

Surrey County Council Audit progress update

5 November 2024



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

5 November 2024

Dear Audit and Governance Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Audit and Governance Committee with an overview of the current status of the Council's 2023/24 audit.

Our audits are undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully

Janet Dawson

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

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



01

Progress Update – Financial Statements of the Council



Status of the 2023/24 audit

2023/24 financial statements

Our Provisional Audit Planning Report identified the audit risks and areas of focus for our audit of the Council's 2023/24 financial statements, which have not changed as of the date of this progress report. This page sets out our progress and observations on work to date on these areas. We will provide a further verbal update to the 20 November 2024 Audit and Governance Committee meeting. We plan to complete all field work by 18 December 2024. Please note that, until all our audit procedures are completed, further observations and issues may arise that may affect the findings of the audit, its outcome and our reporting to you.

Our audit has been progressing with the support of the Council's finance team, who have been providing us with timely responses and have been available throughout the audit process to answer our queries. However, we have encountered challenges with the quality of the audit evidence received in some areas of sample testing, resulting in the need for more detailed consideration and explanation by both teams of the nature of evidence requested and provided. In addition, a number of areas of the financial statements (e.g. exit packages, officers remuneration and financial instruments) have been reworked by the finance team as a result of initial audit queries raised in those areas. We acknowledge this is a first-year audit and we are working with the Council to understand the specific information available to deliver the audit.

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Risk / area of focus	Risk identified	Progress to date
Misstatement due to fraud or error	<i>Fraud</i>	We are carrying out our audit work in respect of journal entries, estimates and unusual transactions. We have not identified any indications of management overriding controls from our work to date.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	<i>Fraud</i>	Our work in this area is generally well progressed. We are continuing to wait for some evidence from the finance team to conclude in this area. There are no issues that we wish to draw to your attention at the date of this report.
Completeness of year end payables accruals below £25k de minimus	<i>Significant</i>	Our work in this area is substantially complete and subject to internal review. We are awaiting some payroll information to conclude on this. There are no issues that we wish to draw to your attention at the date of this report.



Status of the 2023/24 audit

2023/24 financial statements

Risk / area of focus	Risk identified	Progress to date
Valuation of land and buildings in Plant, Property and Equipment, and Investment Properties	<i>Significant</i>	We selected a sample for review of PPE and IP valuations, including a sample for our EY Real Estate (EYRE) valuations team review. We shared the sample with the Council, along with the audit evidence requirements. The Council has prepared the valuation supporting evidence. We have engaged our specialists to review the detailed valuation of the Council's waste facility and will report the outcome of this work once it is concluded. We are continuing to work with the Council and its valuers to conclude our work in this area.
Pension Liability Valuation	<i>Inherent</i>	<p>We are awaiting the draft letter to support our work from the audit of Surrey Pension Fund to enable us to conclude on this area – this is from the EY Surrey Pension Fund team.</p> <p>We engaged EY Pensions to create an auditor's estimate for the pension liability. The estimated liability fell inside the expected range of 2%. This area of work is complete and we have no findings to report in this regard.</p> <p>We are in the process of reviewing responses to queries raised on Pensions transactions and disclosures.</p>
Private Finance Initiative	<i>Inherent</i>	The County Council have been working on their support of the PFI scheme in light of an updated contract signed in 2023. We have now received the working papers and our specialist is working through this. Based on information provided by the client, we are anticipating an in year adjustment of circa £20.7m.
Existence of Plant, Property and Equipment	<i>Inherent</i>	<p>Our identification of Existence of Plant, Property and Equipment has been lowered since our audit plan and we are undertaking standard procedures in this area.</p> <p>We have no matters to report at this stage.</p>
Data migration onto new Enterprise Resource Planning system	Area of audit focus	<p>The Council migrated to a new Enterprise Resource Planning (ERP) system, from SAP to Unit 4, in P2 of 2023/24, impacting all areas of the financial statements. We have therefore considered the data migration process an area of audit focus. We have consulted with our IT specialists and determined our work programme based on undertaking a fully substantive audit.</p> <p>We have focussed on agreeing the opening balances position for all balances transferred into the new system. The Council have been able to support differences identified.</p> <p>We have no matters to report to the Committee at this time.</p>

2023/24 financial statements

Prior Period Adjustments

Two prior period adjustments have been identified to date. We set out some further details on these below:

Reserves

Surrey County Council identified that the General Fund ('GF') and Capital Receipts Reserves ('CRR') were not correctly disclosed in the 2022/23 accounts. Management posted closing manual entries to the CRR and the GF which resulted in a disclosure overstatement of the CRR by £18.746m and an understatement of the GF in the same amount. Furthermore, the Revenue Usable Reserve was not split between the Earmarked Reserves and General Fund balance in the 2022/23 statement of accounts, as required by the CIPFA standard. We will include the detail of the impact in our final Audit Results Report. We have agreed with the proposed restatement.

