

SUSTAINABILITY REVIEW BOARD – REPORT March 2017

Introduction

1. At its meeting on 31 January 2017, the Cabinet agreed to establish a Sustainability Review Board comprising three cross party Members, the Strategic Director for Adult Social Care and Public Health, the Deputy Chief Executive and the Director of Finance. As part of the recommendation, the Cabinet requested the board bring back an initial report to the Cabinet meeting on 28 March 2017 on progress towards identifying £30m permanent service reductions and up to a further £22m one-off reductions required to achieve a balanced budget in 2017/18.
2. As any service reductions identified as part of this process would be new reductions and have not been included in the medium term financial plan to date, it is anticipated that it would be challenging to ensure a full-year effect as a number may need consultation and further work to make the changes required. Therefore the savings have been modelled on the assumption that these savings have a part-year effect equivalent to one quarter of the year (approximately £8m). The additional one-off savings of £22m included in the terms of reference for the Sustainability Review Board is in recognition of this and to help ensure a balanced budget for 2017/18.
3. At the time of making the recommendation, the Cabinet also recommended a council tax rise of 14.99% so the work of the Sustainability Review Board was in the context of identifying the additional savings that would be required should a referendum deliver a “no” vote. The County Council subsequently approved a council tax rise of 4.99% and therefore the additional £30m savings are required to balance the budget for 2017/18.
4. In his budget statement, the Chancellor announced additional grant funding of £2bn over 3 years for social care. This equates to £7.5m for Surrey in 2017/18 which may reduce the current £30m gap but does not resolve the issue. The Section 151 Officer has confirmed that the council’s reserves are at minimum safe levels and it would be unwise to use these to balance the 2017/18 budget without considering all other options. Any additional reserves used in 2017/18 would have to be replenished in 2018/19 and therefore a focus on identifying a solution for the £30million gap in 2017/18, rising to £41million in 2018/19 is key.

Approach taken by the Board

5. The Sustainability Review Board met a number of times between 7 February and 20 March 2017. These sessions have focused on reviewing the budgets and opportunities across all the council’s functions. The Board has also taken time to review and understand the pressures and savings proposed for the Medium Term Financial Plan 2017-22 (including the additional £93m of savings) as well as any benchmarking data available to understand the context in which the council is operating.
6. The Sustainability Review Board found that the benchmarking information currently available to the council is limited and does not in most cases provide a full picture of both financial and performance data in one place. The Board would recommend that officers involved in the Sustainability Review Board look into options to increase the council’s benchmarking capability, particularly how others fulfil their statutory obligations, balancing the benefits of benchmarking against any costs associated.

7. In agreeing an approach, the Sustainability Review Board has focused on protecting those service areas where the council is making the greatest positive impact for residents and ensuring that in proposing any further service reductions, the council would still meet its legal obligations. The council has a number of statutory responsibilities it must deliver as a county council which form the basis of the council's delivery model. The way in which these are delivered is of course open to some level of local choice and therefore whilst the Board has taken account of statutory versus non-statutory functions, it has not ruled anything as being out of scope as it is important to consider the way the council delivers services fully, irrespective of the statutory and non-statutory distinction.
8. The Board has also consulted widely and Members were invited to private sessions with scrutiny boards to discuss opportunities and approaches within their remit. Members have actively engaged in these discussions and the Board would like to thank them for their support.
9. The scrutiny board sessions have re-affirmed that there are no quick fixes or significant new ideas that would easily solve the budget challenges but have helped to test out opportunities and form the basis for the themes presented to the Cabinet in this report.

