



Overview and Budget Scrutiny Committee

14 September 2017

Budget Sub-Group Report June – July 2017

Purpose of report: Scrutiny of Budgets

Introduction:

1. The Overview and Scrutiny Committee set up a Budget Sub-Group at its 16 July 2017 meeting. The Sub-Group, chaired by Nick Harrison with membership from Ayesha Azad, Tim Evans and David Harmer, has been tasked with undertaking council-wide budget scrutiny.
2. The Sub-Group has so far met twice with the Deputy Chief Finance Officer to review budget monitoring data, the CIPFA report on the council's financial resilience and to revisit the 2016/17 Sustainability Review Board recommendations.

Activity

Budget Monitoring

3. Since its formation the Sub-Group has met on two occasions in June and July to review the May and June budget monitoring reports. A summary of the group's work is outlined below.
4. At this first meeting Members noted the headline budget issues; namely a forecast £24m overspend (including £9m of unidentified savings, £7m of savings considered unachievable and £11m service pressures). The Sub-Group identified 'red' (high risk of non-delivery) and 'black' (forecast not likely to be achieved) 2017/18 efficiencies risk ratings for further investigation and to review what actions were planned to mitigate these.
5. In July, the Sub-Group reviewed all of the 'red' and 'black' rated efficiencies with the Deputy Chief Finance Officer providing reasoning for each rating.
6. Members queried the reasons behind unforeseen demand on Children's Services and how Adult Social Care would achieve the forecast spending with no variances given the demand for its services. It was decided that sessions focusing on these two Directorates should be arranged for September and October.
7. The timeline for the budget planning process was discussed and the Sub-Group underlined the need for urgency in identifying the £29m gap in the Council's savings plans and detail on any use of reserves to meet this gap this year and in 2018/19.

Sustainability Review Board Recommendations

8. The Sub-Group revisited the suggested actions from the Sustainability Review Board that reported to Cabinet on 28 March 2017.
9. Benchmarking: this is currently being worked on to enable the Council to benchmark itself against other local authorities. A new benchmarking tool will assist with this.
10. Place-based approach: the Strategic Director for Environment and Infrastructure is leading a pilot on this around waste services, with a view to the place-based philosophy being adopted in other service areas.
11. Communications savings: these were taken forward and have been achieved, although a review could potentially identify further areas for savings.
12. IT projects with critical business need: progress not known.
13. Staffing levels: services are holding vacancies as a way of delivering savings, however it is worth recognising that reducing staffing levels in some areas will impact on service delivery.
14. Income generation: Select Committees could review all service charges. Members of the sub-group suggested exploring opportunities to generate further income through joint ventures particularly with regard to waste processing.
15. Care and support: this is an ongoing project, the Cabinet Member for Adults has been trying to drive the accommodation solutions forward. However, there is a problem with revenue and lack of funding for such accommodation. Options include partnering with a private sector provider through a tender or bringing care homes back in-house and adapted them to deliver the care and support plan.

Conclusions

16. The Sub-Group wrote a letter (Annexe 1) to the Leader of the Council to highlight a number of 'at risk' efficiencies and other areas of concern. The letter further recommended a number of actions to make savings.

Recommendations:

17. That the Committee review the activity of the Sub-Group and its next steps providing feedback on the approach taken so far and to suggest any future areas of focus for budget scrutiny.

Next steps:

- The Sub-Group will meet with representatives from Adult Social Care & Public Health on September 28 and Children, Schools and Families on October 12 to review savings plans and any potential service changes. These meetings will involve the Chairmen of the Adults & Health Select Committee and the Children & Education Select Committee.

- The Sub-Group will continue to scrutinise council budgets and savings plans and will provide an update to this Committee at its next meeting of 16 November 2017.
 - Receive a response from the Leader of the Council on the issues raised in its letter of 1 August 2017.
-

Report contact: Ross Pike, Scrutiny Manager, Democratic Services

Contact details: 0208 5419 122 / ross.pike@surreycc.gov.uk

Dear David,

1 August 2017

The Budget Sub-Group, comprising Ayesha Azad, Tim Evans, David Harmer and myself met with officers on 25 July, and we agreed to raise some concerns with you. I briefed you verbally later that day.

