council is intentionally taking an integrated approach to planning and delivering this change, as demonstrated by the integrated nature of this report and annexes, and this approach should help to mitigate this risk.
33. The ‘Our People 2021’ strategy (Annex 4) also states that as an organisation we need to move from a culture of risk aversion, to one of risk awareness, which should further help us effect radical cultural change, driving a culture of innovation, accountability and agility.
34. The PFS (Annex 2) sets out a number of funding risks and actions taking place to mitigate these where we can, including:
- A high degree of uncertainty about a significant element of funding for the council due to the government’s intended changes to the Business Rates Retention scheme
 - The potential that the government decides to implement a funding policy which would see us losing a further £17m so called ‘negative RSG (revenue support grant)’. The PFS is based on the assumption that the government acts to remove negative RSG in the upcoming Local Government Finance Settlement, as it has said it is minded to do
 - Insufficient clarity on the Parliamentary time due to be allocated to, and therefore progress of the Fair Funding review, creating a significant challenge in setting budget envelopes for 2020/21 onwards
 - The need to formally consult on some savings proposals, and understand the impact on staff, partners and residents, before delivery plans for savings can be finalised

- Regularly reviewing the appropriate level of reserves and balances to ensure that these are appropriate for the levels of risk that we take.

35. A number of assumptions and risks to the Transformation Programme are included in Annex 3 and these will be tracked and managed through the delivery of the programme.

Financial and Value for Money Implications

36. The council is taking an integrated approach to its financial and strategic planning. The Organisation Strategy, Transformation Programme and 'Our People 2021' strategy have been developed alongside the PFS, and therefore are in line with budget planning.
37. Taking a more integrated approach to our financial and strategic planning will enable us to better target our resources, be more efficient, contain the demands which our services are under, and transform the council in order to deliver improved value for money.
38. The development of an outcomes based performance management framework to monitor our progress in delivering the Organisation Strategy will also help us demonstrate that we are providing value for money in the services we deliver.
39. We will work with all our partners, including district and borough councils, other public bodies, the VCF and businesses to create the best value for every pound we spend. The council understands how important it is to work alongside partners and our commitment to a refreshed approach to working in partnership is outlined in the Organisation Strategy (Annex 1).

Section 151 Officer Commentary

40. The council is required in law to ensure that its expenditure in any year does not exceed its resources. Following years of cuts to government funding and rising pressures and costs, the council now faces a significant budget shortfall in 2019/20 and beyond. The council's reserves and balances are at a safe minimum level given the risks it faces and therefore it is no longer prudent to continue to use one-off sources of funding, such as reserves, to fund on-going expenditure.
41. The PFS supports the council's organisational objectives and sets out the steps for a balanced and sustainable budget. For 2019/20, this requires an estimated £85m of on-going savings, which is a significant total, and is a high risk to achieve. The council will be required to closely track and monitor the actions to achieve this level of savings.
42. From 2020/21 a new funding regime is due to be in place for local government in England. The PFS sets out possible scenarios of the council's funding up to 2024. However, given the uncertainties on future funding, the Executive Director of Finance cautions against any optimism bias in future business and financial planning.

Legal Implications – Monitoring Officer

43. This report seeks approval for four strategies that will contribute towards the achievement of the Community Vision for Surrey. These set a direction of travel but do not entail any specific budget or service decisions at this stage.
44. The report acknowledges that as this work progresses there will be a need for significant engagement and, in appropriate cases, consultation with residents and other stakeholders, together with ongoing review of the potential equality impacts of the proposals under consideration.
45. This will enable services to take the resulting feedback into account when finalising their proposals and allow members to take all relevant matters into account when deciding on them, in accordance with their statutory duties.