Findings

10. In the short period of time the Sustainability Review Board has been working, it has not been possible to identify savings to the level required to balance the budget for 2017/18. The council has made £450m annual savings in the budget over the last 5 years and is already proposing an additional £93m of savings in 2017/18 so it is unsurprising that there are no simple changes that can be made at this stage.
11. The Board has identified some additional opportunities for the Cabinet to consider, which are detailed in Annex 1. The Board recognises that some of these savings would be visible to residents and will not be widely welcomed by Members or residents. However, in the context of the financial challenges and need to balance the budget, they were felt viable to make within the council's legal responsibilities and deliverable during 2017/18. The full-year effect of these savings would be between £3-5m depending on the scale of reduction chosen and some are relatively easy to implement from the start of the financial year. Many are also reversible and could be reviewed in future years should the financial position improve.
12. The Sustainability Review Board has also identified a number of themes and service areas which it would recommend the Cabinet asks officers to investigate further given their potential to deliver savings in 2017/18 and longer-term. This work needs to be started immediately and pursued at pace to ensure that savings are made during 2017/18 and transformation plans in place to ensure the savings targets for 2018/19 are met. The Board also recommends that the council has a renewed focus on income generation and looks for commercial opportunities to support vital services for residents.

Place-based Approach

13. A key theme that arose consistently in discussions with all scrutiny boards was the use of assets and co-location of services. Members were able to give a number of examples of facilities they had visited in Surrey and elsewhere where public sector services were brought together in one place, enabling residents to access services more easily and generating a strong community feel.

14. The Board felt that a place-based approach to service delivery needed to be developed, bringing together the full range of services residents access locally (family services, youth services, children centres, health, libraries, adult community learning, leisure activities etc.) and consider how best to arrange these going forward – taking a needs-led rather than brick-based approach. Through this approach and effective involvement of key partners, such as Districts and Boroughs and CCGs and the voluntary, community and faith sector, a more strategic map of public services needs to be developed which maximises the use of the public estate as well as clarifying how best to target services to residents. This should also be extended to include wider infrastructure needs and help to inform a further review of transport including bus subsidies and the impact of any further changes being made to Surrey’s transport strategy.
15. Work is underway within the council to develop a Surrey-wide view of assets, mapping what services will look like in five years’ time and developing options for how the council uses its assets most effectively to support this. The Sustainability Review Board would endorse this as the right approach and suggests that this is accelerated. There is also felt to be a role for local/joint committees to play in the local discussions given Members’ community leadership role. With the election this provides an excellent opportunity for new Members to provide some objective challenge to the process.
16. The Board felt that this approach would lead to both financial benefits as well as improved outcomes for residents if resourced appropriately. Ensuring that the right resources, particularly in relation to property services, are in place is critical to this and will require some further investment.

Central Services

17. The second theme identified by the Board relates to central services and ensuring these are effectively utilised across the council without duplication. At present, the council has a combination of directorate-based and central resources in a range of functions such as policy and performance, commissioning, research and intelligence. They provide different roles and whilst these functions need to be retained in some capacity, the Board felt that a more streamlined, matrix management approach could be considered which aligns with the council’s wider business support model. The Board would recommend a review be undertaken to identify any areas for efficiency, considering how the central teams and service roles interact and reducing duplication by developing shared functions across directorates. The Continuous Improvement and Productivity Network led a piece of work gathering data on these areas as part of the Support Functions Review and tested the approach with Communications. The Board would suggest that this could be broadened out to other similar corporate functions as identified above, whilst also continuing to review whether any further savings could be made in the Communications’ Service. This work should also take account of any opportunities there might be across Orbis as well as linking with the back office workstream within Surrey Heartlands Sustainability Transformation Plan when considering Adult Social Care and Children, Schools and Families functions. The Board would also recommend a review of major IT projects be undertaken to ensure that only projects with a critical business need or those which support cost savings are resourced.

Benchmarking

18. The council has traditionally used two sources of information for benchmarking. The first is using nationally available statistical data sets that provide the levels of expenditure for various services and comparing these to populations, either total or by age. Whilst providing a good high level picture, these do not relate the expenditure to performance. The second source has been through services joining benchmarking clubs. These have

been useful to compare transactional performance for services, but are again limited for comparing outcomes, and dependent on the number of local authorities joining the benchmarking club.

19. In recent years a number of providers have started to use digital technology to take available data from various sources to provide a more granular and more current / up-to-date level of comparative benchmarking. This is an area that officers are currently investigating.

