

Auditor's Annual Report on Surrey County Council

2022/23

January 2024

Consultation draft



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Section	Page
Executive summary	03
Use of auditor’s powers	05
Securing economy, efficiency and effectiveness in its use of resources	06
The current LG landscape	07
Financial sustainability	09
Financial governance	13
Improvement recommendations	14
Governance	16
Improvement recommendations	21
Improving economy, efficiency and effectiveness	22
Improvement recommendations	27
Follow-up of previous recommendations	28
Opinion on the financial statements	29
Other reporting requirements	31
Appendices	
Appendix A – Responsibilities of the Council	33
Appendix B – An explanatory note on recommendations	34

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice [‘the Code’], we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council’s arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but an improvement recommendation has been made to support delivery of efficiency savings	No significant weaknesses in arrangements identified, but one improvement recommendation made	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but an improvement recommendation has been made.	The Council has, as planned, addressed the previously identified significant weaknesses around risk management, children’s services and pensions administration. We have raised three improvement recommendations	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but we have reraised an improvement recommendation around monitoring improvement in children’s services.	No significant weaknesses in arrangements identified or improvement recommendation made	↔
G	No significant weaknesses in arrangements identified or improvement recommendation made.			
A	No significant weaknesses in arrangements identified, but improvement recommendations made.			
R	Significant weaknesses in arrangements identified and key recommendations made.			

Executive summary (continued)

Financial sustainability



In a year of significant financial challenge, engendered by the global economic climate, Surrey County Council delivered a small surplus on its budget of £700k. In recognition of the significant financial pressures felt across local authorities, Surrey County Council utilised its contingency budget, set up specifically for this purpose, in order to deliver this positive outturn position

Savings delivery in 2022/23 was lower than in recent years at 59% (£27.5m) but this has been offset by identification of additional efficiencies. Savings delivery has been improved in 2023/24 with 88% (£61.7m) rated as green or amber for delivery at the most recent monitoring report for Month 5.

As the Council looks to the future, a balanced budget has been set for 2023/24 but there is a widening budget gap over the five year medium term. A new transformation programme is being developed, to start in 2024/25 to address this.

We have not found any areas of significant weakness, but we have made one improvement recommendation in relation to addressing the increasing budget gap.

Governance



The Council has adequate arrangements around risk management and governance. We found that in 2022/23 an annual review of corporate governance policies and process was carried out by the Council's Governance Panel, and Internal Audit completed a review of corporate governance. Both reviews concluded that suitable governance systems are in place with many being updated and communicated throughout the year.

We found no evidence of illegal decision making or non-compliance with legislation, the constitution or any professional standards.

Our work has not identified any evidence which leads us to conclude that there are significant weaknesses present which require recommendations to be raised but we have raised one minor improvement recommendation to improve processes in relation to follow up on the Centre for Governance and Scrutiny review of council governance.

Improving economy, efficiency and effectiveness



The Council uses performance data to monitor and manage service delivery. Work continues on improving services in Children's and Adult Social care and pensions services. Finalisation of our work was delayed to accommodate a surprise Ofsted/CQC joint inspection of September/October 2023, the outcomes of which were published on 23rd November 2023 and identified some areas for further improvement.

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified an area where the Council could improve arrangements and as such, have raised an improvement recommendations to continue to work on the improvement journey in Children's services.



Financial Statements opinion

Our audit of your financial statements is in progress. Our audit findings will be presented at the Audit and Governance Committee meeting in January 2024. Further findings are set out in further detail on pages 29 to 31.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not issue any statutory recommendation during 2022/23.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any Public Interest Report during 2022/23.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not issue any application to the Court during 2022/23.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

We did not issue any advisory notice during 2022/23.

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not issue any judicial review during 2022/23.

Securing economy, efficiency and effectiveness in the Council’s use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council’s responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office’s Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.




Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members of staff and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council’s Annual Governance Statement and other publications

 Our commentary on the Council’s arrangements in each of these three areas, is set out on pages 9 to 27.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% by March 2023. Inflation levels put pressure on Councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for Council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health. It is also adversely impacting on some areas of Council income such as car parking and the collection rates of Council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the Covid-19 pandemic which, for example, have contributed to workforce shortages in a number of Council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to Councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many Councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of Councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of Councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and Council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)



Local context

Surrey County Council was formed in its current form in 1972 with a history dating back to the 1880. Despite Kingston upon Thames becoming part of Greater London in 1965, the Council’s headquarters remained there until 2021 when the Council headquarters moved to Woodhatch Place in Reigate.. Surrey is bordered by Greater London to the north east, Kent to the east, East and West Sussex to the south, and Hampshire and Berkshire to the west. While the north of the county forms part of the greater London built up areas including areas like Epsom within the M25, the south of the county is rural. The county contains eleven local government districts, which are part of a two-tier non-metropolitan county also called Surrey. Surrey has a population of 1.2 million and an economy worth £43.5bn. With lower than average rates of unemployment. and a highly skilled population.

The most recent 2021 election to Surrey County Council returned 47 Conservatives, 14 Liberal Democrats, 12 Residents Association Councillors, 4 independent Councillors, and 2 Councillors each from Labour and the Green Party. The next elections will take place in May 2025. The Council has a strong leader with portfolio holders and a Cabinet model.

Services provided to the residents of Surrey include education including for special educational needs, social care services both for children and adults, managing the treatment of waste, providing and maintaining the roads network and overseeing the provision of public transport as well as libraries, strategic planning, consumer protection, public health and fire and rescue services.

Since 2018 Surrey County Council has been on an improvement journey including a financial improvement programme and considerable effort to improve children’s social care following an Ofsted report in 2018 which rated Children’s services as “Inadequate”. Work undertaken has placed the Council in a more stable financial position and a report in 2022 moved children's social care to a rating of “requires improvement” and work continues on a plan to achieve excellence in this area. Surrey still faces financial challenges and considerable pressure on both adults and children's social care services at a time of a cost-of-living crisis.

The Councils Organisational Strategy defines how the Council will contribute to the Community Vision for Surrey in 2030 and focuses on four priority objectives:. They are:

- Growing a sustainable economy so everyone can benefit
- Tackling health inequality
- Enabling a greener future
- Empowering communities

The Surrey Way is a strategic framework that sets out the Council’s purpose, its’ objectives and what it expects of its’ people. The Councils purpose is stated as “no-one is left behind”. It does this by tackling inequality and this purpose flows from the Community Vision.

The Council sees its key strategic risks as ensuring financial and organisational resilience, maintaining appropriate ways of working and maintaining high quality social care.

Financial sustainability

We considered how the Council:



identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans

- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Short and medium term financial planning

The final budget for 2022/23 included total funding of £1,042.0m; an increase of £37.3m from 2021/22 mostly through increased Council Tax. Overall, the Council has seen a steady decline in its funding from this local government funding settlement over the previous ten years, and the Medium-Term Financial Strategy (MTFS) assumes a continuing declining trend for the foreseeable future.

Following the conclusion of the Financial Improvement Programme initiated in 2018, the MTFS was specifically reviewed and the challenge was to deliver an MTFS that did not focus on short term solutions. Council Tax and Business Rate Collection has been seen to come under increasing pressure with reductions in future income levels due to wider financial pressures facing taxpayers, but this is not the case in Surrey. The uncertainty around future funding is expected to be managed through transformation programmes and through corporate contingencies.

