

Communities, