

Corporate Overview Select Committee

25 October 2018

Budget Sub-Group Report July-October 2018

Purpose of report: Scrutiny of Budgets

Introduction:

1. The Corporate Overview Select Committee formally reconstituted its Budget Sub-Group on 29 June 2018. The Sub-Group has since met on 27 July and 12 October 2018. The Sub-Group, chaired by Nick Harrison with membership from Ayesha Azad, Tim Evans, Chris Botten, David Harmer and Ken Gulati (ex officio) has been tasked with undertaking council-wide budget scrutiny. On 29 June, it was agreed that attendance to meetings of the Budget Sub-Group be extended to all Members of the Corporate Overview Select Committee.
2. The Sub-Group has so far met twice with the Deputy Chief Finance Officer to review budget monitoring data and savings plans.

Activity

3. A summary of the group's work is outlined below.

27 July 2018

4. Members raised concerns around the lack of clarity on the budget scrutiny process for the year, seeking assurance from officers. With the programme of transformation and delivery of the draft Preliminary Financial Strategy (PFS), the Deputy Chief Finance Officer explained that a plan for budget scrutiny would be drawn up imminently alongside Democratic Services.
5. Members noted that new and more robust arrangements were in place to track and monitor the delivery of the Medium Term Financial Plan (MTFP) savings and additional in year savings. The Deputy Chief Finance Officer clarified that Finance would be building on the saving tracker to ensure that each saving was linked to an owner and followed recorded milestones. It was explained that a summary of the savings tracker would be considered by the senior management team on a monthly basis.
6. There was a discussion around the scope of change within the savings plan due to transformation in the Council. The Deputy Chief Finance Officer explained that £133m savings had already been identified and the programme of transformation would identify the remainder of the £250m savings required over the coming years.

7. Members expressed concern with the Council's forecast of a £11.8m overspend at year end. It was noted that this was due to the Council continuing to face significant budget pressures for children with special educational needs and disabilities (SEND). Various pressures including the increased volume of Education, Health and Social Care Plans (EHCPs) had led to an overspend. The Deputy Chief Finance Officer stated that the large increase in EHCPs was due to a change in legislation and that between January and March 2018 there had been an increase of 600 additional EHCPs. Further concerns were raised around adult social care debt and the difficulty faced with trying to secure payment.
8. The Sub-Group was made aware that services had been asked to look at ways to achieve additional savings of between £15-20m for 2018/19. Proposed savings included removing the stationery budget, removing historic underspends from budgets and putting a time restriction on expense claims. (Note that this target was increased to £40m in August to avoid the use of earmarked reserves included in the 2018/19 budget agreed in February 2018).

12 October 2018

9. At this meeting, the Sub-Group reviewed officer responses to agreed actions from the previous meeting held on 27 July 2018. There was an in-depth discussion around the Schools and SEND cost containment plan and in particular the need for the service to work with partners to agree the split of costs. The Sub-Group welcomed the 'Reason for RAG status' column included within the cost containment plan. In regards to the 'Expansion of Places' item within the plan, the Deputy Chief Finance Officer confirmed that a capital strategy from property services was being progressed. It was agreed that the Chairman of the Audit and Governance Committee review the Internal Audit Report on Individual Statements of Pupil Support Budgets (ISPSBs) payments item within the cost containment plan and in particular the £800k overpayments for ISPSBs.
10. There was a discussion around the increase in the number of EHCPs being administered by the Council. The Deputy Chief Finance Officer explained that this was a trend impacting all local authorities. It was agreed for benchmarking data from other local authorities on this increase to be provided to the Sub-Group at a later date.
11. There was a short discussion around the transformation projects funded by capital receipts including the SEN transport project. Members of the Sub-Group expressed concerns that there were a number of projects identified within the proposed schemes to apply capital receipts which would not generate on-going savings. The Deputy Chief Finance Officer explained that these projects, in particular the SEN transport project which had been budgeted to use £5.5m in funding, were not to be funded from capital receipts as they did not now meet the necessary criteria.
12. In regards to finance and budget monitoring to July 2018, it was explained that the forecast revenue budget variance stood at £10m overspend. Management actions totalling £32.2m were required to deliver the extra £40m in year savings target. It was commented by the Deputy Chief Finance Officer that the proposed management actions to reduce the 2018/19 forecast net spending by £40m would not impact front line services. It was further added that budget accountability statements would require sign off by budget holders.

13. Members agreed for risks and Red-Amber-Green (RAG) statuses to be included alongside all budgetary information produced by the finance team (including forecast revenue budgetary information and proposed in year savings plans). It was agreed for officers from services to attend Sub-Group meetings to discuss in-depth service savings plans in the future.

Conclusions

14. At the July Sub-Group meeting a number of actions were agreed including a request for further information around specific schemes contained within the savings tracker, details around the £5.3m forecast variance for general funding, information on the total number of Council assets and investments held in Halsey Garton Property group and an update on the budget scrutiny process for the remainder of the council year.
15. At the October Sub-Group meeting, Members agreed that a minimum of two Sub-Group meetings would be scheduled to review in-depth proposals made to deliver services as part of the PFS envelopes. It was agreed that Select Committee Chairmen would be invited to these meetings to support the budget scrutiny process.

Recommendations:

- a. For risks and RAG statuses to be included alongside all budgetary information produced by the finance team (including forecast revenue budgetary information and proposed in year savings plans).
- b. For at least two meetings of the Sub-Group (to include Chairman of relevant Select Committees as appropriate) to be scheduled between October and January 2019 to cover in-depth proposals made to deliver services to the new budget proposals.
- c. The Chairman of the Audit and Governance Committee to review the Audit of ISPSB (Individual Statements of Pupil Support Budgets) payments item within the cost containment plan and in particular the £800k overpayments for ISPSBs.

Next steps:

- That the Committee review the activity of the Sub-Group providing feedback on the approach taken so far and to suggest any future areas of focus for budget scrutiny.
- The Sub-Group will continue to scrutinise council budgets and savings plans and will provide an update with recommendations to this Committee at its January 2019 meeting.

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Sources:

COSC Budget Sub-Group minutes, 27 July 2018
COSC Budget Sub-Group minutes, 12 October 2018

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