Member Allowances

20. The current Scheme of Member Allowances is in place until May 2017 and the Independent Remuneration Panel has begun work to consider the current scheme, aiming to make recommendations to the County Council in October 2017. Given the financial challenges and the council's desire to protect vital frontline services, the Sustainability Review Board felt that any increase in allowances at this time would not be appropriate and a thorough review of special responsibility allowances should be undertaken to ensure that only the most essential roles are in place, reducing the numbers of Special Responsibility Allowances. It is suggested that this report and the Medium Term Financial Plan, along with the minutes of the County Council meeting on 7 February 2017, are shared with the Independent Remuneration Panel to ensure they consider the financial environment as part of their review.

Staffing

21. The council has made significant budget savings over the last 5 years but during the same period, the headcount has remained relatively stable. However, it is recognised that although reductions have been made to the headcount within a wide range of services across the council, it has also taken on responsibility for additional functions during this time such as public health and has seen increasing demand on services. Significant savings have also been reported to People, Performance and Development Committee in relation to senior leadership roles within the organisation although some Members have questioned whether this has led to an increase in roles further down the management structure. In line with Council Overview Board's recommendation to the Cabinet on 31 January 2017, the Sustainability Review Board would support a continued review of staffing roles and levels and salaries across the council, particularly at a senior level (those included in senior pay grades).
22. Agency and contractor spend is another key challenge for the organisation. Work continues in this area, with a focus in areas of social care on converting locums to permanent staff and controls in place across the organisation more widely to limit spend on agency staff and contractors. The Board endorses a continuation of these controls, with a continued focus to ensure that agency spending is reduced wherever possible. A review of HR policies relating to recruitment of agency staff, flexible retirement etc. and whether these are being used appropriately within the organisation, to ensure a lean, flexible and fit for purpose workforce is also recommended.

Income Generation

23. The Sustainability Review Board has identified a number of services that could be stretched further and aim to be self-funding. These are included in Annex 1. The Board feels all services need to take a more business-like approach and continue to look for further opportunities to generate revenue where appropriate in order to support vital services for residents (an example provided by Resident Experience Board being coffee shops in community spaces such as libraries.) This may include a need to consider an

alternative delivery vehicle in some instances, such as a local authority trading company or trust arrangement. Ensuring the council's recruitment processes include a focus on commercial skills and that this expertise is targeted towards the priority areas within the council will assist services in moving to a self-funding basis.

Grass Cutting

24. The Medium-Term Financial Plan proposes some reductions in the budget for grass-cutting. From discussions with the service, it would be possible to reduce the budget by another £500,000 whilst still ensuring the council meets its legal duties. This is another area the Cabinet may wish to consider although as a year's notice is required, this would be a saving for 2018/19 rather than 2017/18.

Social Care

25. This is the Council's largest area of spend and also the area which is experiencing the largest increases in demand. The Board recognises that this makes it challenging to make further savings.

SEND/Children's Services

26. These are two of the largest areas of spend in Children, Schools and Families. There are also already significant, challenging savings targets attributed to these areas, particularly around SEND. Bearing this in mind and given recent inspection outcomes, the Board did not feel that additional savings should be made in this area in 2017/18 and could present a regulatory risk. The Board would however suggest that this is kept under review as the savings and service improvements are delivered to ensure any further opportunities are realised.

Adult Social Care

27. As the population continues to live longer, demand for Adult Social Care is rising with increasingly complex demands. The Board would encourage officers to work with partners in looking for alternative ways to meet residents' needs, ensuring flexibility in the approach so that all options can be considered and the council makes best use of the support available in Surrey's communities. The Board would also support a focus on looking at where the council can do things differently, with two specific examples below.