The 2022/23 outturn showed a small surplus (£700k). In recognition of the high inflation environment placing pressure on the cost of delivering services, the Council utilised its contingency budget of £20m, set up specifically for this purpose. In previous years, the contingency has not been required to be used and has been used to help stabilise the Council's reserve position. We feel the provision and use of such a contingency demonstrates the prudent approach taken by the Council

Budget planning arrangements remain the same as reported in 2021/22.. The current MTFS (shown below) covering 2023/24 to 2027/28 indicates a balance budget for 2023/24 but a budget gap of around £224 million by 2027/28. The gap increases steeply from 2025/26 due to an assumed fall in funding due to both the expected Fair Funding Reforms and the delayed Adult Social Care Reforms. We have seen these assumptions at other Councils and they appear reasonable.

The Council Tax base shows a modest increase to return to pre-Covid-19 levels for 2022/23. The MTFS assumes ongoing increased demand for Adult Social Care and in Special Educational Needs & Disability (SEND) provisions. It also assumes an ongoing increase in the local population.

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Brought forward budget	1,040.1	1,101.5	1,145.9	1,203.4	1,260.7	
Pressures	123.9	62.4	65.5	64.5	46.2	362.4
Increased borrowing costs of Capital Programme	6.8	11.6	9.6	7.6	4.6	40.2
Identified efficiencies	(69.3)	(29.5)	(17.6)	(14.8)	(9.0)	(140.3)
Total budget requirement	1,101.5	1,145.9	1,203.4	1,260.7	1,302.4	262.3
Change in net budget requirement	61.4	44.4	57.5	57.3	41.8	262.3
Opening funding	1,040.1	1,101.5	1,125.5	1,089.2	1,083.2	
Funding (reduction) / increase	61.4	24.0	(36.3)	(6.0)	(4.7)	38.4
Funding for the Year	1,101.5	1,125.5	1,089.2	1,083.2	1,078.5	
Overall Reductions still to find	(0.0)	20.4	114.2	177.5	223.9	
Year on Year Reductions still to find (at 1.99%)	(0.0)	20.4	93.8	63.3	46.5	223.9

Financial sustainability (continued)

Short and medium term financial planning (continued)

The budget report of February 2023 shows the Council’s general fund balance of £48m at 2022/23 (£24.4m 2021/22). It is noted this balance remains at £48m at 31 March 2023 and there has been no use of general reserves to balance the budget in 2022/23. Coupled with other earmarked reserves, the level of reserves is in line with the guidelines put in place by the Council within the budget papers for 2023/24. Our benchmarking indicates this is on a par with the County Council’s average level for reserves at 31% of net service revenue expenditure against an average for the benchmark group of 35%. Risk is explained in detail, and is made clear that despite making progress, there are financial challenges facing the Council and a need to improve reserve levels to mitigate these pressures. Budget reports set out in detail the robustness and risk factors behind all and any estimates included within the Council’s financial plans. These reports which accompany the budget and their appendices are thorough and detailed but are sufficiently summarised to enable members to make an informed decision The Council uses a six-point best practice code to build a budget including a focus on the strategic maintaining of financial stability.

The future financing of local government is still unclear. A planned government fair funding review was postponed from 2020 due to the pandemic and the current local government settlement only covers the 2023/24 year but with an indication as to the potential settlement for 2024/25. The date of the long-term review, remains to be confirmed.

Lack of information on future funding is a national issue but we have seen previously that the Council has a sensible approach to financial planning and budget management.

The Council’s performance against key financial and performance metrics is set out in this table. We note strong delivery on the capital programme.

	2022/23	2021/22
Net Cost of Services	£1,196m	£ 1019.8m
Planned capital spend	£211.1m	£170.6m
Actual capital spend	£199.4m (94%)	£ 162.4m(95%)
Planned savings target	£46.8m	£41.2m
Actual savings delivered	£27.5m (59%)	£ 32.1m (78%)
General Fund Reserve	£48.4m	£ 48.4m

Financial sustainability (continued)

Identifying savings

The MTFS identifies a funding gap of £224 million over the next five years at April 2023. The gap increases steeply from 2025/26 reflecting the estimated impact of both Fair Funding Reforms and the delayed Adult Social Care Reforms.

There is an awareness in the Council of funding pressures and efficiency programmes are in place to address this and planning work is being undertaken to narrow the budget gap in future years. Savings are monitored on a monthly basis by Cabinet where budget pressures and the forecast outturn are also reported. There is regular discussions with members and senior leadership outside of Cabinet to monitor and address the funding gap.

The twin track budget process is good practice (dual track meaning to balance the budget and close the funding gap – the process has a dual focus). Without better information on future funding, the Council are being prudent, have identified the funding gap and are active in finding ways to address this.

Savings schemes are identified as required in each of those years. Total efficiencies (savings) identified over the next five years already total £140m against a total efficiency requirement of £364m over the period.

The 2022/23 and 2023/24 budgets assume no use of general fund reserves and there is no evidence of an unsustainable planned use of reserves over the course of the MTFS.

In 2022/23, the Council achieved £27.5m (c59%) of the £46.8m target of efficiencies set out at the beginning of the financial year, including those delivered through transformation programmes. This is lower than previous years. Through budget recovery plans, implemented from September 2022, mitigations and alternative efficiencies of £12.5m were achieved to offset the forecast overspend position. The shortfall was largely due to underachievement in Adult and Childrens Services (£5.7m and £10.3m respectively), The Council achieved a small (£0.7m) surplus in 2022/23 and has set a balanced budget for 2023/24. It is noted that at month 5 2023/24 89% of savings or £61.7m, are rated as green or amber for delivery during the year, a marked improvement on 2022/23.

The Transformation programme is currently undergoing review with looking to introduce in a revised programme from 2024/25. This is looking to increase cross cutting savings especially while helping with budget management, as well as a focussing on the customer journey and market shaping/commissioning. This is a movement away from the previous approach which focussed on departments identifying internal savings.

There was £27.3m of recurrent savings in 2022/23 with £140m expected by 2027/28. Given past performance against efficiency and transformation plans, this appears deliverable. There is still, however, a budget gap of £224m to be identified although a balanced budget has been set for 23/24 and only £20m of the £223m cumulative gap relates to 2024/25. Monies are available to facilitate the transformation programme which is in place to assist delivery of savings. It is noted that in recent years the Council have underspent against investment bids and transformation funding. The £10m per annum revenue provision in the MTFS is a static amount introduced previously to set a marker of what might be available and required in any year and this funding and this funding is there to pump prime investment in transformation programmes that drive efficiencies to close the budget gap. As a comparison, a previous transformation programme achieved its goals of identifying £75m in recurring efficiencies between 2018/19 and 2020/21.

An improvement recommendation has been raised – see page 14

Financial planning and strategic priorities

The budget has been designed to be integrated with the core strategic priorities of the Council (it's Community Vision). These are set out in the MTFS as empowering communities, growing a sustainable economy, tackling health inequality and enabling a greener future.

These are set out within the transformation section of the MTFS along with how these relate to individual service strategies. Transformation includes investment and disinvestment within particular services. Delivery of priorities forms the basis of the budget report and capital programme.

