


Notice of Meeting

Cabinet- Supplementary Agenda 2



<u>Date and Time</u>	<u>Place</u>	<u>Contact</u>	<u>Web:</u>
Tuesday, 17 December 2024 2.00 pm	Council Chamber, Surrey County Council, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF	Huma Younis or Sarah Quinn huma.younis@surreycc.gov.uk or sarah.quinn@surreycc.gov.uk	Council and democracy Surreycc.gov.uk  @SCCdemocracy

AGENDA

- 5 REPORTS FROM SELECT COMMITTEES, TASK GROUPS AND OTHER COMMITTEES OF THE COUNCIL** (Pages 1 - 10)

For Cabinet to consider the following report:

- A. Scrutiny of Draft Budget 2025/26 and Medium-term Financial Strategy to 2029/30.

Terence Herbert
Chief Executive
Published: 17 December 2024

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QUESTIONS AND PETITIONS

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Please note the following regarding questions from the public:

1. Members of the public can submit one written question to a meeting by the deadline stated in the agenda. Questions should relate to general policy and not to detail. Questions are asked and answered in public and cannot relate to “confidential” or “exempt” matters (for example, personal or financial details of an individual); for further advice please contact the committee manager listed on the front page of an agenda.
2. The number of public questions which can be asked at a meeting may not exceed six. Questions which are received after the first six will be held over to the following meeting or dealt with in writing at the Chairman’s discretion.
3. Questions will be taken in the order in which they are received.
4. Questions will be asked and answered without discussion. The Chairman or Cabinet members may decline to answer a question, provide a written reply or nominate another Member to answer the question.
5. Following the initial reply, one supplementary question may be asked by the questioner. The Chairman or Cabinet members may decline to answer a supplementary question.

REPORT OF THE COUNCIL'S SELECT COMMITTEES**Item under consideration: SCRUTINY OF 2025/26 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY TO 2029/30****Date Considered: 2 - 6 December 2024**

- 1 The four Select Committees of the Council share responsibility for the scrutiny of the Council's budget. Each Committee held a public meeting in December to consider the most up-to-date iteration of the draft revenue and capital budget 2025/26 and Medium-Term Financial Strategy to 2029/30.
- 2 Owing to this shared responsibility, each Select Committee reviewed the corporate, council-wide budget position and the specific service budgets specific to their remits. All four Select Committees raised common issues related to external economic circumstances impacting the Council including implications from the recent national budget rise in national insurance, the national minimum wage, increased interest rates and the knock-on effect for budget pressures, service provision and capital investment.
- 3 When reviewing the draft budgets as presented by Cabinet Members and Executive Directors scrutineers sought to understand assumptions that underpin the figures, to probe the risks associated with efficiencies and to be sure that the budget reflects resident and service-user priorities. Brief summaries of the scrutiny undertaken by each Select Committee and the recommendations made at those public meetings are detailed below. Full minutes of the meetings will be available after Cabinet has taken place.

Adults and Health Select Committee:

- 4 The Committee questioned the extreme pressure on the Adults Wellbeing and Health Partnerships budget which showed the net expenditure budget requirement rising by £18.5m to £524.5 million in 2025-26. This was largely as a result of the unsustainable rate of increase in adult social care package expenditure, accounting for 88% of the budgeted pressures over the MTFS period. The Cabinet Member explained that an ambitious transformation and improvement programme was being implemented to improve prevention efforts, reduce care package spending and, at the same time, improve the customer journey.
- 5 The Committee challenged assumptions around pressures and efficiencies and sought assurance that savings these could be delivered. The Executive director for Adults, Well-being and Health Partnerships responded that the programme was ambitious and that it would be challenging to deliver the size of efficiencies required. However, reassurance was offered that transformation would lead to better outcomes for residents and less intrusion in their lives. The focus was on care at home where possible, enabling independent living for longer through aids and adaptations at home (particularly the rollout of Technology Enabled Care across Surrey), with decisions taken to move individuals into care home settings and residential placements only when necessary. The Committee welcomed the commitment to helping residents lead longer happier lives at home.

