

Corporate Overview Select Committee

13 December 2018



Budget Sub-Group Report- Budget Scrutiny

Purpose of report: Scrutiny of Budgets

Introduction:

1. At the Corporate Overview Select Committee meeting of 25 October 2018 it was agreed as part of the scrutiny of the Preliminary Financial Strategy (PFS) that at least two meetings of the Committee's Budget Sub-Group would be scheduled between October 2018 and January 2019 to cover in-depth proposals made to deliver services within budget envelopes with any recommendations being shared with Cabinet in January 2019. It was agreed that Chairman of relevant Select Committees would be invited to these meetings as appropriate.
2. The Chairman of the Sub-Group is Nick Harrison with membership from Ayesha Azad, Tim Evans, Chris Botten, David Harmer and Ken Gulati. This group has been tasked with undertaking council-wide budget scrutiny.
3. Three budget scrutiny sessions (26 November, 27 November and 4 December 2018) were organised between the Sub-Group, relevant Select Committee Chairmen, Executive Directors and finance colleagues to review each directorate's progress and preparations for delivering services within 2019/20 budget envelopes. An outline of the key discussions and themes raised during these sessions are included with the next section of the report.
4. It has been agreed that a report with recommendations from the Sub-Group will be submitted to the 13 December Corporate Overview Select Committee meeting and considered alongside the scrutiny of the annual council budget on 25 January 2019.

Activity

5. A summary of key discussions that took place at each of the budget scrutiny sessions is outlined below.

26 November 2018

(Meeting with the Executive Director for Adult Social Care and Executive Director for Children, Family, Learning and Communities)

Health, Wellbeing and Adult Social Care

6. The Executive Director for Adult Social Care explained that the turnaround required by the directorate to achieve a sustainable budget for 2019/20 was unprecedented. There were a series of short term measures in place in the current year to ensure savings

were achieved. One key strand was a new Practice Improvement Model which would aim to reduce the number of people not eligible for adult social care services from entering the service. The service also aimed to increase interdependence, so care needs could decrease over time. The Executive Director explained that a peer review of the service was undertaken and a key issue highlighted was the passivity of the service in how it interacts with the market. In the future the service would review commissioning arrangements to ensure the council achieved good value for money and would also focus on finding a Surrey solution to Out of County based placements. There was an agreement that the service should look into providing accommodation with extra care services.

7. Full year savings of £4.5m had been achieved from a target of £10.7m as part of the councils £40m reduction in spending in 2018/19. The Executive Director was confident that the remaining target would be achieved by year end although the scale of reductions could not be underestimated.
8. It was explained that costs associated with smaller care packages were high. Due to the high costs associated with assessments, the service was trying to move away from assessing all users and only assessing those who legally required an assessment. The service would be working with the voluntary, community and faith sector to support this new way of working. The Executive Director stated that it was important local infrastructure was in place to support with this change.
9. There was a short discussion around the support mechanisms in place to support young adults with learning difficulties. The Executive Director explained that a crucial part of this would be the requirement for county owned infrastructure including homes and flats to support young people through the system.
10. A Member of the Sub-Group queried if the service was confident that the £750,000 efficiency saving for 'resolution of significant outstanding Continuing Health Care (CHC) disputes/ assessments' would be delivered in 2019/20. The Executive Director explained that the number of people receiving continuing healthcare had halved in the last year as the NHS had started reviewing CHC cases in an attempt to make savings.
11. The Executive Director explained that Surrey Choices had agreed to an efficiency saving of £300,000 for 2019/20 and had a new Chief Executive in post to support this. The Sub-Group agreed that the council should use the service provided by Surrey Choices more often.
12. There was a short discussion around the transition of individuals from children services to adult services and what needed to be done to ensure better outcomes for those transitioning through the system. The Executive Director explained that this was an issue facing most local authorities and that a cultural change needed to take place, with a more person centred approach needed. It was further added that external consultancy support would be utilised to support with this work.
13. The Chairman of the Sub-Group queried what risks were associated with the delivery of the 2019/20 budget envelope for the directorate. The Executive Director stated, that to reduce spend on the scale required would be very challenging especially as service needs and demands increased year on year. The manner in which the budget had been presented in previous years had not been helpful and the adult social care directorate had in fact, every year spent 2.5% more than it had spent the previous year. The Finance Manager added that Finance was working alongside the service to review confidence levels and analyse risks.