The capital programme is also currently under review. Programme is currently £2bn over the next five years. **Inflation and** costs of borrowing have made the current programme less affordable and hence the programme is being reviewed to see if costs can be rationalised. This is expected to be presented as part of the 2024/25 budget.

Financial sustainability (continued)

Financial planning and other operational plans

There is a Strategic and Integrated Planning Group (SIPG) which draws together Strategy, Policy, Finance, HR, Transformation and Directorate representatives. They therefore consider workforce and other matters in setting the annual budget and MTFS so triangulation takes place.

The People Strategy is currently being refreshed. Human Resources are looking to integrate people planning with business planning. The process is still being developed but is being tested in selected departments before rolling out across the organisation. The process involves holding workshop sessions with staff and is directed via a formal toolkit. The final roll out is expected not to be until 2024/25.

As the Council need to borrow monies to fund the capital programme, their strategy is to minimise cash or investment balances to avoid external borrowing. Where possible The Treasury Management strategy focusses on secure, liquid investments which do not have a high return but avoid the Council incurring borrowing costs.

The Council consults external experts as part of its treasury management strategy to mitigate risk and maximise contribution in using external advisors.

Total interest and dividends is not a significant revenue contribution.

The budget is aligned to wider plans, namely the corporate objectives but also a set of core planning assumptions which set out likely changes to the environment. These considerations are the starting point of the budget development process.

The ongoing revenue costs of major capital investments are properly reflected in the revenue budget, including running costs as well as financing costs. The Council's own self-assessment against the hallmarks of a good budget sets out that the capital programme is developed alongside the revenue budget by the Capital Programme Panel, a cross cutting panel of senior officers chaired by the Director of Corporate Finance. The target is to demonstrate delivery of corporate and service priorities and set out the impact and linkages with the revenue budget. The Capital Programme Panel are aware of the need to encourage directorates to include revenue costs in their capital bids. Much work is done at the 'pipeline stage as pipeline projects are included in the budget.

Managing risks to financial resilience

The 2023/24 budget showed an expected increase in contingencies, up from £38m to £58m. The revenue budget that has been set is balanced, with identified savings of c£69m.

There are also earmarked reserves of £535.6m as at 1st April 2023 as per the draft statement of accounts.

The Council has been prudent in its assumptions. It has anticipated funding increase of £38 million and identified an MTFS funding gap of £224 million over the next 5 years.

The Council is providing matched funding for the Dedicated Schools Grant (DSG) deficit, so there is an equal earmarked reserve on the balance sheet to counter this deficit, should it not be funded in the future by the Department. This is considered prudent.

In March 2022, the Council entered into a Safety Valve agreement with the Department for Education (DfE) which saw the Council set to receive an additional £100m in funding should it meet a planned trajectory over the next five to six years. This meant that the level of the offsetting reserve changed, as the contributions required were those needed to match the commitment within the agreement, rather than being a like for like match to offset the accumulated deficit.

The Council has now met the expenditure targets for year one and successfully completed the requirements for the first year of the agreement and the progress and delivery achieved has been recognised by the DfE, resulting in £12m of funding being brought forward into 2023/24. This means that at the end of 2022/23 the Council has received £64m of the £100m funding. The safety valve agreement was set with a projected in-year deficit for 2022/23 of £33m. Due to the delivery of £1m of 'stretch efficiencies' and funding adjustments in-year, the actual outturn was an overspend of £31.1m so an improvement of £1.9m, providing some more headroom in future years of the agreement.

Overall, the Council has a relative amount of capacity to manage variances over the short to medium term.

Financial governance

Annual budget setting

For 2021/22, there was engagement with residents for the budget setting process, plus a community impact assessment was carried out which was used to identify priority budget areas. Internal engagement is at an appropriate level. This includes Directorate Leadership Teams, SIPG, extended Leadership Forum discussions, Member discussions / briefings (both formal and informal) and Trade Union Briefings. In 2022, this was complemented by a lighter touch approach to engagement. In May 2022, three virtual focus groups were held to explore themes including factors that make a good place to live and what local area improvements residents would like to see irrespective of who is responsible for their delivery.

Additionally, in August 2022, a cost-of-living survey was undertaken by the Surrey Health and Wellbeing Panel which looked at areas including the challenges they have faced in the previous three months (1 May – 31 July) and if they had had to alter their behaviours. A strong theme of cost of living worries also came through in the budget consultation launched in November 2022 and this, combined with the results of the cost-of-living survey being repeated in early 2023, will help inform the Councils approach to supporting residents, business and the voluntary sector through the rising cost of living.

CLT approve the budget framework and approach, developed through Strategic and Integrated Planning Group (SIPG) and Capital Programme Panel (CPP) Cabinet are engaged informally at first and then formally go through the draft budget in November and approve the final budget in January. Full Council approves the budget in February each year.

Budgetary control

Budget monitoring processes are the same as reported in previous years. Budget Statements are circulated to Budget Holders/ Budget holders formally agree to deliver within their allocated budget.

Finance Business Partners meet with Budget Holders meet to discuss finances including under and over spends and this relationship is set out in a formal partnership agreement.

The budget position is reported to Cabinet about 6 weeks after the end of the month to which they relate. The 2022/23 budget position was reported to Cabinet on a monthly basis.

The information contained in these reports is at a high level, but the commentary sets out required actions (if any) and the key variances on which members should focus.

We have reviewed Cabinet papers and have found evidence of close scrutiny of budgets. Reports include an overall statement of the revenue and capital position, explanations of all variances including movements since the last report, shown by department, mitigation actions being taken, where appropriate. No evidence of weakness in budgetary controls processes have been identified.


Adequate budget setting and monitoring arrangements are in place.

The table opposite sets out some key metrics for the 2023/24 budget.

	2023/24
Planned savings	£ 69.3m
Planned savings as a % of income	6.3%
Planned savings (recurrent/non-recurrent)	100% recurrent
Planned saving schemes rated amber/green	89% rated amber green at month 5

Improvement recommendations

Page 566

Improvement Recommendation 1	<p>The Council, should continue to take steps to contain expenditure and deliver sustainable savings on a recurrent basis, particularly within Children’s and Adult services. This programme should be monitored at appropriate levels of the Council on a regular basis including reporting to Cabinet monthly as at present.</p>
	<p>The Audit and Governance Committee may wish to undertake a detailed review of savings plans. We have seen this as good practice at other Council’s we work with</p>
	<p>Furthermore, the Council should articulate its vision of, and the requirements for, any proposed future operating model, including the skills it will need and any investment that may be required to transform services.</p>
Improvement opportunity identified	<p>A long term savings plan will help to deliver the Councils key priorities without a reliance on reserves.</p>
Summary findings	<p>In 2022/23, The Council achieved £27.5m (c59%) of the £46.8m target of efficiencies set out at the beginning of the financial year, including those delivered through transformation programmes. This is lower than the 78% of efficiencies achieved in 2021/22. Through budget recovery plans, implemented from September 2022, mitigations and alternative efficiencies of £12.5m were achieved to offset the forecast overspend position. The shortfall was largely due to underachievement in Adult and Children’s Services (£5.7m and £10.3m respectively) It should be noted that the Council achieved a small (£0.7m) surplus in 2021/22 and has set a balanced budget for 2023/24.</p>
	<p>There was £27.5 m of recurrent savings in 2022/23 with £140m expected by 2027/28. There is still, however, a budget gap of £224m to be identified. A previous transformation programme achieved its goals of identifying £75m in recurring efficiencies between 2018/19 and 2020/21. and a revitalised transformation programme is planned to come on stream in 2024/25.</p>
Criteria impacted	<div> Financial sustainability</div>
Auditor judgement	<p>Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.</p>

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Page 567

Improvement Recommendation 1 (cont'd)

The Council, should continue to take steps to contain expenditure and deliver sustainable savings on a recurrent basis, particularly within Children’s and Adult services. This programme should be monitored at appropriate levels of the Council on a regular basis including reporting to Cabinet monthly as at present.