Equalities and Diversity

Organisation Strategy

46. There are no direct equality implications arising from the Organisation Strategy. A key strategic principle at the heart of the Organisation Strategy is to 'focus on ensuring no one is left behind'. This commits the council to working with some of the most vulnerable people in Surrey, and their communities, to help them break down the barriers they face and access opportunities that improve their quality of life. The council also intends to refresh its Equality, Fairness and Respect Strategy in 2019 to align with the Organisation Strategy.
47. When setting a budget, including savings plans, and an Organisation Strategy, the Cabinet and Council must comply with the Public Sector Equality Duty as set out in section 149 of the Equality Act 2010 (Equality Act) which requires it to have due regard to:
 - “eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.”

Preliminary Financial Strategy

48. This report does not in itself define any firm proposals for service changes, so there are no equality implications arising from this report for residents and staff. However, as proposals for the budget are further developed and consulted on, officers will be required to complete Equality Impact Assessments (EIAs) where there are likely to be material changes to service design and delivery.
49. To inform decision making, a combined impact analysis for the budget proposals, which will include consultation feedback and equality analysis, will be presented to the Cabinet meeting on 29 January 2019 and the Council meeting on 5 February 2019. This will summarise the potential positive and negative impacts of proposals on residents and staff with one or more of the

protected characteristics identified by the Equality Act, and the actions in place to mitigate any negative impacts.

50. The analysis will include full assessments of new savings proposals, including those linked to the Transformation Programme, and refreshed EIAs for initiatives carried over from the MTFP 2018-2021. It will also map the cumulative effects of these changes on different people with protected characteristics.

Transformation Programme

51. Some of the transformation business cases identify the need for an EIA, and these are in development. Where the projects entail changes that could adversely impact residents or staff, full EIAs will be completed. The first will be presented with the budget to Cabinet on 29 January 2019 and the Council meeting on 5 February 2019. EIAs for any additional projects that are linked to the business cases, such as any fees and charges, may follow at subsequent Cabinet meetings depending on the timing of their implementation.

'Our People 2021' Strategy

52. An EIA has not been undertaken in relation to the 'Our People 2021' strategy as there is no evidence to suggest it will have any adverse impact on individuals with protected characteristics. EIAs will be undertaken in respect of identified activities where there is potential for an adverse impact on such individuals.

WHAT HAPPENS NEXT:

53. The Organisation Strategy, PFS, Transformation Programme and 'Our People 2021' will be presented to the Council at its meeting on 13 November 2018.
54. All four documents will be published on the council's website. An outcomes based performance management framework will be developed to enable progress to be monitored, with annual reports being presented to Council.
55. If approved at the Council meeting on 13 November delivery of the Transformation Programme will commence, subject to the outcome of consultation, engagement and equality impact assessments.
56. The 'Our People 2021' strategy will be the foundation for a number of workforce related plans, programmes and strategies, the key elements of which will be held in the 'Our People' Strategic Work Programme, against which progress will be measured on an ongoing basis. This work programme is not intended to be a static document; it should and will have the ability to adapt in response to changing organisational need and emerging workforce related priorities. We will continue to measure delivery of the strategy using existing data, and new outcome based measures will also be identified (for example, the impact of people development activity as opposed to the number of people attending training courses). Progress against the strategy will be reported to PPDC on a six monthly basis.

57. Internal communications to staff and members are already taking place to raise awareness of, and engage them in, the council's new financial and strategic framework and Transformation Programme. This work will continue. Alongside this, we will continue to make residents and partners aware of our plans and the changes taking place, provide engagement opportunities and involve them in consultation activity.
58. If Council approve the business cases, officers will work with Select Committee chairmen to develop forward work programmes to enable effective scrutiny of these projects to take place.

Contact Officer:

Joanna Killian, Chief Executive

Consulted:

Cabinet Members
Corporate Leadership Team and other staff
People, Performance and Development Committee
Corporate Overview Select Committee

Annexes:

Annex 1 Surrey County Council Organisation Strategy 2019 - 2023
Annex 2 Preliminary Financial Strategy 2019 – 2024

- Appendix 1 2019/20 Budget Envelope Proposal

Annex 3 Full Business Case 2021
Annex 4 'Our People 2021'

Sources/background papers:

Vision 2030 consultation feedback