Children, Family, Learning and Communities

14. The Executive Director for Children, Family, Learning and Communities briefed the Sub-Group on the critical issues facing the service. He explained that the service would be focusing resources on early help and would aim to reduce the reliance of statutory services which were costly to the council. The directorate was dealing with a failing Children's Service and would need to restructure to improve performance and reduce costs. Savings of £24m would be required for 2019/20 from the Children, Family, Learning and Communities Service budget including Cultural Services. There was a £15m overspend at year end, £12.1m of this was because of the extra demand for Education Health and Social Care Plans (EHCPs). It was further added that £10m would be taken out of the 2019/20 budget for Out of County placements and there would be a focus on placements in Surrey. The Executive Director reiterated the importance of working with schools and the Phase Councils in ensuring placements within the county.
15. There was currently a Judicial Review underway regarding the £21m savings to the Special Educational Needs and Disabilities (SEND) budget with a similar case being bought against Hackney Council. The Executive Director explained that the legal challenge was around the consultation process.
16. A Member of the Sub-Group queried the SEN Transport pressure of £3m and asked officers if this target could be achieved. The Executive Director explained that local placements would help reduce this pressure. There were discussions around providing funding to families to arrange their own SEN transport at a lower cost. Hampshire County Council were currently considering means testing SEN transport which the service would be watching closely.
17. The Chairman of the Children and Education Select Committee raised concerns around the money paid to transport companies for providing SEN transport, arguing that in most cases the cost charged to the council was too high. It was argued that this needed to be reviewed and possibly recommissioned to provide better value for money.
18. There was a discussion around the savings required from the review of Cultural Services which stood at £4m, the net budget for this service was £8.2m excluding any property costs. It was noted that the majority of the savings would be made from staffing costs. The Sub-Group raised concerns around the impact this saving would have on the service and users in 2019/20.
19. The Chairman of the Sub-Group queried what risks were associated with the delivery of the 2019/20 budget envelope for the service. The Executive Director stated that he was 50-60% confident that the budget for 2019/20 could be achieved adding that progress had been made with staffing changes. The Executive Director further added that he had reduced the out of county placements budget in Essex by £36m.
20. Officers assured the Sub-Group that the service along with Finance would be careful not to double count savings.

27 November 2018

(Meeting with the Executive Director of Economy, Growth and Commercial)

Economy, Growth and Commercial

21. The Executive Director of Economy, Growth and Commercial outlined her role and responsibilities explaining that many of the budgets she was responsible for, were included within the Orbis budget. With regards to the Property function, it was explained that the building repairs and maintenance costs would be reduced and the number of assets Surrey had would be reduced as part of the wider Asset Strategy. It was confirmed by the Deputy Chief Finance Officer that the Orbis budget was made up of a Joint Operating Budget and a Managed on behalf of (MOBO) Budget. The majority of the Joint Operating Budget consisted of staffing costs, whilst the MOBO budget covered Surrey's building repairs and maintenance costs.
22. The Sub-Group raised concerns around the savings to be made from the building repairs and maintenance costs (£2m) and the health and safety implications as a result of this. The Executive Director stated that there was not enough money in the budget to maintain Surrey assets but added that health and safety in Surrey buildings would not be compromised. With a reduction in staff and assets, the building repairs and maintenance budget would progressively decrease.
23. The Executive Director confirmed that the service was currently in the process of putting together a 15 year Asset Strategy which would be considered by Cabinet in April 2019. The Chairman of the Highways and Growth Select Committee added that it would be helpful to see a detailed list of all the assets Surrey owned. The Director was currently reviewing the Property Joint Venture.
24. The Sub-Group queried what role the Executive Director had in relation to the Accommodation with Care and Support Full Business Case. The Executive Director explained that she was waiting for services to notify her of their asset requirements and would then endeavour to provide the assets requested.
25. The Chairman of the Sub-Group queried what risks were associated with the delivery of the 2019/20 budget envelope for the directorate. The Executive Director was confident that the 2019/20 budget envelope would be delivered, stating that the biggest risk was the reduction in the building repairs and maintenance budget and the implications on health and safety.
26. There was a short discussion around devolving the management of assets to each service. The Executive Director stated that a good functioning property service required benchmarked metrics which Surrey currently does not have. Importantly, the focus was on ensuring the property service functioned well in its current form.

Budget Monitoring Report to 30 September 2018

27. The budget monitoring report was introduced by the Deputy Chief Finance Officer who explained that the Council had to date completed £24m management actions of the £40m target to bring the forecast revenue outturn to a £4m underspend against the original budget and now forecasts to draw down a reduced amount of £17m from reserves at year end, rather than £21m as planned in the original budget. The largest

area of concern was the £14m overspend within the SEND budget. It was confirmed that the £14m overspend within the SEND budget would be added to the 2019/20 Children, Family, Learning and Communities budget as a pressure. Although the Dedicated Schools Grant should cover the costs for the SEND budget, Surrey uses its general funding to support this budget.

28. The Central Income & Expenditure (CIE) forecasts a £4.1m underspend overall. The Deputy Chief Finance Officer explained that this underspend was due to a number of factors including, £2.2m budgeted contributions to reserves no longer considered necessary and £4.3m balances identified in a balance sheet review which are no longer needed for their original purpose and can be applied to fund current year expenditure.
29. The Deputy Chief Finance Officer was of the opinion that the budget was moving in a positive direction for the current financial year with an underspend which would put the council in a better financial position for next year by not having to draw down so much from reserves, although significant challenges remained.
30. There was a short discussion around the business rates retention pilot taking place in Surrey and the ongoing appeal with hospitals to be made exempt from the pilot. It was confirmed that the outcome of this appeal would be completed by the end of the year.