The Audit and Governance Committee may wish to undertake a detailed review of savings plans. We have seen this as good practice at other Council’s we work with

Furthermore, the Council should articulate its vision of, and the requirements for, any proposed future operating model, including the skills it will need and any investment that may be required to transform services.

Improvement opportunity identified

A long term savings plan will help to deliver the Councils key priorities without a reliance on reserves.

Management comments

The Council notes the recommendation. The identified medium term gap reflects a difficult financial outlook for local authorities, with the cost of delivering services and demand for key services increasing at a faster rate than funding increases. The gap is not created by the non-achievement of efficiencies. The Council is already driving medium term efficiency planning and holds details of efficiencies already identified to 2028/29. Monthly monitoring of the delivery of in-year efficiency targets is reported to the Corporate Leadership Team and Cabinet.

Due to the ongoing financial challenges and requirement for change, the Council has already recognised a need for a new approach to delivering financial efficiencies and ways of working to support a balanced Medium-Term Financial Strategy. A key component of our future operating model is the work being undertaken under the ‘SWITCH’ (Surrey Way, Innovation, Transformation and Change) umbrella, which is a medium to long term portfolio of redesign and transformational change that will enable the Council to meet the social, financial and environmental challenges it faces over the next five years.

Revised governance arrangements have been implemented with a new Strategic Transformation, Improvement and Assurance Board (STIAB) to oversee and assure our key top level transformation programmes, chaired by the Leader, alongside four thematic boards focussed on Place & Communities, Adults Wellbeing and Health Partnerships, Children’s Families and Lifelong Learning and a Cross Cutting Board that oversees organisational wide programmes of change.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal controls

After a major refresh of the Risk Management Strategy in September 2021, it was agreed by Audit and Governance Committee (AGC) that the Strategy would be reviewed in a years' time to take account of any changes. The revised Risk Management Strategy was presented to AGC in September 2022. It was reported that updates for the Risk Management Strategy were being streamlined in order that minor amendments did not need to go to Cabinet. We note that an update was provided in September 2023 on the Constitution Review Group's consideration of delegated approval to the Committee on the Risk Management Strategy. These arrangements appear appropriate.

It is notable practice that the Risk Management Strategy will be reviewed on annual basis going forward. The points of update to the Risk Management Strategy was the change in role of AGC with the introduction of wider cabinet involvement and reference to the risk lead roles now in place for each Directorate. The AGC will continue to receive risk updates on a six-monthly cycle.

The Risk Management Update in September 2022 was the first one since the revised governance changes came into effect in March 2022. The changes related to:

- Responsibility for the oversight and assurance on risk management being undertaken by the AGC. The focus being on reviewing and approving the Risk Management Strategy along with updates on how risk management is operating in the Council.
- Responsibility for reviewing specific Corporate risks (updated via the Corporate Risk Heat Map and Corporate Risk Register) being undertaken by Cabinet Members. Cabinet Members are reviewing risk on a quarterly basis and these sessions are supplemented with deep dives in a particular area.

At a Corporate Leadership (CLT) level, risk continues to be discussed by the CLT. These risk reviews are conducted monthly as a standing agenda item.

At the Directorate level, risks are being reviewed with the additional support of a newly created 'risk lead' role. Each Directorate has nominated a member of their team to facilitate risk management such as ensuring mitigating actions are followed up, risks escalated if appropriate and there is close cooperation with the Strategic Risk Business Partner.

The Council's Risk Management arrangements were reviewed by Internal Audit in February 2023 and received a rating of 'substantial assurance'. Assurance was provided that the Council has controls in place to meet key objectives such as a having a robust risk management framework, adequate process to monitor and review its strategic risks with effective mitigations in place.

The Internal Audit is provided by Orbis, a shared service with East Sussex and Brighton and Hove Councils. From review of reports and Audit and Governance committee papers, we believe there to be an adequate and effective internal audit that challenges management and provided appropriate recommendations for improvement. The Audit and Governance Committee receives regular updates on progress and key findings.

The Head of Internal Audit has provided reasonable assurance (most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives) that the Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2022 to 31 March 2023. Overall, whilst the majority of the 33 reports issued with an assurance opinions in the year were generally positive, internal audit activities identified a number of areas where the operation of internal controls has not been fully effective, as reflected by the seven partial assurance opinions issued in the year. It is reported that all seven audits will be subject to follow-up audits in 2023/24 to ensure the expected improvements have occurred. Among areas subject to partial assurance review were home to school transport and pensions performance which are discussed elsewhere in this report. There were no minimal assurance reports issued during the year.

Governance (continued)

Page 569

Risk management and internal controls (Cont'd)

Within the Orbis Internal Audit Service, the Counter Fraud partnership team investigates allegations of fraud and irregularity against the Council and is committed to upholding the Council’s Counter Fraud Strategy and Framework 2021-24. The Council’s strategy is aligned to the Fighting Fraud and Corruption Locally Strategy which is the governments ‘blueprint’ for tackling fraud in Local Government.

The Counter Fraud Annual Report for 2022/23 was presented to the AGC at the July 2023 meeting which covers details of the work undertaken during the period 1 April 2022 to 31 March 2023; Outcomes from investigation activities; and other counter fraud activity in accordance with the Council's Counter Fraud Strategy and Framework.

One of the key controls in fighting fraud is having a strong culture in place with staff vigilant to the threat of fraud. In the past year, Fraud Awareness sessions have been delivered to Business Operations focussing on key risks to the Council of Bank Mandate Fraud and Cyber Fraud.

Informed decision making including the Audit & Governance Committee

The Constitution which includes the Scheme of Delegation to Officers, sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. The Constitution also explains the roles and responsibilities of the Executive, Audit and Governance Overview & Scrutiny and Officer functions.

The Constitution is divided into a number of articles, which set out the basic rules governing the Council's business. The Constitution is updated at meetings of full Council to ensure that it reflects changes in legislation and stays relevant to local needs. We note that it had been updated several times in 2023 in March, May and most recently in July 2023.

All Councillors meet as the Full Council around six times in the civic year and our review confirmed that comprehensive papers are provided to members. The Governance arrangements for the Council are clearly laid out in its Annual Governance Statement (AGS)

Our review of committee papers confirm that comprehensive papers are provided to members to provide challenge and scrutiny and lead informed decision making.

As reported in the 2022/23 AGS an annual review of corporate governance policies and process was carried out by the Council’s Governance Panel, and Internal Audit completed a review of corporate governance. Both reviews concluded that adequate governance systems are in place with many being updated and communicated throughout the year. The reviews recommended that further work could improve awareness and signposting of key governance systems to give more confidence these were understood and embedded across the organisation. Furthermore, a cross party members constitutional review group was established and agreed recommendations to Council to improve the Council’s Standing Orders to give a more balanced approach to debates in the chamber, recognise accessibility needs of members and clarify arrangements for the public to hold the executive to account through public questions.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	The Council’s governance arrangements for 2022/23 are regarded as fit for purpose and are in accordance with the governance framework	The Council’s governance arrangements for 2021/22 are regarded as fit for purpose and are in accordance with the governance framework
Head of Internal Audit opinion	Reasonable Assurance	Reasonable Assurance
Ofsted inspection rating	Required Improvement	Inadequate

The Council’s performance against key governance metrics is set out in the table above.