- 6 Witnesses were challenged on care package demand assumptions and the forecast of rising demand over the MTF5 period. Reassurance was offered that robust modelling was undertaken to understand demand across different care groups. The Committee questioned the additional pressures arising from changes to the national living wage and the increase in employer National Insurance contributions. Members questioned the level of risk posed to the council budget by these changes, how the associated risks would be managed and what risk monitoring and management oversight mechanisms were in place. The potential impact of these changes on the social care market were noted. Officers advised that the risk was significant and that conversations were ongoing with the provider sector to understand how the impact could be managed. Clarity from government was needed on whether additional funding support would be provided in the local government finance settlement to address the sector's concerns.
- 7 The Committee scrutinised the impact of the proposed budget on residents and asked what changes they might expect to see in relation to social care or public health provision and whether any changes were likely to spark contention. Members expressed concern about the degree of culture change that would be required both within AWHP and in the public and how that would be delivered by the Transformation Programme. The move to home care presented a challenge. There was a perception that residential care was the answer in Surrey, with higher rates of people going into residential settings than elsewhere in the Southeast region. The importance of communications with residents and healthcare partners was noted, advocating principles around enablement, empowerment and independent living.
- 8 Members questioned reliance on technology and digital solutions to deliver the transformation and efficiencies required, given the varied digital infrastructure environment and resident connectivity issues particularly in rural areas. Reassurance was given that work was underway to ready residents through the digital inclusion action plan, and to improve resident access to digital infrastructure, appropriate training and resources. Members expressed concern about similar programmes from Surrey Heartlands and Frimley Health and how those would interconnect to avoid duplication, confusion and wasted effort. The risks associated with *Technology Enabled Care* and the Homes (TECH) Strategy were explored and reassurance given that these were being addressed as part of the digital switchover with mitigations developed to ensure that any critical equipment depended upon by residents in their homes, was not affected by power outages impacting fibre broadband or internet connectivity.
- 9 Overall, the Select Committee feels that very strong Risk Management processes with strong independent monitoring and reporting is required to keep strict control of the risks with a focus on effective early action to correct problems. This is going to be key if the service is to maintain spending within the budget envelope while at the same time maintaining vital services to residents.

Children, Families, Lifelong Learning & Culture Select Committee:

- 10 Witnesses were challenged on efficiencies of £11.1m which had been identified for 2025/26. The Cabinet Member explained that a large proportion of efficiencies related to social care placements. Children Looked After (CLA) was one of the most significant pressures on the current budget and a priority area for achieving savings. A member queried where any additional efficiencies would be sought from the Children's budget to close the remaining £17.4m budget gap. The Director of Children's Services emphasised that there was no current target for further efficiencies but that if these were required, the priority would be to protect and preserve statutory duties.
- 11 The Committee questioned staffing budgets and planned reductions to FTE. Staffing budgets were set to reduce by £5m through a full review of management structures and spans of control, initiatives to reduce the use of agency staff, and targeted early help work with families to reduce demand on statutory casework. Officers provided reassurance that staff reductions would not be made in front line staffing areas. This was welcomed by the Committee.
- 12 Members questioned the impact on third sector contracts arising from the national insurance changes and increase in the national living wage and queried what impact this might have on the delivery of services or any associated increase in contract costs. Officers responded that although a grant is expected to meet additional direct SCC costs, their understanding is that it is unlikely the third sector will be included in the scope of this grant. This will be clarified in the provisional settlement. Contract inflation pressures had been built into the draft budget although these might not accommodate the impact of the national living wage and national insurance changes.
- 13 Witnesses were challenged on the likelihood of achieving the £11m of efficiencies identified for 2025/26. The Committee was advised that the service had a reasonable level of assurance that the efficiencies would be delivered. Lessons of previous years where the service had struggled to achieve savings, had been learnt. The Cabinet Member referenced a complete transformation in service delivery in the homeschool travel assistance team and changes to procurement practice which had delivered improvements.
- 14 The Committee sought assurances that Early Help would continue to be prioritised in spite of increased demand for statutory services. The Director for Children's services responded that funding could not be prioritised into early help over and above statutory services but provided reassurance that a balance was being maintained despite the delicate funding situation. The Committee referenced its interest in short breaks and asked what changes to provision the budget encompassed. This question has yet to be answered.
- 15 The Committee sought reassurance on the impact of the budget to service users and residents, noting that the 25/26 budget represented a 6.4% increase in spending on children's service (more than double the increase to the Council's overall budget). Notwithstanding the growth, witnesses were asked whether there were any downsides or difficult decisions that would affect users. Officers

responded that there would be changes to the delivery of services which some residents might not welcome, for example having to wait for non-statutory services. The focus had to be on delivering statutory obligations to the best of the service's ability. This is likely to mean a retrenchment in areas of discretion. The Cabinet Member highlighted a review of the provision of Surrey Adult Learning which some would find difficult.