Net Pension Interest Cost

We identified that in preparing the 2022/23 accounts, management incorrectly disclosed "interest income on plan assets" and "interest cost on defined benefit obligation" on a gross basis in its Comprehensive Income and Expenditure Statement and related disclosure notes. The CIPFA code states that an authority shall determine and disclose the net interest on the net defined benefit liability in its Comprehensive Income and Expenditure Statement, specifically under Financing and investment income and expenditure line item.

Thus, pensions interest income and expenditure was disclosed as interest of the Council resulting in an overstatement of both Gross Expenditure and Income on "Financing & Investment (Income) & Expenditure (note 11)" in the CIES for the year ended 31 March 2023 by £66.067m. We have agreed the restatement with the finance team.

Mapping Issues

As this is a first year audit, we have encountered some difficulties in mapping of the underlying data to the accounts provided by management. We have worked closely with the Council to resolve the differences and will continue to do this through into 2024/25 to ensure these initial issues are resolved.

Misstatements

We have identified an overstatement of cash of £29.9m, due to a mapping issue that should be categorised as Debtors.

We are working with the Council on several other amendments which will be reported in our final Audit Results Report.

Objection

We received correspondence from an elector raising an objection to the arrangements in place to achieve value for money associated with the Pension Fund. A similar issue has been raised at a number of other authorities in relation to the 2023/24 audit year. We are consulting with the National Audit Office on the scope of the issue raised in relation to our responsibilities and will update the committee when we have further to report.



02

Progress Update – Value for Money





Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit and Governance Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2023/24 VFM planning

In our Provisional Audit Planning Report presented to the June 2024 meeting of the Audit and Governance Committee, we reported that we were yet to complete our detailed VFM planning. However, one area of focus would be on the arrangements that the Council has in place in relation to financial sustainability.

We have completed our VFM work and no risks of significant weakness have been identified. We are required to continue to review the arrangements to achieve Value for Money in place through to the completion of the audit.

Please see Section 03 for our Draft VFM commentary for 2023/24.



03

Draft Value for Money Commentary



Section 03 – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

Findings

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

The Council identifies all the significant financial pressures that are relevant to its medium term plans through its Medium Term Financial Strategy ('MTFS'), which is the financial plan for the Council and it contains the funding strategy for delivering the Council's objectives for a forward looking period of five years.

The latest published MTFS is for 2024/25 – 2028/29 and it contains the position approved by the Full Council in February 2024. Management is currently developing the MTFS for 2025/26 – 2029/30. Monthly iterations of the MTFS are discussed with the Corporate Leadership Team ('CLT'), which includes the Chief Executive, and the Executive Directors of the Council's directorates. Regular updates are also taken to Cabinet and Select Committees.

This forecast enables emerging risks and issues to be reflected in the Council's financial planning in a timely manner. Financial pressures and identified efficiencies are described in the MTFS of the Council.

How the body plans to bridge its funding gaps and identifies achievable savings

The Council identifies financial efficiencies at directorate level as part of the MTFS setting process. Efficiencies are only budgeted for future years depending on the predictability of government direction about the future of the ringfenced grants.

Alongside the goal of achieving efficiencies, to bridge its funding gaps, the Council approved the following recommendations to full Council on Council Tax and the Adults Social Care Precept;

- 2.99% increase in core Council Tax for 2024/25 and proposed increase of 1.99% from 2025/26
- 2% increase in the Adults Social Care Precept for 2024/25.

Nevertheless, the gap is expected to continue to grow over the medium term, based on current projections, to the order of £271m. The Council recognises that tackling this gap will require a medium-term focus and a fundamentally different approach over the medium-term horizon.

The Council set up a transformation programme led by the Strategic Transformation, Improvement and Assurance Board ('STIAB'), which has been tasked with noting the budgeted MTFS efficiencies for 2024/25 across the directorates and dealing with the care package pressures. The STIAB also monitors delivery of all transformation-based efficiencies, which are monitored on a monthly basis and progress reported to the CLT as part of the monthly budget monitoring reporting. While the financial environment is very challenging, the Council has established a strong track record in recent years of delivering efficiencies and transformation and taking financial management responsibilities seriously.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council uses the MTFS process to direct its resources using the most efficient means possible towards achieving its purpose and priorities, while ensuring that core services are delivered to residents.

