

Corporate Peer Challenge

Surrey County Council

26th February to 1st March 2013

Report

1. Background and scope of the peer challenge

On behalf of the team, I would just like to say what a pleasure and privilege it was to be invited in to Surrey County Council to deliver the recent corporate peer challenge. The team very much appreciated the efforts that went into preparing for the visit and looking after us whilst we were on site and the participation of elected members, staff and partners in the process.

This was one of the early tranche of corporate peer challenges delivered by the Local Government Association as part of the new approach to sector led improvement. Peer challenges are managed and delivered by experienced elected member and officer peers. The peers who delivered the peer challenge were:

Caroline Tapster, former Chief Executive, Hertfordshire County Council
Councillor Martin Tett, Leader of Buckinghamshire County Council (Conservative)
Councillor Simon Henig, Leader of Durham County Council (Labour)
Paul Naylor, Deputy Chief Executive, Ashford Borough Council
John Craig, Managing Partner, Innovation Unit
Chris Bowron, Peer Challenge Manager, Local Government Association

It is important to stress that this was not an inspection. Peer challenges are improvement-orientated and tailored to meet individual councils' needs. Indeed they are designed to complement and add value to a council's own performance and improvement focus. The peers used their experience and knowledge to reflect on the evidence presented to them by people they met, things they saw and material that they read.

The guiding questions for all corporate peer challenges are:

- Does the council understand its local context and has it established a clear set of priorities?
- Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
- Does the council have effective political and managerial leadership and is it a constructive partnership?
- Are effective governance and decision-making arrangements in place to respond to key challenges and manage change, transformation and disinvestment?
- Are organisational capacity and resources focused in the right areas in order to deliver the agreed priorities?

In order to tailor the challenge specifically to Surrey, we undertook to consider these components in the context of 'an organisation that wants to become more innovative'.

As you will recall, we undertook to write to you to confirm the team's findings, building on the feedback provided to you on the final day of the peer challenge and, in particular, expanding upon those areas that we highlighted as likely to benefit from some further attention. This report sets out those findings.

2. Executive summary

There is universal recognition amongst people we met during the peer challenge process that Surrey County Council has made huge strides in the last four years. The purpose of the exercise was not to dwell on issues of the past, in terms of the very difficult position the council was in in 2009, but inevitably, in talking through with people how they saw the organisation currently, many of them used that period as a baseline and a comparator. At the same time, however, people reflected that the council is on an 'improvement journey' – with a way to go until it fulfils its key ambitions for the future – with the work it has undertaken in recent years being seen to have laid solid foundations on which to build..

External judgements have significantly improved around key services, including adults' services and the safeguarding of children, and the council has been shortlisted this year in the Local Government Chronicle (LGC) Awards in a number of categories, including council of the year. The council has also been shortlisted for council of the year in the Improvement and Efficiency South East (IESE) Awards. In addition, the council has secured a wide range of achievements that have benefitted the county.

The Leader and Chief Executive are seen as having been integral to the turnaround of the authority. Amongst other things, they are seen as having played a vital role in the vast improvement that has been experienced in the council's relationships with the district and borough councils in Surrey and in establishing relationships between elected members and officers at all levels in the council that are seen now to be effective. In leading a dramatic cultural change they have strongly modelled it and in many respects the culture that has been formed reflects them as individuals in terms of their approach, values and beliefs. This is all extremely positive but it does throw up some important challenges for the future in terms of the organisation ensuring it does not rely overly on the two of them, with everybody across the council needing to take on a greater share of the responsibility as the council seeks to move to the next level, and ensuring the culture change they have led is spread right through the organisation and can be sustained.

The general level of staff commitment, enthusiasm, pride and talent in the council is notable. The cultural changes that have been brought about have clearly motivated people and generated an atmosphere of enthusiasm, coupled with significant goodwill. Most of the staff that we met indicated they now feel much more empowered and able to 'get on and deliver' and people spoke of having regained a sense of pride about working for the council. The council does, however, need to be aware of a small, but important, number of staffing and organisational issues that still feature for people. Whilst major culture change has been delivered and leadership and management of the organisation are strong, the council recognises that elements of the old culture still prevail in some areas. In addition, engaging people at all levels and right across the organisation, better

joining things up across the council and ensuring the authority is sufficiently responsive and 'fleet of foot' remain key challenges. In seeking to take the council to the next level it is important that everybody takes a greater responsibility and bears in mind the requirement to continue to 'raise their game'.

The council has established innovation as a major organisational priority and has built strong foundations for becoming an innovative organisation. It is also beginning to establish a critical mass of the different elements that it needs to achieve its ambitions around innovation. Although it is very early days, the council's innovation work has the visible sponsorship of leaders and is backed by time and resources and this has helped to generate wide awareness of the work and enthusiasm amongst staff.

The council is committed to maintaining its capacity and capability despite the current financial climate. However, the commitment it has made will require further significant change and improvement being delivered into the future. A series of activities has been, and continues to be, undertaken aimed at delivering change and improvement whilst also helping to address the council's financial challenges, including Public Value Reviews and Rapid Improvement Events. In addition, strong progress has been made by the council in relation to shared services, procurement and trading.

Customer service has moved forward significantly in the authority over recent years, with the advent of the customer contact centre and the enhancing of the council's website. However, it is important that the council continually reviews how things operate in order to ensure they are keeping pace with customer expectations. Given the council's aspirations around becoming the most effective local authority in the country – an issue on which we see local citizens as being key judges – it will be important to ensure the council's approach to customers is truly leading-edge and high performing. With the challenges that the authority has faced in recent years and the work that has been done on cultural change, investing in its people and addressing the financial pressures, there has inevitably been something of an internal focus to the organisation and it is important that there is equal focus on the customer.

Surrey County Council has a net revenue budget of around £1.5billion. As with every local authority, major budget pressures are being experienced - with those for Surrey exceeding £250m over the period from 2010 to 2014. The council has already achieved significant levels of savings and more are planned, although unallocated savings of £18m and £39m remain for 2013/14 and 2014/15 respectively. The council's approach regarding its financial challenge is to focus on the long-term and, as part of this, seek to establish ways of generating additional income and better capitalising on assets and the ability to make investments – although no assumptions are being made around the financial return that these new avenues might secure in the years immediately ahead. Key assumptions are, though, being woven in elsewhere in the financial planning which seem to be relatively optimistic. We see the overall approach and assumptions that are being made as ambitious and different to those of most other councils and, in our view, there is undoubtedly risk here. However, the council is very confident about its approach and that it has adequately considered all of the risks.

3. Detailed findings

3.1 A story of progress in Surrey

- Amongst everybody that we spoke to during the course of the peer challenge, there was universal recognition that Surrey County Council has made huge strides in the last four years – particularly with regard to its culture. The purpose of the exercise was not to dwell on issues of the past, in terms of the very difficult position the council was in in 2009, but inevitably, in talking through with people how they saw the organisation currently, many of them used that period as a baseline and a comparator. At the same time, however, people reflected that the council is on an ‘improvement journey’ – with a way to go until it fulfils its key ambitions for the future, including a ‘One County, One Team’ organisational culture and being the most effective local authority in the country by 2017. The senior leadership in particular reflected the council as a ‘work in progress’, with the hard work and investment of recent years having ‘laid the foundations for the council now to take off’.
- The Leader and Chief Executive are seen as having been integral to the turnaround of the authority – with virtually everybody we met, internally and externally, highlighting the role they have played and the highly positive impact they have had. Amongst other things, they are seen as having played a vital role in the vast improvement that has been experienced in the council’s relationships with the district and borough councils in Surrey and in establishing relationships between elected members and officers at all levels in the council that are seen now to be effective.
- The general level of staff commitment, enthusiasm, pride and talent in the council is notable. The cultural changes that have been brought about have clearly motivated people and generated an atmosphere of enthusiasm, coupled with significant goodwill. People spoke of having regained a sense of pride about working for the council. The financial climate, with the need that it has generated for savings to be made, has inevitably impacted negatively on some individuals in the authority, although the number of compulsory redundancies has been limited to around 150 in recent years. However, the council has demonstrated a clear commitment to investing in people generally, in such areas as IT and training and development, and the council both knows that this needs to continue and wants to ensure it does so.
- External judgements have significantly improved around key services, including adults’ services and the safeguarding of children, and the council has been shortlisted this year in the Local Government Chronicle (LGC) Awards in the categories of corporate governance, health and social care and council of the year. The council has also been shortlisted for council of the year in the Improvement and Efficiency South East (IESE) Awards which are being held soon. In addition, the council has secured a wide range of achievements, including the successful delivery of those aspects of the Olympics that were hosted in the county and major events such as the Tour of Britain cycle race. The council has also established nearly 1,500 additional school places – the equivalent of 48 additional classes and

roughly triple the largest number required in previous years – in response to growing need. A deal has been agreed with BT to provide superfast broadband in Surrey that aims to make it the best connected county in the country and deliver an estimated £28m benefit for the local economy each year. A new highways contract has been agreed and a five year £100m capital programme, called 'Project Horizon', has been put in place to deliver the refurbishment of key roads within the county. The waste partnership with other councils in Surrey is seen to be working well and the 'Travel Smart' initiative, established within some of the major towns in Surrey and aimed at providing people with more travel choices in order to reduce costs and carbon emissions and boost health, is seeing £18million investment over the three years from 2012.