- 16 The Committee Chair made a statement relating to scrutiny of the Voluntary, Community, and Social Enterprise (VCSE) budget which falls within the Committee remit. The Committee had conducted a deep dive in accordance with the agreed budget scrutiny process into VCSE infrastructure organisation funding and the proposed funding redistribution. However, as it had not received the background information expected in October on the changes proposed in the sector and had not received any information on the impact of these changes, it requested a further meeting. This further meeting was refused by officers and regrettably therefore the Committee was unable to scrutinise this element of the budget and make recommendations. The Chair has raised concerns with the Monitoring Officer in relation to the rights of Select Committees as detailed in the Constitution.

Communities, Environment and Highways Select Committee:

- 17 Witnesses were questioned about the cost of large multi-year contracts and whether more could be done to drive down costs or ensure best value through effective contract management. The Cabinet Member for Finance sought to reassure the Committee that changes were being implemented to bring added focus to contract management and to drive value from contracts, ensuring added social value and benefits.
- 18 The Committee challenged the assumption behind the additional £14.5m pressures identified for 2025/26 in the area of *Environment Infrastructure and Growth* and whether these could be substantially higher than anticipated. Officers referenced concessionary fares reimbursement as an area where costs could be higher. There was a high risk that inflationary costs and wage rises would be passed on over time placing significant additional pressure on spend. A member asked about the impact on services of making the £2.6m efficiencies required by the draft budget and whether these meant doing things differently or stopping delivery. The Executive Director (Environment, Property & Growth) reassured the Committee that the vast majority of work would continue, but some things may continue at a slightly slower pace.
- 19 A Member questioned the impact of the proposed £0.5m efficiencies in Greener Futures Spending on the achievement of Net Zero goals. Witnesses provided assurance that work could be continued through collaboration with others including the southeast Net Zero Hub and the LGA and via the Greener Futures Board, to mitigate the impact. Leveraging additional resource and funding through partnerships was a priority although, the main issue was investment and funding from national government. Officers noted that the efficiencies related to specialist technical roles within the Net Zero 2050 programme. No reduction was planned to the 2030 team. The climate change agenda was constantly evolving and different

skills and expertise would need to be brought in over time as the landscape changed.

- 20 The Committee probed the reduction in the capital budget for solar investment (to zero), expressing concern that this had been a key component in the Council's 2030 Net Zero target. Officers explained their difficulty progressing ground mounted solar projects due to problems with connections to the Grid. The feasibility of delivering these projects by 2030 was unlikely. The Cabinet Member for the Environment accepted that there were risks to delivering Net Zero goals and work would be done to map out good quality offsetting as a potential mitigation. Lobbying government for increased funding and legislation remained the priority.
- 21 The Committee questioned long term spending to improve the maintenance and quality of Surrey highways. The Cabinet Member for Highways provided assurance that the amounts modelled in the draft budget over the MTF period would allow highways to remain at a steady state from 2027/28, although there were risks associated with inflation. Highways had received increased investment over a number of years to bring the roads back into a good condition and significant improvements had been made.
- 22 The Committee sought reassurance on staffing costs for Surrey Fire and Rescue Service and the cost of running the Joint Fire Control, and probed efficiencies in the Coroners and Registration Service. The Cabinet Member outlined work to digitise postmortems, using CT scanning technology which would provide efficiency savings in the future.
- 23 A Member inquired about the proposed reconfiguration of the Communities functions (under Adults Wellbeing and Health Partnerships) which aimed to deliver a £0.5m efficiency in 2025/26 and a further £0.5m in 2026/27. The Cabinet Member highlighted the importance of the work of the team in some of Surrey's most deprived communities. A reduction in Community Link Officers would be necessary and a shift to operating more flexibly over larger geographic areas. It would be important to monitor the impact of these budgetary changes on communities.