04 December 2018

(Meeting with the Executive Director for Customers, Digital & Transformation and Interim Head of Environment)

Customer, Digital and Technology

31. The Executive Director for Customers, Digital and Transformation briefed the Sub-Group on the Customer, Digital and Technology directorate's budget position. A number of projects within the IT function relating to system design and implementation had been halted and had now been included within the wider Digital Full Business Case. Within the HR function, some non-essential training had been paused whilst the service restructured, this had led to an in-year saving. Recruitment controls and the stopping of a range of miscellaneous expenditure within the Strategy and Performance team had also resulted in savings for the directorate.
32. There was a short discussion regarding the total transformational savings within the 2019/20 budget envelope for the directorate. The Executive Director stated that the £1m saving allocated to 'Transformational Savings Digital' would not all be achieved within his directorate budget as this saving would be realised within other service Full Business Cases. The Sub-Group raised concerns around possible double counting of savings. The Deputy Chief Finance Officer added that the figures presented to the Sub-group within the budget envelopes were the most up to date and the next iteration of the budget envelope was still being worked on.
33. Within the Orbis Value For Money savings, the Executive Director expressed concern that the council was at risk of not achieving the full saving figure due to the contribution ratio in place within the Orbis contract. There was also a risk that at least 50% of the savings attached to OD/ratios figure would not be achieved as Spans of Control (organisational design) had not yet been applied and team restructures had not yet taken place. It was further added that a proportion of the Mobile/agile workforce saving

would be captured in other service budgets, including the Children, Family, Learning and Communities and Health, Wellbeing and Adult Social Care.

34. There was a recognition amongst the Sub-Group that a proportion of the transformational savings within the 2019/20 budget envelope would be captured within other service budgets.
35. With regards to the Full Business Cases, it was confirmed that officers in the legal and finance departments had reviewed each Business Case and continue to monitor these on a periodic basis. Fortnightly meetings take place between senior officers and the transformation unit to ensure milestones and delivery of each business case is being tracked.
36. The Sub-Group raised concern around the delivery of the draft net budget for the directorate especially as a number of the budgeted savings would be captured in other service budgets. The Executive Director confirmed that a number of savings within his service budget would be realised elsewhere and while making every effort to identify compensatory savings, was of the view that the draft net budget for 2019/20 would likely increase.

Highways, Transport and Environment

37. The Interim Head of Environment briefed the Sub-Group on the budget for the directorate explaining that there were a number of pressures within the budget and savings of £16m were required. The directorate was required to pay a number of contract inflation costs with partners such as Kier, Suez and Skanska which was added as a pressure within the budget.
38. It was explained that the waste contract with Suez was due for renewal in 2024 and work would be done in advance of this date to ensure any new contract was fit for purpose and value for money. The Interim Head explained that a forthcoming Waste and Resource Strategy would radically change the manner in which waste services were delivered by the council. A Waste Sinking Fund had been set up which would support payments to Suez for the delivery of the Eco-Park. This Sinking Fund had been in place for a number of years with reserves increasing to meet the higher revenue costs in future years.
39. It was explained that a consultation on changes to local bus funding would start in the spring of 2019 and would total a saving of £3.5m which accounted for the majority of the spending in 2018/19.
40. There was a short discussion regarding Countryside Review savings and the work that would be undertaken with Surrey Wildlife Trust (SWT) to ensure savings within the budget were met. The Interim Head explained that there had been a number of operational issues with parking machines at two car parks on the Countryside estate which had led to a loss of income. The SWT business plan was also 6-8 weeks behind its due date. The Interim Head confirmed that savings within the Countryside budget would need to be delivered as this saving could not be identified elsewhere.
41. Although there was a £3m saving to be identified, it was suggested that the Waste Sinking Fund could be used to reduce this pressure.

Conclusions

42. The Sub-Group were briefed on the steps being taken by officers to ensure services are delivered within 2019/20 budget envelopes including the risks associated with the delivery of these envelopes and the resulting impacts on services provision. It was clear from the budget scrutiny sessions that continued scrutiny of the budget was required to ensure financial resilience of the council through a period of transformation.

Recommendations:

To be developed with input from the Budget Sub-Group and Committee.

Next steps:

- Recommendations from the Committee will be submitted to Cabinet ahead of its meeting on 29 January 2018.
- 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.

Annexes:

Annex 1- Adult Social Care, Public Health 2019/20 Budget Envelope Proposal
(26 November 2018)

Annex 2- Children, Family Learning & Community 2019/20 Budget Envelope Proposal
(26 November 2018)

Annex 3- Economy, Growth and Commercial 2019/20 Budget Envelope Proposal
(27 November 2018)

Annex 4- Finance and Budget Monitoring Report to 30 September 2018
(27 November 2018)

Annex 5- Customer, Digital and Technology 2019/20 Budget Envelope Proposal
(04 December 2018)

Annex 6- Highways, Transport and Environment 2019/20 Budget Envelope Proposal
(04 December 2018)

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