3.2 Political and managerial leadership

- The Leader and Chief Executive are held in extremely high regard both within and outside the organisation. Virtually everybody that we met referred to them having played a transformative role, particularly in regard to cultural issues including relationships both within and beyond the council. Staff at all levels highlighted how visible they both are within the organisation and they are clearly very well engaged with council officers, elected members and partner organisations. They also both demonstrate high levels of energy and enthusiasm and it was readily obvious to us just how much trust and belief people have in them. In leading a dramatic cultural change they have strongly modelled it and in many respects the culture that has been formed reflects them as individuals in terms of their approach, values and beliefs. This is all extremely positive but it does throw up some important challenges for the future in terms of the organisation ensuring it does not rely overly on the two of them, with everybody across the council needing to take on a greater share of the responsibility as the council seeks to move to the next level, and ensuring the culture change they have led can be spread right through the organisation and sustained beyond the period of time that they are in their roles.
- Relationships between elected members and officers at all levels in the council are seen now to be effective. Within this, joint working between the Cabinet and Corporate Leadership Team, at both the one-to-one and collective level, is strong – with this both being facilitated by, and reflected in, regular and open dialogue and joint consideration of key issues in order to determine the way forward on matters. The individuals concerned demonstrate strong leadership of their Directorates and Portfolios. Middle managers are seen to be strong and we were very impressed by many of those that we met. The most recent large-scale survey of staff, in 2011, showed that line management was very strong within the council with 86 per cent of staff indicating their manager was approachable, 71 per cent saying their manager created a workplace where they felt supported and 68 per cent indicating they had been thanked for their work in the previous month by their manager.
- Whilst major culture change has been delivered and leadership and management of the organisation are strong, the council recognises that elements of the old culture still prevail in some areas. Some frontline staff still experience frustrations around decision-making by line managers. Also, the percentage of staff indicating they have experienced an incident of bullying and harassment has increased slightly over recent years and, based on the 2012 'mini' staff survey, sits currently at 15 per

cent. The percentage of such incidents that people indicated they had chosen to report has declined in the period since 2011. The same survey also showed a decline between 2011 and 2012 in the percentage of staff indicating they received the help and support they needed from colleagues in a timely way – from 88 per cent to 79 per cent. Whilst the proportion of appraisals undertaken has increased from 63 per cent in 2008 to 70 per cent in 2012, there has been a downturn from the peak of 73 per cent in 2010. Whilst these aspects, particularly in relation to bullying and harassment, represent a cause for concern, the organisation is aware of the situation and the issues and is actively working to address them through, for example, the provision of training activities to address bullying and harassment and voluntary mediation sessions.

3.3 Organisational capacity

- The council is committed to maintaining its capacity and capability despite the current financial climate. The corporate strategy states:
 - “During the next few years many councils will respond to the challenges they face by reducing their capacity and capability. We won’t. We will conserve and where we can build on our strengths“
- This is a bold stance, which provides staff with a degree of reassurance about the future, and is reflective of a long-term strategic approach the council has adopted in relation to its planning and resources. However, the commitment it has made does not equate to the status quo prevailing in the council, with significant change and improvement being delivered over recent years and continuing into the future. A key element of such change is the series of Public Value Reviews that have been undertaken, looking at what the council provides, the basis on which it does so and how the benefits for citizens can be maximised. Whilst the council has identified £279m savings, following 29 reviews, that it aims to secure through this programme by 2016, we noted the emphasis that the authority has placed on ‘public value’ through the reviews and the fact, related to this, that it has been willing to invest further in some areas of delivery, such as mental health, rather than just focusing on taking money out. The authority is also engaged in a series of Rapid Improvement Events which, over the course of a week, bring together relevant people from the authority and key stakeholders around ‘cross-cutting’ issues in order to identify opportunities for improvement and develop plans to achieve it. People we spoke to about these have found them both stimulating and to have delivered real benefit.
- Strong progress has been made by the council in relation to shared services, procurement and trading. The authority is now providing services with other councils and organisations, including East Sussex for procurement and other back office functions and Hampshire for the maintenance of school buildings. Through the ‘Surrey First’ grouping of all the local authorities and some of the other public bodies in the county, the council is engaged in improving collaborative working across key aspects of its operations including HR, ICT, assets, procurement and waste. The approach being taken appears to be a pragmatic one, involving fostering partnership working on a case by case basis in line with the needs and

interests of individual organisations – thus a tailored approach as opposed to seeking to develop universal shared services solutions. Collaboration is also taking place with the ‘South-East Seven’ (SE7) grouping of county and unitary councils. Through this, opportunities around highways, special educational needs provision, waste management, IT, property asset management and procurement are being explored. Essentially, there is a growing commercial understanding within the organisation and we noted a number of senior officers with a commercial background who have joined the council in recent times. The overall sense around all of this for us was that Surrey County Council demonstrates a mature attitude to collaborative working.