Accommodation with Care and Support

28. The Sustainability Review Board strongly supports the Accommodation with Care and Support Programme to ensure the council is able to support residents to live independently in the future whilst managing its financial pressures. This is one of Adult Social Care's key priorities and work is underway to deliver against this across all client groups but the Board would endorse an acceleration of this work.
29. The Cabinet approved the business case for the council to offer land to the market to deliver 600 affordable extra care flats over the next 10 years and the current medium term financial plan includes savings associated with an increase in the number of people with learning disabilities living in supported housing rather than residential care settings. From the analysis of future needs, it is anticipated that if further provision was available in Surrey then more residents could benefit from accommodation with care and support, leading to improved outcomes and further savings for the council as well as Health.

30. The Sustainability Review Board recommends that this programme is reviewed and market testing undertaken to see if it could be extended and accelerated if the council was able to increase the resources to deliver this. As an indication of the savings it could deliver, financial modelling shows that the average net amount saved on care costs per resident moving to Extra Care housing is £4,600 per annum when compared to the alternative care costs. Based on an Extra Care housing scheme of 50-60 flats, this equates to an annual average saving of approximately £280,000 per scheme.

Learning Disabilities

31. Another priority for the council is continuing to improve the support to people with learning disabilities. From discussions with the scrutiny boards and the Cabinet Member for Adult Social Care, Wellbeing and Independence the Board felt that there were opportunities to review the way the council currently structures its social care services. This review would consider the potential to have a learning disabilities service which supported residents throughout life with a strong driver to encourage independence and employability. Whilst the Board recognised that there is different legislation in place for children and adults, a single service approach would help to ensure the full pathway is considered and remove any artificial handover points, focussing instead on a smoother transition as needs change. This in turn will improve residents' experience and may also lead to cost savings in the packages of care being put in place.
32. It was felt that a review of the legislation around Learning Disabilities and SEND should be undertaken in order to ascertain whether there is scope to charge 'top up fees' for those wishing to pay for enhanced service provision above what the council legally has to provide. This would then allow service users a choice but not at an additional cost to the council.

Conclusion

33. In line with the original recommendation of the Cabinet, the Sustainability Review Board has focused on identifying areas which could contribute to the additional savings required in 2017/18. These are outlined in Annex 1 and in most cases could be permanent reductions or one-offs which could be reinstated in future years should alternative service reductions be identified or the financial position improves.
34. In doing this work, the Board has also identified a number of areas where accelerating work or taking a different approach could result in further savings and improved outcomes for residents. The place-based approach is key to this, ensuring that services work together at a local level and makes best use of the council's resources to deliver vital services to residents.
35. Despite a full review of council services the Board has not been able to identify the level of savings required. Further work is paramount for longer term sustainability and the medium term transformation work to implement the activities and themes identified is seen as high priority with a view to start realising potential savings by quarter four of 2017/18.

Recommendations

The Cabinet:

- Asks the Director of Finance to consider the options to increase the council's benchmarking capability, balancing the benefits against any costs associated.

- Considers the Sustainability Board’s proposals for service reductions in 2017/18 as part of the Medium Term Financial Plan 2017/20.
- Commissions further work on the themes identified by the Sustainability Review Board to commence immediately.

<u>Function</u>	<u>Description</u>	<u>2017/18 saving</u>
Communications	Stop Surrey Matters. Move to digital communications wherever possible, including print on demand service of key documents. Paper-free committee meetings by end of first year of new council.	£250,000
Members Allocations	Propose to stop for next two years and then review.	£729,000
Community Improvement Fund	Propose to stop for next two years and then review.	£264,000
Surrey Growth Strategy	Propose a review of this – saving based on removing full budget.	Up to £670,000
Local Committee Highways Schemes	Propose to stop in 2017/18 and then review.	£450,000
Fire Contingency crewing/specialist rescue	Remove this provision.	£418,000
Heritage	Target for service to be self-funding in the longer term.	Up to £1,381,000*
Arts & Music	Target for service to be self-funding in the longer term.	Up to £394,000*

Total Full-Year Effect**£4,556,000**

***Note:** The figures in the table indicate the saving potential should the function become fully self-funded. The Board does not feel this is achievable in one year but the Cabinet may wish to propose an increased income target to work towards this.