Resources and Performance Select Committee:

- 24 The Committee challenged officers on the size of the remaining budget gap (£17.4m), noting that it could be filled by a 2% rise in Council Tax. The Deputy Chief Executive gave assurance that all avenues would be explored before resorting to this measure, although ultimately it was a political decision. Officers explained the real risk that Surrey could get less formula funding than anticipated leading to a bigger budget gap.
- 25 The Committee sought assurance that efficiencies could be delivered noting that some from 2024/25 were not deliverable. Officers explained that a more rigorous governance process had been put in place to hold directors to account for the delivery of savings. A Member questioned the themes arising in Equality Impact Assessments and sought assurance that assessments would be produced using a

consistent approach. Officers explained that assessments were at different stages of development as efficiency plans were still in the process of being worked up.

- 26 The Committee raised the issue of staffing and restructuring and queried what proportion of savings could be achieved. Officers explained that a Council wide review of staffing was underway through the Organisational Re-design programme. This looked to restructure and combine services where appropriate to improve efficiency. The Committee asked about capital expenditure noting that the rate of increase in capital financing costs in the revenue budget had slowed. Officers explained that there had been a conscious drive to bring down capital expenditure and to refocus on capital investment to generate ongoing future revenue efficiencies.
- 27 The Committee sought assurance on risk, inviting the Deputy Chief Executive to characterise the risk profile of the budget and identify which risks caused the greatest concern to the sustainability of the Council budget and financial position. The Deputy Chief Executive advised that there was significant risk. The Council was in a relatively good financial position compared to the rest of the local government sector. Nevertheless, risk existed in the following areas:
- Funding reform and potential loss of funding
 - The need to deliver efficiencies
 - The need to deal with overspends and increases in demand
 - Government policy changes and *new burdens grants*
 - Inflation, interest rates and external economic factors
 - Dedicated School Grant and High Needs Block (delivery of the Safety Valve agreement)
- Mitigations existed in the form of healthy reserves, more focused oversight on savings delivery, ongoing focus on the transformation programme to deliver efficiencies plus improved accountability through the Finance Academy and a £20m contingency fund. The Cabinet Member highlighted the Council's historic financial performance, which was largely within budget, and suggested this should give Members a degree of confidence and assurance over delivery.
- 28 The Committee challenged witnesses on the timescale for delivering improvements via the transformation programme and asked whether the cost of the programme was proportionate to the savings. The Strategic Director for Customer Service Transformation explained that efficiencies would build over time from organisation redesign, plus transformation in Children and Adult services. The estimated costs and efficiencies had been built into the draft budget. Assurance and monitoring mechanisms were in place. A Transformation Programme Board, chaired by the Chief Executive, would take monthly reports on progress and delivery.
- 29 The Committee questioned the approach to use of reserves. These had been increased from a low level in 2018. Usable reserves now stood at around 12% of net revenue budget and Members were reassured that this was the right level and that reserves were not used to fund ongoing expenditure.

Adults and Health Select Committee*Adult Social Care:*

- I. It is recommended that strong and effective Risk Management is treated as a key requirement to ensure that Surrey's Adult Social Care Services remain sustainable while delivering the services needed by Surrey's residents.
- II. It is recommended that Needs Assessment is appropriately resourced and robust as it is central to the reduction of costs and at the same time it is essential the weaknesses identified by the CQC are rectified.
- III. A plan will be required within the next six months for review, to support the provision of Technology Enabled Care in areas where the provision of appropriate telecommunications services is weak or lacking.
- IV. It is recommended that there is investment in the tracking of spending.