- There is a clear commitment on the part of the council towards investing in people, both in terms of staff and elected members. Whilst there are still some inadequacies and frustrations around it, the IT infrastructure has been improved over recent years and investment continues to be made. All staff recently undertook an exercise to assess their IT equipment, with a view to maximising the effectiveness of the way they work including through mobile and remote working, and the council is currently in the process of rolling out the delivery of the related kit. Improvements have been seen in office accommodation and the budget for training and development in the authority has been increased year on year in recent times as part of the council’s commitment to maintaining its capacity and capability.
- With the major cultural shift that has been achieved in the organisation in the last few years, most of the staff that we met indicated they now feel much more empowered and able to ‘get on and deliver’. This contrasts heavily with a feeling that they had previously of ‘command and control’ which stifled and frustrated them and undermined their sense of ownership, responsibility and fulfilment. The council does, however, need to be aware of a small, but important, number of staffing and organisational issues that still feature for people. The first is concerned with ensuring that engaging people at all levels and right across the organisation is seen as a responsibility to be shared across all managers. We highlighted earlier the issue around the undertaking of staff appraisals. In addition, internal communications, and in particular the holding of team meetings, was highlighted in the most recent staff survey as being less than adequate in some parts of the organisation. There was a sense that we drew from our discussions that the emphasis in communications is placed on delivering messages to staff rather than them being able to contribute their views, feedback and ideas. The feeling amongst some staff we spoke to is that the authority doesn’t listen to them – with them indicating, for example, a lack of confidence that the council would act on the findings of staff surveys. The regular informal sessions the Chief Executive hosts with staff from across the organisation to glean their views and perspectives does, however, suggest a desire to strike a more effective balance in the approach to communications going forward – although this cannot be solely his responsibility.
- Another issue is a sense that we developed, during our discussions, that ‘making things happen’ is seen too often as a responsibility of the council’s senior leadership rather than one shared by all managers across the organisation. Whilst not strongly evidenced, this does link with a theme we outlined earlier around ensuring everybody across the council takes on a greater share of the responsibility as the council seeks to move to the next level. As an example, some of the frontline staff

we met still frequently experience a slowness and lack of dynamism when it comes to decision-making by line managers – which serves to undermine the belief amongst those staff that the senior leadership have been successful in completely achieving the transformation they desire. Also, there is still a challenge, which is readily acknowledged by people within the council, around better joining things up across the organisation and ensuring the council is sufficiently responsive and ‘fleet of foot’. The council’s ‘One County, One Team’ aspirations remain more of an ambition at present than an established ethos or way of working but we recognise that this essentially represents the next in a long line of cultural changes that the authority has set out to achieve.

- A proportion of people spoke to us about the council having been risk-averse in the past at both the individual and organisational level – which is likely to have been both a result of and reflective of the culture that used to prevail. However, many people who spoke to us on the subject indicated that they felt attitudes towards risk are now changing, with individuals being willing to take more responsibility as part of being empowered and ‘getting on and doing’ and the council as a corporate body exploring how to innovate and use its resources creatively. Within all of this, it is clear that a more nuanced approach to the taking of risks is being considered, with some aspects of what the council does, such as safeguarding children and vulnerable adults, being less appropriate for the taking of risks than other aspects.
- We also learned of the council’s approach to attracting talent to come and work for the organisation. We can understand the rationale around this but with around 60 per cent of people embarking on new roles within the council being recruited externally, there is a need to ensure that existing employees are not denied opportunities and feelings of resentment do not emerge amongst existing staff. Many staff have worked for the council for quite a number of years and have ‘hung in there’ during difficult and challenging times so it is important to ensure they feel they are being rewarded for this and that they are kept motivated and engaged by seeing opportunities being made available to them to progress and develop.
- The council is already well engaged in networks and learning from others but is keen to extend this. We have already highlighted examples at the corporate level in the form of the ‘Surrey First’ and ‘SE7’ networks of local authorities. Individuals that we spoke to during the course of the peer challenge also highlighted instances of them visiting other councils to draw out learning, for example going to Hertfordshire to look at their work around ‘localism’. We also noted the good links that the senior leadership of the council, both politically and managerially, have in to government and Whitehall – which the council needs to ensure it makes full use of as it goes forward in seeking to secure the best possible outcomes for Surrey and its residents.