Governance (continued)

Informed decision making including the Audit and Governance Committee cont'd

The Planning and Regulatory Committee (P&R) in July 2023 received a report on the outcome of a review of the that was undertaken by the Planning Advisory Service (PAS), an advisory arm of the Local Government Association (LGA) directly funded by central government . The review was commissioned by the Council to consider the effectiveness of the committee processes and conduct and to suggest ways in which the operation of the committee could be improved. The review was commenced following the identification of issues including member training needs and the Code of Best Practice (Planning) which has not been reviewed since 2013. The review was completed in June 2023 and concluded that *“generally Surrey County Council’s Planning and Regulatory Committee is well run and functions effectively with experienced and knowledgeable Councillors”*. A number of recommendations were made directed at sharpening up processes, improving performance, developing and enhancing awareness of planning roles and functions and strengthening training to be implemented in 2023/24.

We confirm from our document review and stakeholder meetings that no evidence has been identified of reactive decision making which give rise to a risk of a significant weakness. Similarly, our work did not identify any evidence of decision making that is unlawful or could lead to significant financial risk/conflicts of interest. We have confirmed with the Monitoring Officer who reported that he was not aware of any **material** legal cases against the Council.

Our review of AGC papers confirm that there is no evidence of a weak or ineffective audit committee. Our review of minutes from the AGC demonstrate that the committee is well engaged and are given the opportunity to ask questions on each item which they take.

The AGC met 5 times in 2022/23, The committee has 7 members as part of its membership showing a cross representation of all parties and residents representation in accordance with the make-up of the Council. In addition, the Committee also has an Independent member as part of its composition providing an extra layer of challenge and scrutiny.

The Centre for Governance and Scrutiny (CfGS) undertook a review of the Council 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 review.. The Council was an early adopter of this approach to establish, with the help of CfGS, where development and improvement could assist the Council’s future understanding and management of risk related to governance. The Council is to be commended for this approach

CfGS concluded that the Council’s systems, processes, and behaviours in relation to governance were robust. But it was still necessary for the Council to prepare to further strengthen and refine systems which were currently resilient. This continuous improvement in governance is important. The CfGS framework is designed a set of material intended to support Councils to understand and act on evidence of risks to good governance It is designed to complement and supplement the CIPFA “Good governance in local government” framework which helps define the Council’s Code of Corporate Governance. Members agreed the action plan and agreed that a report on actions going forward would be brought to the Committee with six-monthly updates. We confirmed that an update of the action plan went to the AGC in July 2023 showing the progress updates against the stated actions and where ownership sits of these actions This report showed all actions had progressed and were RAG rated “green”. For example, regarding the Members and officers relationship it was noted that engagement was underway and feedback would be reviewed in particular from Members in terms of how officers could more effectively in a politically sensitive way. A quarterly whistleblowing meeting has taken place and a communications plan is in the process of being implemented. Regarding scrutiny overview and improvement, training for select committee members and officers has been scheduled to be completed by the end of July. The work on reviewing the effectiveness of Member development was also underway.

However, we feel the action plan can be further enhanced with the inclusion of due dates against each action to ensure there is clarity of when the outcomes are to be expected to be delivered. **An improvement recommendation has been made – see page 20.**

Governance (continued)



Standards and behaviours

We confirmed that the Council's Ethical Standards Annual review paper which was presented to the AGC in March 2023 by the Director of Law and Governance. The report highlighted that the Council had received **six complaints against one Councillor for breaches of the Code of Conduct** between January 2022 to February 2023. All complaints were considered further to the Council's procedure to consider complaints and it was concluded that for two of the complaints no further action was required. Two complaints were still being considered at the time of our work. One complaint has been referred for formal investigation and a report to the Member Conduct Panel. The complaint was in respect of social media posts. One complaint resulted in a formal finding by the Member Conduct Panel that the Code of Conduct had been breached. The complaint was reported to the full Council and the member was subject to censure for the contents of a social media account which were found to be disrespectful. There were no investigations that required an external investigation.

We note that a new training offer for members and officers to focus on positive cultural behaviours and effective relationships is being developed.

Our review confirmed that data breaches are reported to a number of fora including **the Executive Committee**. Specifically, there is an annual data breach report which goes to the Information Risk Governance Board that is chaired by the Monitoring Officer.

In addition, breaches are reported to the Performance & Resources Select Committee as part of regular KPI reporting and the activity and demand data. The Council has a Data Policy in place which was last updated in August 2022 and is due to be reviewed in August 2024. We are not aware of any significant data breaches during 2022/23.

Member and Officer codes of conduct provide rules around gifts and hospitality. Any gift or hospitality over the value of £50 is to be registered with the Monitoring Officer and any that have been declined. There is a register of gifts and hospitality for officers maintained by the Monitoring Officer. This is stated in both the Constitution and Member Code of Conduct.

Members' declarations on gifts and hospitality received and declarations are kept on a file available for public inspection at the Council's office.

The Council has a requirement to disclose relevant pecuniary interests is set out in the member code of conduct, and Part 6 of the Constitution. As confirmed from our review of Committee papers, there is a standing item 'declarations of interests' where members are required to declare any relevant interests at the beginning of each committee meeting. All declared interests are available to the public on the Council's website. These can be viewed individually for each member



Governance (continued)



Climate Change and Net Zero

In June 2019 Parliament legislated for a commitment to net zero greenhouse gas emissions by 2050. In response to this, the Council declared a 'climate emergency' and committed to work with partners to agree the Council's collective response. As part of the agreed internal audit plan for 2022/23 assurance was sought to confirm that appropriate measures were in place to meet the Council's aim of carbon neutrality. Such an internal audit review is seen as notable practice.

The audit assessed whether controls existed to meet the following objectives:

- Robust governance arrangements were in place;
- Sufficient resources were available and properly utilised, with roles and responsibilities being clearly defined;
- Appropriate plans were in place to communicate and embed the objectives of achieving carbon neutrality throughout the organisation;
- Adequate mechanisms were in place to monitor and report on outcomes.
- National and international legislative requirements are monitored and considered.

Overall an internal audit opinion of Reasonable Assurance was provided in respect to arrangements to deliver the Climate Change agenda in their report dated April 2023 with seven actions being agreed with management to address identified weaknesses.

Internal audit concluded that based on its review of the progress the Council has made to date there was assurance that the objectives as above were embedded and operating well. In particular:

- Governance arrangements around the Climate Change Programme Board (CCPB) were found to be robust, with effective oversight by Cabinet and select committee;
- A number of working groups had been established through which progress on carbon reduction was tracked across the operational estate;

- Grant funding had been utilised to retrofit carbon reduction measures; and
- Current monitoring of carbon emissions was robust, with data used to support related capital decisions.