Children, Families, Lifelong Learning & Culture (CFLLC) Select Committee*CFLLC Budget*

- I. The Committee notes the significant pressures on the Directorate's budget of pay inflation, and the efficiencies planned through staff restructuring. As the EIA is not yet available for the planned restructuring we are concerned at the impact on front line staff and at the risk that we will not have sufficient capacity to deliver vital preventive and statutory services. We are aware of high vacancy rates for social workers, with only some of these roles covered by agency staff.
- II. The Committee was reassured that frontline staff (including social workers, SEND caseworkers and residential caseworkers or alternatively qualified professionals) have been exempted from recruitment controls. It is important to the Committee that plans do not impact the continuing need to improve our communications and responsiveness in the area of additional needs and disability (SEND).
- III. The Committee is aware that there has been some growth in senior roles over the past few years and recommends that restructuring does not disproportionately fall on front line roles which are so vital to the delivery of services.
- IV. The Committee recommends that recruitment into vacant – or currently agency filled - front line roles is prioritised, and that difficulty recruiting some roles does not lead to budget being redirected or reallocated away from the frontline.

Culture Budget

- V. The Committee notes the success of the transformation programme which had delivered significant efficiencies whilst also transforming libraries into inclusive hubs for the community giving access to a range of community events and services.
- VI. The Committee welcomes and supports the new partnerships and funding streams that are being developed to deliver additional services.

- VII. The Committee recommends that the 2025/26 CDC Budget and MTFs should ensure there are sufficient staff to provide community hubs, identified as an important aspect of the libraries strategy and a key factor in helping to reduce isolation in society.

Communities, Environment & Highways Select Committee

- I. The Committee is very concerned about the deprioritisation of Greener Future's spend in the budget.
- II. Supports the investment in additional verge maintenance and area clear up gangs.
- III. Repeats its recommendation to reconsider expansion of Digital Demand Responsive Travel and further investment in light of the extreme financial challenges outlined in the draft budget papers, noting that Digital Demand Responsive Travel investment is identified as a continued priority in Cabinet response to Committee's November recommendations and in the budget papers.
- IV. Supports the re-set of capital expenditure plans to bring down the capital debt financing requirement. This was highlighted by the Committee as an area of concern in its budget deep dive conclusions and recommendations.
- V. In light of the large contracts that account for a large proportion of EIG's spend, the Committee recommends a greater focus on driving value out of large Council contracts.
- VI. Recommends that Members be advised of any changes to the capital programme that affect their divisions.

Resources and Performance Select Committee

- I. The select committee welcomes the council's work to deliver a balanced budget in an extremely challenging financial context through aligning revenue budgets, capital investment and transformation plans within both Directorates and the organisation and recommends that this integrated approach continues to be employed in future years.
- II. The select committee appreciates the importance of ensuring continued financial resilience to protect services for residents and the important progress made to close the budget gap to the remaining £17.4m, but recognises that the Council will need to make difficult decisions to close the gap that is likely to continue to grow over the remainder of the medium term.
- III. The select committee welcomes the completion of Equality Impact Assessments for proposed budget efficiencies. The Committee notes that they are in different stages of completion and that further work is required to fully complete them to a high and consistent standard (using the agreed template and process). The select committee recommends that this continues to be assessed as part of its work overseeing Equalities & Diversity.

- IV. The select committee welcomes the reduced capital financing costs in the revenue budget, but voices concern about the deliverability of the scale of the remaining capital programme, and risks that this may therefore pose to key priority areas of investment.
- V. The select committee endorses the council's attitude to risk and the budget's risk profile and recommends that work continues to revise overall risk downward across the medium term (recognising the work of the Audit and Governance Committee to monitor risk). The Committee notes the significant risk associated with transformation programmes and has continued concerns about siloed working and effective governance and oversight across the programmes at the heart of the Council's efficiencies savings (noting the experience with MySurrey) and urges the S151 officer to prioritise focus in this area.
- VI. Accountability for delivery of efficiencies: The Committee supports the additional focus on good governance and increased oversight of the delivery of savings through implementation of efficiency delivery plans and robust monitoring to hold directorates to account; and looks forward to reviewing the success of this approach.
- VII. The Committee notes concern about the Maintenance backlog and requests to review past and current maintenance reports in more detail. (*Possibly via a Task & Finish Exercise*)

Fiona Davidson
Chairman - Children, Families, Lifelong Learning Select Committee

Robert Hughes
Chairman - Resources and Performance Select Committee

Trefor Hogg
Chairman - Adults and Health Select Committee

Keith Witham
Chairman - Communities, Environment & Highways Select Committee

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