3.4 Innovation

- The council has established innovation as a major organisational priority and has built strong foundations for becoming an innovative organisation. It is also beginning to establish a critical mass of the different elements that it needs to achieve its ambitions around innovation:

- Innovation projects
 - Innovation leadership
 - Systems and protocols to support innovation across the organisation
 - Innovation methods
- Although it is early days, the council's innovation work has the visible sponsorship of leaders and is backed by time and resources. This has helped to generate good awareness of the work and enthusiasm amongst staff. In turn, this awareness and enthusiasm is beginning to be mirrored among the council's elected members and partners. It is striking that the message about the importance of innovation to the organisation's future has, to a certain extent, reached frontline staff plus middle managers and the business and voluntary and community sectors.
 - The commitment to innovation builds on a number of innovative pieces of work in the organisation. We heard in detail about impressive innovative work around, for example, learning disabilities, the emergent Health and Well-Being Board, youth justice, youth services and IT.
 - The commitment to innovation also builds on work to draw together and describe the council's innovation process and to prototype this through a range of test projects, including the digitalisation of aspects of cultural services. Particularly impressive here is the level of active sponsorship by senior officers, including the Chief Executive. This has resulted in a palpable sense amongst a good proportion of the staff that we met that they both have the permission to innovate and that their contributions will be valued.
 - It is often said that innovation requires a burning platform. What little systematic research there is suggests this is not the case in relation to the public sector¹. Because innovation in places like local authorities relies on public support and on discretionary effort from staff, it tends to demand a degree of organisational stability and a positive sense from staff that the organisation can succeed. In that context, Surrey County Council seems to have the scale, stability and developing reputation for success that encourage us to think it can make a success of its emerging innovation strategy.
 - In this context, we want to offer a set of insights to help to contribute to this future success. To build on the foundations of its innovation strategy, the council should continue to strengthen three elements of its work on innovation:
 - Value proposition
 - Authorising environment
 - Organisational capacity
 - Innovation should be an open, inclusive process, but it also requires a relentless focus on success and strong challenge, as well as support. Surrey County Council has done well to build enthusiasm and participation around innovation and is now in a position to further sharpen the value proposition for their work in this area. This

¹ Borins, P. *Public Management Innovation in Economically Advanced and Developing Countries* (International Review of Administrative Services, 67, pp 715-731)

will help to focus energy, effort and resources on the most vital challenges the council and the local area are facing.

- Whilst it is tempting to think that an organisation's innovation capacity is generic, research suggests that this is not the case. Continuous improvement and radical or systemic innovation require different environments and different approaches². Equally, a range of research suggests that the capacity to innovate in one area – like social care – does not equate to an ability to innovate in another³. Similarly, economic analysis shows that companies' research and development strategies do not converge over time, as organisational cultures shape perceptions of what is possible. As a result, the character and clarity of the challenges and priorities that an organisation's innovation capability is built in response to are vitally important. The best leaders of innovation 'start with why', focusing colleagues on specific challenges and the scale of their ambition.
- Councils innovate within complex moral and political authorising environments, so that building a coalition of support around their work is of vital importance. The council has done well to help their partners understand the importance of innovation to their future strategy and as time moves on they will be able to help them to see more about their strategic focus and intention.
- However, innovation can mean different things to different people, and innovative organisations have to continue to engage partners around their intentions to ensure the support and legitimacy they need. While innovation always brings risk, for public organisations, this risk is always in part socially constructed. The greater the understanding, support and engagement of citizens, staff and partners in a public agency's mission, the greater its ability to innovate.
- Where public agencies are successful in innovating over the long-term, they tend to build communities of practice around their work, composed not only of staff but of local citizens and of a range of experts and entrepreneurs from within and beyond the locality. This enables them to build critical mass around innovation in particular areas and also to build organisational cultures that are good at understanding both the needs of citizens and new technical possibilities:
 - "Innovation is essentially a two-sided or coupling activity. It has been compared... to the blades of a pair of scissors... On the one hand, it involves the recognition of a need... On the other hand, it involves technical knowledge... Experimental development and design, trial production and marketing involve a process of 'matching' the technical possibilities and the market."⁴
- Lastly, the council will need to continue to develop its organisational capability for innovation. From the people strategy to governance, officers and elected members

² Moore, M. (1997) *Creating Public Value: Strategic Management in Government* (Harvard University Press)

³ Dosi, G., *Technological paradigms and technological trajectories. A suggested interpretation of the determinants and directions of technical change*, *Research Policy*, 11(3):147-162, (1982) and Mazzucato, M. (2011) *The Entrepreneurial State* (Demos)

⁴ Freeman, C. (1997) *The Economics of Industrial Innovation* (Routledge)

will need to ensure that they have the structures and skills to deliver on their ambitions for innovation.