Areas for improvement related to:

- Adequacy of resources to support the achievement of planned outcomes a factor outside the control of the Climate Change team;
- Strengthening arrangements for embedding net zero principles across the Council; and
- Improving the arrangements for incorporating climate change principles into team objectives and business-as-usual working practices.

A high-level Climate Change Delivery Plan has been established by the Council which reflects projects planned and those in progress including the capital costs for decarbonisation, which largely support the 2030 zero carbon objectives, costed at approximately £70m. Funding has been secured through a mixture of grants, capital pipeline and transformation funding. However, internal audit reported a high risk finding that there is significant risk arising over the deliverability of the plan as transformation funding will no longer be available after 2023/24. An agreed action has been agreed with work in progress to prioritise the current projects across all the Greener Futures' programmes and understand the resource and cost requirements for each. Going forwards, projects will be supported by reporting channels managed through the CCPB.

The Council has ambitious plans to deliver its agenda for a greener future. A thought-out delivery plan was recently (July 2023) agreed a revised Green Finance Plan to fund the agreed programme.

Improvement recommendations

Improvement Recommendation 2	As good practice, the Centre for Governance and Scrutiny action plan should include due dates for each stated action to ensure timely delivery of the actions is monitored and there is oversight by the Audit and Governance Committee to follow up on any delays.
Improvement opportunity identified	Improved action plan delivery
Summary findings	The Centre for Governance and Scrutiny's (CfGS) undertook a review of the Council 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 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. The framework is a set of material designed to support Councils to understand and act on evidence of risks to good governance. It is designed to complement and supplement the CIPFA "Good governance in local government" framework which sits behind the Council's Code of Corporate Governance. Members agreed the action plan and agreed that a report on actions going forward would be brought to the Committee in July 2023. We confirmed that an update of the action plan went to the AG&C in July 2023 showing the stated actions and where ownership sits of these actions. However, the action plan can be further enhanced with the inclusion of due dates to ensure there is clarity of when the outcomes are to be expected to be delivered.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council notes the recommendation and will ensure delivery dates are added to future updates of the action plan.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.



Improving economy, efficiency and effectiveness

We considered how the Council:



- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

An Organisational Effectiveness Report is presented to CLT on quarterly basis and is produced by the Council’s Insights teams covering performance in key areas.. There are plans to share this report with Cabinet during 2023/24

There is also Select Committee Reporting. The Insights team are responsible for providing a report to the select committee for Resources directorate . Our review of minutes for the committee confirm that there is adequate member challenge on the performance metrics. An example of this is from the minutes of the February 2023 performance monitoring session. A Member expressed concern about the red indicator for Legal and Democratic Services: Responses to Data Protection Subject Access Requests at 63% and asked how this key area was being addressed. The Head of Performance Insight explained that measures were reported monthly with occasional monthly spikes evident, and there was a focus to consider these areas before they became problematic. The report included new indicators relating to statutory obligations set by the Information Commissioner, which were led by the Director of Law and Governance. The Information Commissioners Officer have informally monitored the Council’s response rate to Subject Access Requests from early spring 2023 and it is expected that this will cease in the autumn as performance has now reached over 90%.

We established that, since January 2023 an Activity and Demand Dashboard and slide pack is also provided to the Leader and all CLT members. gathering information from all services across the organisation, The information is monitored for trends in demand/activity to give an early warning of any issues. The report also includes the full suite of OFLOG indicators (both published and proposed) and compares Surrey to its statistical neighbours. This report is produced 5 working days after month end.

In addition, each Cabinet Member and Executive Director receives a detailed performance monitoring report every month on the relevant service. These reports are circulated to the Leader and Chief Executive 10 working days after month end.

A performance insights report, introduced in February 2023, is presented to CLT each month, featuring a different service on a quarterly basis. The format takes a balanced scorecard approach, allowing Executive Directors to discuss with CLT what is working well and the challenges ahead. The performance information from the monthly reports is focused around customer outcomes, operational efficiency, demand/supply and customer experience.



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement

Additional capacity has been created in the Corporate Insights team by the establishment of a Head of Performance & Data Management post in 2023, leading on enhancing the performance culture across the organisation. A performance Improvement Plan has been developed and was presented to the Extended Leadership Team in October 2023.

It was reported to February 2023 Resources and Performance Committee that an approach to benchmarking was being developed with the establishment of a benchmarking group that included other local authorities. We confirmed that a further benchmarking report went to CLT in the autumn of 2023 which reported on all the benchmarking the Council has undertaken and this will be reported to Performance and Resources Select Committee in early 2024. This allows both senior management and members to consider areas identified for improvement. The Council plans to create informal benchmarking groups with other local authorities such as a finance performance network, and a corporate performance network where each authority provides anonymised data to see where the Council sits. Meetings have been held monthly but formal set up arrangements are in its infancy as there are only four comparators in the group and frequency of meetings are not confirmed although plan is to have them on quarterly basis. The identification of further comparator authorities will allow for a better cross section of performance to be prepared. Further work is being done within the benchmarking group to encourage further participation so that the Council can begin to establish a large sample of local authorities to compare against.

The AGS reported that the Council has undertaken various initiatives to improve integration with local health bodies. In 2022/23 the Council worked closely with the NHS Integrated Care Boards and the Integrated Care Partnership to support the development of new governance arrangements, relating to existing partnership arrangements, such as the relationship between the new Integrated Care Partnership and Surrey-wide statutory bodies such as the Health and Wellbeing Board.

The Integrated Care Partnership has focused on agreeing its membership, priorities, and purpose this year to ensure it is fulfilling its statutory responsibilities. It has also developed and delivered the Surrey Heartlands Integrated Care Strategy, approved in December 2022. The Integrated Care Strategy sets out Surrey Heartland's ambitions as a health and care partnership, building on existing strategies to improve the quality of life, health and wellbeing of local residents and Surrey as a place to live. With the refresh of the Health and Wellbeing Strategy, the Health and Wellbeing Board has agreed on a number of priority populations for which particular focus will be made to address health inequalities

The Council has three complaints procedures: one for Adult Social Care, one for Education and Children's Services and one for all other Council services. During the year 2022/23, the three complaint teams within the Council's recorded a total of 2467 complaints: a 30% increase across the board compared to the previous financial year (1,890)

Adult Social Care and Education and Children's Services produce separate reports where more detailed information and analysis about the types of complaints received, outcomes and improvement actions can be found. Regular performance reports are shared with the Leader of the Council, Chief Executive, Directors, Service managers and leadership teams. Where the Council finds fault actions are put in place to resolve the complaint for the customer and to make sure that the Council improve their service. Indicating that improvement in service delivery are addressed and acted upon.

We recognise that the Council have put in place a number of initiatives to improve performance. This includes involving the corporate customer relations team developing training on effective complaints handling for corporate complaints. This built on the online training developed initially by the Children's Team. Additionally, the Council is driving a culture of getting things 'right first time more often' by supporting all staff to feel empowered and have the time to respond positively to customer complaints thus creating not only a strong customer ethos but also reducing the financial impact that complaints can cause.