There is a Strategic and Integrated Planning Group which brings together the key activities of Budget Planning, Business Planning, Workforce Planning, Performance Management, Organisational priority setting and Transformation.

Section 03 – Summary of arrangements (continued)

Financial Sustainability

Reporting Sub-Criteria

Findings

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The MTFS is based on clear integration with the organisation strategy, the transformation programme and corporate priorities; developed in partnership across the organisation through the Strategic and Integrated Planning Group.

In addition, Surrey's local authorities have developed a Local Strategic Statement ('LSS') to facilitate cooperation on key strategic planning issues. It sets out shared objectives around spatial, infrastructure and economic issues and a broad direction for spatial planning on strategic priorities. The Council's LSS for Surrey sets out a consensus around common objectives and priorities through an overarching spatial planning vision for the county covering the period 2016 - 2031. It is informed by existing and new evidence developed to support local plans preparation by the borough, district and county councils. The LSS provides an important high level statement which articulates the growth ambitions and spatial priorities of Surrey authorities for the short to medium term and forms the basis of engagement on strategic issues as authorities progress local plans.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council holds a risk contingency budget of £20m in the annual base budget. In addition, the level of financial reserves has been increased consciously over recent years to reflect the assessment of the risk environment.

From a revenue budget perspective, the Council also sets a minimum level of general fund reserves proportionate to the assessed risk environment and specific pressures to ensure continued financial resilience despite an increasingly volatile and uncertain external environment.

From a capital budget perspective, the Council undertook additional work in developing the proposed capital programme for 2024/25 - 2028/29 to assess the impact of borrowing costs on the revenue budget in the short, medium and long-term. It also established a borrowing limit for schemes that will be funded centrally and set out an improved framework to ensure prudent decisions are taken in the approval of capital schemes with "unfunded" borrowing, to prioritise those that provide the best value for money.

Section 03 – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

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

Findings

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

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

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

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

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

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

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

The Council's strategy against fraud and corruption encompasses the following steps:
acknowledge the threat of fraud;
encourage prevention;
promote detection;
identify a clear pathway for investigation; and
set out the appropriate sanctions, including the recovery of losses

Section 03 – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

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

Findings

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

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

The Council incurs two types of capital expenditure:

- the service delivery Capital Programme
- the Capital Investment Programme

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

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

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

Section 03 – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

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

Findings

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

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

Section 03 – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

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

Findings

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

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

Overview and scrutiny

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

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

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

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

Section 03 – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

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

Findings

Contd....

Group oversight

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

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

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

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

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

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

Section 03 – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

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

Findings

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

Decisions taken by the Council are supported by a Legal Officer commentary that sets out the authority for and legal implications of decisions.

The inhouse legal team receive training and frameworks are in place to secure the provision of specialist legal advice where that expertise is required. The inhouse legal team is Lexcel accredited and holds a risk register of current legal matters.

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

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

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

Section 03 – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Findings

How financial and performance information has been used to assess performance to identify areas for improvement

The Council sets up select committees who have responsibility for performance, finance and risk monitoring for service areas within their remit. The number of select committees vary from time to time as agreed by the Council.

Financial, performance, workforce and risk data is reported monthly to the Corporate Leadership Team. We reviewed an example of such reporting from March 2024 and noted that items covered include performance and organisational effectiveness, budget monitoring and future planning, the Council's Transformation Programme and community impact.

Actual and forecasted financial performance is measured against the budget and reported monthly to Cabinet in the form of a financial report under the supervision and direction of the S151 officer. This is discussed with the Cabinet Member for finance and resources to identify areas for improvement.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council has a Corporate Performance & Insights Team, which contributes to the assessment of organisational effectiveness of the Council. This results in a report which describes what is working well against organisational targets, the ongoing challenges and plans for the next quarter.

Performance information is also reported regularly to a dedicated meeting of the Performance & Resources Select Committee, which meets on a quarterly basis and is attended by elected members who challenge various performance indicators reported by the Council ([Committee details - Resources and Performance Select Committee - Surrey County Council \(surreycc.gov.uk\)](#)).

Section 03 – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

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

Findings

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

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

The Surrey Forum:

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

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

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

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

Section 03 – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Findings

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

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

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

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

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

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

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

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