- It is easy for innovation to be seen as the reserve of a particular department or group of people. This can both weaken this group's ability to initiate change – as they come to be seen as an 'elite' – and let the greater part off the hook in terms of their contribution to the innovation process. Innovation is not for everyone and is not the primary task of local authorities, but it does require that their major functions find ways to work together and to contribute to its success.
- In particular, innovative organisations:
 - Develop the skills and capabilities to employ distinctive innovation methods and processes
 - Develop clear, structured innovation processes that combine periods of divergent creativity with periods of rigorous convergence and decision
 - Build the substantive knowledge and networks to innovators beyond the organisation to drive forward their work

3.5 Governance and decision-making

- The overall governance of the authority is felt to be sound and key elements of it, including officer/member relationships and standards of conduct and behaviour, are seen to have improved significantly in recent years. As part of sound decision-making, there is good sharing of information within the organisation, elected members generally are well informed on issues and there is transparency around where decisions are taken and by whom. There is regular reporting on the progress of key projects, initiatives and performance to Cabinet, Select Committees and Corporate Leadership Team, including around risk. As examples, the Chief Executive issues a six-monthly progress report to elected members, staff and stakeholders and which is publicly available, whilst Cabinet receives a quarterly report on key aspects of the authority including customer satisfaction/feedback, finance, workforce matters and council performance. Cabinet also reviews the Leadership Risk Register on a quarterly basis. The over-arching Overview and Scrutiny Committee (comprising the Chairs of the individual service/function specific Select Committees) also regularly reviews overall performance whilst Select Committees continuously scrutinise work programmes and performance relating to the areas they are mandated to cover.
- The council has increased the support it provides to elected members, including in relation to IT provision and their training and development. Cabinet Associate posts are being established that will serve to assist Portfolio Holders in fulfilling their roles. Increasing the support, in a variety of forms, for elected members should continue in to the future as the roles of elected members change and develop.
- There were a couple of elements of the council's governance arrangements that people consistently highlighted during our discussions as likely to benefit from further attention and possible revision - Select Committees and Local Committees. Select Committees are seen to be variable in their effectiveness. Whilst some offer

examples of excellent practice in terms of the way they focus their efforts through their work programme and a range of approaches, including task and finish style groups, and provide excellent challenge and support around those services and functions they cover, there are others that need to develop themselves further. The overall sense is that the overview and scrutiny function, whilst good in parts, has more to offer by tapping in more to the capacity available in those involved. Local Committees are assuming increasing responsibilities and there is belief that they could play an enhanced role. In addition to their existing responsibilities around the likes of highways, libraries and the commissioning of youth service provision, there is emerging thinking in the council around them playing a role in the public health agenda and working with schools, including Academies, to improve their performance. Given such thinking is emerging, it feels like the right time for the council, along with relevant partners including the district and borough councils, to consider the role of Local Committees in a new era in order to ensure they are sufficiently well-placed to succeed, including giving consideration as to whether different approaches might be adopted in different places depending on local circumstances.

3.6 Financial planning

- Surrey County Council has a net revenue budget of around £1.5 billion. As with every local authority, major budget pressures are being experienced - with those for Surrey exceeding £250m over the period from 2010 to 2014. The council has achieved significant levels of savings in recent years totalling £68m in 2010/11, £61m in 2011/12 and £66m expected this year against a target of £71m. The budget that has just been agreed for 2013/14 shows planned savings of £50m and the council has plans in place to deliver a further £33m the following year – although over and above this there remain outstanding funding gaps of £18m in 2013/14 and £39m in 2014/15. The council is confident that the gap in 2013/14 can be addressed through a combination of contingencies and the carrying forward of underspends from the current financial year.
- The council is committed to undertaking a review of its Medium Term Financial Plan in the first quarter of 2013/14. This will be presented to Cabinet, along with details of the way the 2014/15 funding gap will be addressed. We, and the council, see this review as being an essential aspect in addressing the need that exists for the council to regularly assure itself that the overall approach it is adopting to its financial challenges, including the assumptions that it is making, is appropriate. The council also plans to develop a ‘fall-back’ position to be adopted if scenarios change going forward – something which we would strongly endorse.
- The general view regarding the financial position of the council amongst people we met at a range of levels in the organisation was that it was “tough” and “challenging” – language which reflected people having a perspective that balanced a good understanding of the extent of the savings required, the belief that the council has a clear plan in place, confidence derived from what has been achieved to date and an appreciation of the relatively good position of the authority in relation to capital and assets. Certainly there was no sense of a ‘crisis’ situation – which contrasts heavily with what is being experienced in many other councils.