Surrey Fire and Rescue Service (SFRS) continue to deliver against key targets to respond to 999 calls and keep communities and firefighters safe His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspected SFRS from the end of March 2023 through to the end of April 2023. This is their third full inspection. The inspection assessed SFRS in 11 areas. It found them to be "good" in one area, "adequate" in three areas and "requires improvement" in seven areas. SFRS are developing an improvement plan based on the outcomes. The improvement plan will be scrutinised by the Communities, Environment and Highways Select Committee; and overseen by the Cabinet Portfolio Holder for Fire and Rescue and Resilience. The plans are monitored by the Service using the Intelligence and Assurance Programme Board and by the Service Leadership Team. The outcomes of the inspection will also inform the development of the next Community Risk Management Plan, The service continues its cultural improvement journey, including the reviewing of outcomes from recent national cultural reviews. This performance was also reported to AGC.

Improving economy, efficiency and effectiveness (continued)

Partnership working

The Audit and Governance Committee was presented with an update in July 2023 on the governance around the Surrey Forum and four associated county-wide, strategic partnership boards, (Health & Wellbeing Board, One Surrey Growth Board, Greener Futures Board, and Thriving Communities Board). We note the Corporate Strategy team are responsible for providing the secretariat function for the Surrey Forum and work with the other teams who support the four associated Strategic Partnership Boards. Members were informed that one of the overarching purposes of the Forum and boards were that they were an engagement mechanism for the Leader and the Cabinet providing opportunities for the Council to share emerging strategies with partners and vice versa and strengthen cross organisational working to improve many of the challenges faced by residents.

Minutes indicated that one member challenged whether the agendas, minutes and membership lists could be made available to all Members for transparency. Action resulted in the Director of Corporate Strategy and Policy will liaise with the chairs of the Surrey Forum and the non-statutory boards: One Surrey Growth Board, Greener Futures Board, and Thriving Communities Board, asking whether the agendas, minutes and membership lists could be made available to all Members.

Another action resulting from member challenge was to confirm whether there had been a report to the Council on the establishment of the Surrey Forum and non-statutory boards collectively.

In line with many other authorities across the country, the Council saw a sharp increase in expenditure on Home to School Travel Assistance (H2STA) services during 2022/23. This led to an overspend of £13m on a budget of £41m in 2022/23. This was mostly caused by increased prices in the provider market impacted by driver shortages and rates of inflation. This put additional pressure on staff to process and route plan effectively.

At the same time, the service was unable to maintain performance and its statutory obligations at the start of the academic year in September 2022 due to high volumes of applications over the summer period of 2022.

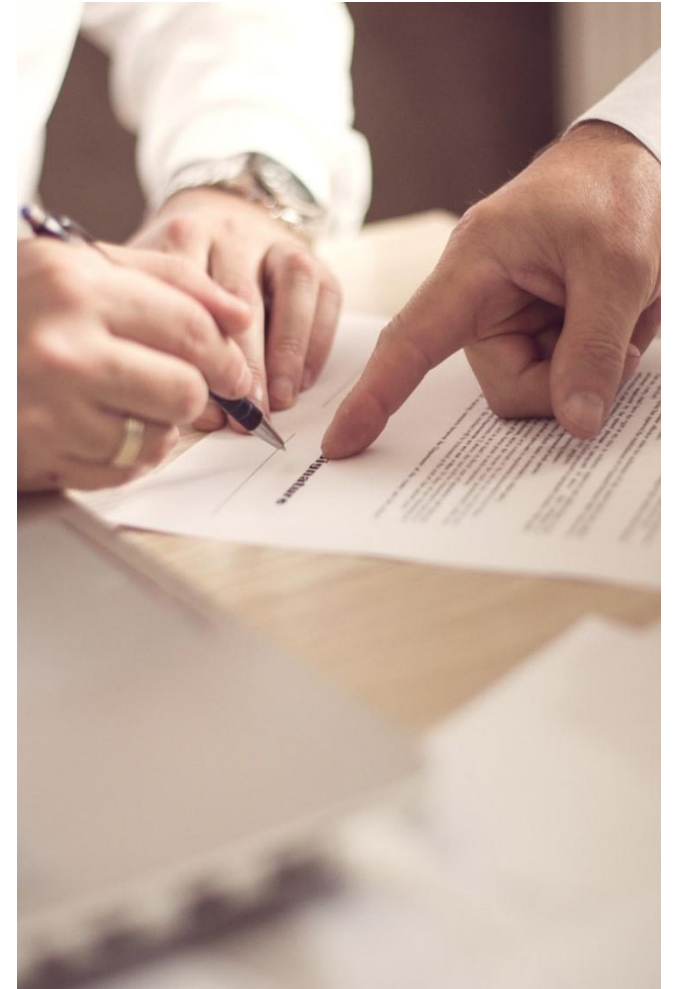
An Internal Audit report on Home to School Transport issued in April 2022 also provided “Partial Assurance” and raised significant issues around delays in service provision, procurement eligibility assessments and review processes.

A detailed learning review of the service was undertaken and has put in place a detailed improvement plan to strengthen governance with the forming of the Home to School Transport Oversight Board. Key performance indicators and other performance measures have been introduced to monitor service performance and to identify the demand that will impact the service in the future. The team has been restructured with increased investment and a full digital discovery and process review has been undertaken to inform future electronic solutions.

A follow up Internal Audit review in August 2023 provided “Reasonable Assurance”.

Commissioning and procurement

The Council's Standing Orders set out the rules by which it spends money on the supplies, services and works needed to deliver services to the people of Surrey. This is an important document as it forms part of the Council's Constitution and has been produced as part of the approach to the way the Council procures things. An Ethical Procurement Statement and Supplier Code of Conduct are also published on the Council's website.



Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement (Cont'd)

The Council has a contract management framework, which is accessible to all staff. Contract Managers are responsible for the management of their contract in line with the framework requirements.

The Contract Management Framework includes the information and guidance needed to enable Contract Managers to build on existing good practice and implement an effective and consistent approach to contract management.

The Council is part of Orbis Procurement, a public sector shared procurement service between Surrey County Council, East Sussex County Council and Brighton & Hove City Council. Each Council is committed to ensuring their operations are environmentally sustainable and resilient to future change.

The Council's website has information on Social value guidance for procurement which provides a summary of the steps involved in securing meaningful social value commitments when procuring goods and service.

The Procurement team work closely with the Councils Commissioning Team to ensure aligned to strategic goals of the Council, best value is demonstrated through the way the Council approach the market, the options that are assessed, the speed to procurement and the balance of cost and quality.

Childrens, Families and Lifelong Learning

In February 2018, an Ofsted inspection of Children's Services at the Council found services to be "Inadequate" and the Council was put into intervention. A subsequent Ofsted inspection in early 2022 found that services for children and families in Surrey had improved leading to a rating of "requires improvement" and the service left intervention. A surprise focused inspection around Special Educational Needs and Disability (SEND) services took place in September 2023 with the outcomes expected to be reported in November 2023.

When interviewed previously as part of our 2021/22 work, the Director of Children Families and Lifelong Learning accepted Surrey were on an improvement journey and the Council were aiming for a rating of "Good" by the time of the next inspection. This remains the case. However, further discussions this year indicate additional improvement are now looking to try and achieve an excellent rating over a longer time period. There is an expectation that the next full inspection may be in 2025.

There has been a transformation programme in Childrens services lead by a transformation team. This transformation work sits under a single Transformation and Assurance Board – chaired by the cabinet member. Some areas of this work have seen progress e.g. the sufficiency of our children's residential provision. The Council is looking to further streamline transformation and improvement governance and arrangements are now moving to a single Board for the whole of the Children, Families and Lifelong Learning which will be chaired by the Director. A new improvement partner is being engaged to help drive further efficiencies in service provision.