Our concerns are as follows:

The July monthly budget monitoring report shows limited progress in the month in reducing the £24m overspend forecast revenue budget outturn for 2017/18. We wish to emphasise the need for urgency in realising this year's savings, as we are now one-third through the financial year. We were told that officers are working on the problems and seeking alternative approaches where savings are now considered unachievable, but no details were forthcoming from the finance team.

When and how will the additional savings to close this year's budget gap totalling £9m be identified? The view of the Budget Sub-Group is that this must be tackled immediately to mitigate the risk of further overspends. The earlier these additional savings can be identified, the earlier consultation can begin, giving the Council the chance to realise savings in 2017/18 and reduce the likelihood of further use of reserves.

Last year the Council set up a "star chamber" of the Chief Executive and Chief Finance Officer to oversee the savings programme. We ask that an appropriate senior officer focus group is established this year to lead efforts. With the upcoming retirement of the Chief Executive and the Chief Finance Officer's broader focus on Orbis matters, leadership resources are thinner and this may have to be set up differently this year.

In relation to the budget for 2018/19, we suggest as a matter of urgency that the Leader and Cabinet need to decide how the extra £20m unidentified savings are divided up and allocated, and whether this should take a pro-rata approach or by service prioritisation. This will help Services focus on their budget targets for 2018/19.

We suggest the Leader and Cabinet ask officers to revisit the recommendations of the Sustainability Review Board (SRB). Besides specific savings recommendations which were dealt with by the Cabinet at their March meeting, the SRB recommended the Cabinet asks the Chief Finance Officer to consider options to increase the council's benchmarking capacity, and to commission further work on high priority themes identified by the SRB, to commence immediately.

The Budget Sub-Group looked in greater detail at the "Black" (savings forecast as now unachievable) and "Red" (high risk of non-delivery) variances - see attached paper. We comment as follows:

- Early Help is developing a new operational model, and there have been delays to get the offer "right" for Surrey, and £2.6m is judged now as black. We realise this is early days but the Budget Sub-Group find it difficult to understand quite how the new model will work and how these savings will eventually be realised.
- Children's Services is experiencing exceptional demand - both the cost of placements and volumes. We ask if better forecasting and service standards cannot

be developed, as the variances emerged quite soon after detailed budgets were set in March.

- Adult Social Care is forecasting on budget with no variances overall. However, we are aware there are red risks with whole systems demand management and personalised strategic shift for people with disabilities. This is by far the biggest budget for the council, and we find it surprising that some underlying variances - even ones offsetting each other - have not yet emerged.

Regards,

Cllr Nick Harrison
Chair of the Budget Sub-Group

RESPONSE

Dear Nick,

5 September 2017

Thank you for your email following the Overview and Budget Scrutiny Committee's sub group meeting in July. I consider it very important that members, via the Sub Group, do scrutinise the monthly budget monitoring.

Since your Sub Group's meeting, the July budget monitoring and forecasting has been completed and shared with Cabinet. However, I have attached the report for your information. This shows a small total improvement in the forecast outturn to £23m overspending. However, there are a number of off-setting changes that lead to this. Chiefly amongst these are Adult Social Care now forecasting an overspending of just under £1m, offset by marginally higher underspends across a range of other services. This report addresses your comments on Adult Social Care savings. The service will be attending the Sub Group in the near future to discuss their budget in more detail. Similarly, Children, Schools and Families will be attending the Sub Group in October and will be explaining the Early Help model and the forecasting of Children's Services demand.

To mitigate the impact of savings shortfalls and service pressures, services are seeking alternative savings and cost reductions; and looking to delay expenditure where possible while Cabinet develops a recovery plan. The Cabinet will be focusing on this recovery plan and developing a strategy for the next Medium Term Financial Plan (MTFP) period in its informal meetings in September. The Council does need to take a long term approach to transforming its services to become sustainable. Key to this is not making short term decisions that may either make the situation worse, or prevent longer term transformation occurring. The Cabinet will be reviewing actions to achieve a balanced budget in the current year, and in 2018/19 in the light of these principles.

When the Cabinet considered the savings proposals of the Sustainability Review Board in March, and approved those that were achievable in the current financial year, it did so on the basis that it would look again at these proposals in developing the 2018/19 budget. In developing the new MTFP the Cabinet will be making greater

use of benchmarking and to this end the Chief Finance Officer is in the process of increasing capacity to do this through CIPFA's CFO Insights tool.

Thank you once again for your group's work on this, and I look forward to further comments in future months.

Regards,

David Hodge CBE
Leader of the Council