- It is readily obvious that the council will need to ensure the successful delivery of its savings targets and it is confident in the robustness of its approach to doing so. A system of monitoring progress across the extensive range of savings projects and overall delivery against the financial challenges is in place, which includes regular reporting to Cabinet and consideration by the Overview and Scrutiny Committee. We understand that the council has relaxed aspects of its financial controls and compliance for managers. We didn't explore the detail of this and can appreciate the rationale behind it, but it is obviously important that an appropriate balance is maintained in order to ensure there is sufficient rigour around budgets and the achievement of savings.
- What has been achieved to date is impressive but as the financial future becomes more challenging elected members will be required to make more difficult decisions and, in doing so, further demonstrate their resolve.
- Despite the budget position, the council is still able and willing to make significant additional financial investments in projects and services, including an additional £10m being dedicated to ensuring every school in Surrey is judged as 'Good' or 'Excellent' under the inspection regime and the funding of 500 apprenticeship places across Surrey to boost youth employment. Other examples include the establishment of new centres for dementia, well-being and disability in various parts of Surrey and investment in the council's IT capacity and capability.
- The council's approach regarding its finances is to focus on the long-term and, as part of this, seek to establish ways of generating additional income and better capitalising on assets and the ability to make investments. Examples include identifying ways of increasing trading activity, by providing services with other councils and organisations such as those currently delivered with East Sussex and Hampshire, and boosting revenue funding through capital deals that generate attractive rates of return and the purchase and leasing out of commercial property. However, prudently, no assumptions are being made around the financial return that these new avenues might secure in the years immediately ahead, with the council's Medium Term Financial Plan not reflecting any reliance on income from them for another four or five years.
- Key assumptions are, though, being woven in elsewhere in the financial planning which seem to be relatively optimistic compared to many other councils. Examples include a less negative view regarding reductions in the future levels of government grant, the ability to increase council tax levels by 2.5 per cent year on year, income from the New Homes Bonus that is based on the delivery of several thousand additional dwellings in the county, and demand for services rising steadily and manageably rather than dramatically increasing. We do, however, recognise key considerations sitting behind the council's assumptions. These include its relatively low level of government grant funding and its track record of declining government grants to support council tax freeze in favour of the financial resilience gained through increasing council tax. Also, income from the New Homes Bonus is reflected in the budget as providing the opportunity for additional expenditure rather than being used to underpin existing expenditure or offset required savings – thereby not building any reliance on this grant into its budget.

- We see the overall approach and assumptions that are being made as ambitious and different to those of most other councils, with this generating risks. However, the council is very confident about its approach and that it has adequately considered all of the risks. The council also has a good track record in relation to the financial assumptions it has made subsequently being proved to be accurate. It is important though for the council to ensure that variations from what is being assumed can be responded to in a timely manner, because any assumptions that subsequently prove to have been incorrect risk a major financial gap suddenly emerging for the council that there will be little time to respond to in anything other than 'fire-fighting mode'.

3.7 Partnership working

- The council has a strong commitment to 'doing what is right for the people of Surrey'. Politically the council is willing to take difficult decisions where it believes they are the right ones for the county to deliver the greatest benefit over the longer-term – with the recent decision to reject the government's council tax freeze offer, with the longer-term implications it has for the council's funding position, as a case in point. The political leadership is also not prepared to resort to short-term tactical decisions in a way that would compromise the strategic approach that has been developed and which emphasises long-term thinking and planning.
- The council has worked hard to bring about vastly improved relationships with the district and borough councils in Surrey. Everybody that we met who had an insight to these relationships indicated the dramatic turnaround that has taken place. The role of the Chief Executive and Leader has been crucial in this and there are a range of examples of the effort that has been put in by all concerned and the benefits that have been gleaned. The senior leadership of one of the boroughs or districts meets with the County Council's Chief Executive and Leader each month to discuss key local issues and the Leaders of some of the districts and boroughs recently acted as advocates of the council during the judging process for the LGC Awards. The 'arrogance' demonstrated previously by the council towards district and borough partners is seen to have reduced significantly. Recent months have seen around 1,000 county council staff, in the form of locality social care teams, moving from their existing accommodation in order to be co-located with district and borough staff in their offices. From April this year, any member of staff from any council in Surrey will be able to access any one of around 300 local authority buildings in order to link in to their IT network.
- Relationships with the health sector have also improved significantly, with this having been helped by the structural changes currently taking place. Public Health staff have been well engaged and warmly welcomed in the transition phase towards becoming part of the council. The Health and Well-Being Board was established in shadow form two years ago and is encouraging integration between health and social care. As part of the development of a Joint Health and Well-Being Strategy for Surrey, and determining the priority issues it will aim to address, the Board has led an engagement process which has emphasised the importance of co-design across partners and citizens. The way in which the Board has been developed and is operating represents a potential model for other partnerships to be based upon.