Performance indicators and benchmarking are used to monitor progress. The Director receives a comprehensive performance report every month. Performance is discussed at divisional and departmental management team as appropriate. Practice is also monitored by the service quality team. A basket of key indicators are reported to each meeting of the Children's Families and Lifelong Learning and Culture Select Committee. In June 2023, of 20 indicators reported, five were RAG rated as Red including indicators around assessments, visits and out of area placements. Each indicator includes an explanation for performance as well as planned mitigating actions.

Performance indicator show improvements in children's services and there is a stated aim for further improvements in the service to bring the service up to an excellent Ofsted rating. We raised an improvement recommendation last year that members and senior management continue to monitor progress and we believe this still holds to help ensure planned improvements are brought to fruition. **We have therefore reraised our improvement recommendation.**

Adult Social Care

Review of benchmarking data indicated high costs of services in social care particularly around commissioning and service delivery. In 2022/23 there was considerable cost pressures around provision of cost packages and we have seen this at other councils. There were pressures totalling £13.6m across all client groups. Various factors contributed to this including non-achievement of efficiencies relating to market pressures and capacity challenges, increased costs of care due to greater complexity of needs, growth in demand post pandemic and rising assessed fees & charges debt in times of a cost of living crisis.

We have identified various transformation projects are underway in adult services at present looking at front door, safeguarding, deprivation of liberty (DOLS) and a workforce review. With a view to improving services while also rationalising resources. One solution being worked on is closer working with NHS and district council partners to improve wellbeing and this reduce demand on services.

Improving economy, efficiency and effectiveness (continued)



Adult Social Care (Cont'd)

Teams are also being realigned and a new head of safeguarding has been appointed. She is reviewing DOLS processes in addition to the transformation process, to further enhance performance.


The adult social care transformation programmes is overseen by the ASC, Health and Integrated Care Transformation and Improvement Board (AHICTIB) which then reports to the Strategic Transformation and Improvement Assurance Board (STIAB) which is chaired by The Leader of the Council. Updates on individual transformation programmes are shared with the Adult Social Care Cabinet Member as part of regularly updates with the Executive Director and Area/Assistant Directors. The programme is currently being reviewed by the recently appointed Assistant Director for Transformation, Assurance and Integration, with a view to commence delivery of a new three to five year transformation programme.

We note there is an increase demand for services and the commissioning team are looking to manage the market and develop services locally to avoid high cost placements out of area.

Benchmarking work has been undertaken and finance discuss areas of concern with heads of service and directors. This involves looking at cost of services and identifying areas where funding does not cover costs. Issues highlighted with service users with learning disabilities where costs are high. This is an historic issue as Surrey has a large transfer of service users from the NHS in 2011.

Benchmarking is undertaken by the council with other councils in the South East e.g. Hampshire, Sussex, Hertfordshire, Kent and Sussex as they have similar demographics.

Improvement recommendations

Improvement Recommendation 3	Members and senior management should continue to closely monitor improvement actions being undertaken within the Children’s, Families and Lifelong Learning Department to ensure continued progress is made.
Improvement opportunity identified	Failure to monitor improvement actions made lead to slower improvement than required or in a worse case scenario deterioration of services.
Summary findings	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.. When interviewed previously as art of our 2021/22 work, the Director of Children Families and Lifelong Learning accepted Surrey were on an improvement journey and the Council were aiming for a rating of “Good” by the time of the next inspection. Further discussions this year indicate further improvement are now expect to achieve an excellent rating over time. There is an expectation of the next full inspection.
Criteria impacted	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council notes the recommendation and confirms that the performance of children’s social care continues to be monitored regularly by Cabinet, through scrutiny committees and through the work of the Transformation & Assurance Board. This area is already an organisational priority with significant internal governance already in place. The Council also seeks external input to help maintain and ensure improvements in this area.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.



Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Consideration should be given to outlining how the Capital Strategy helps deliver the Councils objectives.	Improvement	January 2023	Analysis of how the capital programme contributes directly to each of the Council's priority objectives was set out clearly in the 2023/24 budget report.	Yes	No
2	Consideration should be given to the following improvements to the risk management process as processes become embedded. Inclusion of untreated, treated and target risk scores in risk registers Develop a training module for new starter to raise awareness of risk across the organisation. Show how assurance is linked to the three lines of defence model.	Improvement	January 2023	All three actions have been put in place	Yes	No
3	Members and senior management should continue to closely monitor improvement actions being undertaken within the Children's, Families and Lifelong Learning Department to ensure continued progress is made.	Improvement	January 2023	Actions in this area remain ongoing. Programme has been updated to look beyond achieving good status and look for additional improvement to move toward excellent status	Ongoing	Previous recommendation has been reraised
4	Management should continue improvement works being undertaken with the pensions team and ensure that the backlog is brought to a manageable level within agreed target dates	Improvement	January 2023	Working with internal audit and in response to the internal performance audit, the pension team have given the Surrey Local Pension Board and Pension Fund Committee full visibility of the progress of improvements. As part of the transformation of the administration function, plans have been developed to address the backlog of cases, including investigating and analysing productivity. Clearance of case backlog will be reduced over a period of 2-3 years.	Yes	No

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

Our audit of the Council's financial statements including the Pension Fund is in progress. We anticipate completing our field work by end of March 2024.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements



Findings from the audit of the financial statements

Our audit work was completed remotely during January 2024. Our findings are summarised on pages 6 to 25 of the Audit Findings Report. We set out in the report the audit adjustments and recommendations for management arising from our audit work.

Our work is substantially complete. There are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified subject to satisfactory completion of the closing outstanding matters set out in the Audit Findings Report.

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit and Governance Committee in January 2024. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements



Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council’s Audit and Governance Committee in January 2024.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council’s consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work will be completed after the completion of the statutory audit.



Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers’ money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

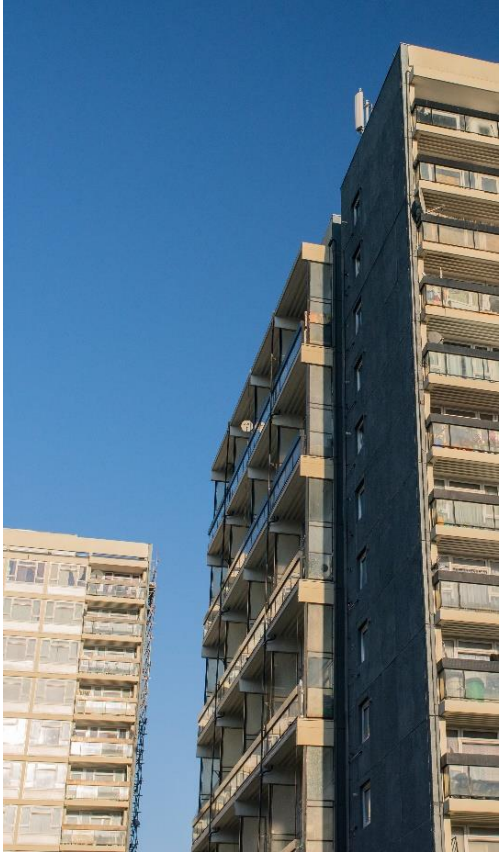
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council’s ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council’s arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	See pages 14,15, 21,and 27



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