- The senior leadership of the council is making a concerted effort to engage with the business community and boost local business. The council is strongly committed to achieving a position of 60 per cent of expenditure on suppliers being spent with Surrey businesses and, indeed, it has already attained a level of 50 per cent. The authority has also established two web-based portals aimed at increasing the opportunities for local businesses to undertake work on behalf of the council. The Leader, Deputy Leader and Chief Executive meet regularly with some of the representative bodies for local business, including the Federation of Small Businesses, Chamber of Commerce and the Institute of Directors and this is very much welcomed, although there would be benefit in extending the dialogue to a broader range of businesses given that a potentially significant proportion of local businesses don't come under the umbrella of a representative body. Opportunities might also be found to involve district and borough councils in these discussions on a case by case basis.
- The changes facing local government generate significant opportunities for the voluntary, community and faith sector, for example in relation to helping to shape the design of services, being commissioned by the council to deliver services or taking on responsibility for functions or assets that the local authority feels unable to sustain in the light of diminishing funding. However, realising such opportunities will require increased dialogue, the growing of the capacity of the sector and new forms of partnership in terms of how the council and voluntary, community and faith sector organisations relate to and work with one another. The diversity of the sector can make it difficult for the authority to engage with a single representative body and the council has experienced some frustrations in the past around the sector seeking support and opportunities from the council, resulting for example in council staff being seconded to organisations in the sector to help them develop ideas and proposals, but then not delivering. A more united sector, combined with a renewed willingness on the part of the council to help the sector to develop its capacity, are required for the opportunities that exist to be fully realised.
- Something that the council may wish to be mindful of going forward is the view held by partners across different sectors that in future years they would both welcome, and can provide benefit to the council through, being involved earlier and more extensively in the council's considerations around its budget. The experience of people that we spoke to in other sectors has, to date, largely been of them being informed of the council's budget intentions rather than being asked to help shape thinking and options.

3.8 Understanding of local context and priority setting

- The council has a wide source of information regarding the make-up of Surrey, what is important to local people and how the organisation performs. In conjunction with the police, the council undertakes a quarterly survey of residents to obtain insights in to key issues including how satisfied people are with the way council runs things, the extent to which the authority provides value for money, how well the council keeps them informed and how able they feel to influence decisions. The authority also hosts ad hoc focus groups on key issues, such as council communications with

the public, and has utilised a number of different methods, including the SIMALTO model which involves participants making decisions on how to allocate financial resources, when consulting citizens on the budget. The 'Surrey-i' is a publicly available on-line tool which carries an extensive range of information on the make-up of the county, including Census data, which people can draw on. Short-digest summary information taken from this source is also available within the organisation. Such sources of information are used to inform decision-making and priorities but evidence-based thinking, whilst it is felt to have come a long way in the council over the last eighteen months or so, could develop further in the organisation.

- Customer service has moved forward significantly in the authority over recent years, with the advent of the customer contact centre and the enhancing of the council's website. However, it is important that the council continually reviews how things operate in order to ensure they are keeping pace with customer expectations. The council is actively considering how it needs to respond to changing customer behaviour, including the use of smartphones, and the proliferation of channels, including social media, through which more and more citizens are becoming used to being able to engage with organisations. Consideration is also being given to the issue of revising the council's customer service standards in order to keep pace with public expectation and how to reduce the cost to the council associated with existing customer contact methods. Given the council's aspirations around becoming the most effective local authority in the country – an issue on which we see local citizens as being key judges – it will be important to ensure the council's approach to customers is truly leading-edge and high performing. With the challenges that the authority has faced in recent years and the work that has been done around the likes of cultural change, investing in its people and addressing the financial pressures, there has inevitably been something of an internal focus to the organisation and it is important that there is an equal focus on the customer.
- As part of considering the future around customer service and service delivery, more joint thinking might take place with district and borough councils. Work also needs to be undertaken around the role of the citizen, including with regard to the role they can play in the co-design and co-delivery of services. The Public Value Review that the council has undertaken in relation to learning disabilities represents a model for the future around determining what the council offers in the way of services and how they are shaped and delivered. The review represents an example of leading-edge practice in public services around service user engagement, the involvement of staff and elected members in considering future approaches and the use of good approaches and principles around innovation – although it is recognised that the review did not feature a co-delivery element in what it considered.

Through the peer challenge process we have sought to highlight the many positive aspects of the council but we have also outlined some key challenges. It has been our aim to provide some detail on them through this report in order to help the council consider them and understand them. The council's senior managerial and political leadership will therefore undoubtedly want to reflect further on the findings before determining how they wish to take things forward.

Members of the team would be happy to contribute to any further improvement activity in the future and/or to return to the authority in due course to undertake a short progress review. Mona Sehgal, as the Local Government Association's Principal Adviser for your region, will continue to act as the main contact between the council and the Local Government Association, particularly in relation to improvement. Hopefully this provides you with a convenient route of access to the organisation, its resources and packages of support going forward.

All of us connected with the peer challenge would like to wish the council and the county of Surrey every success in the future.

Yours sincerely

Chris Bowron
Programme Manager – Peer Support
Local Government Association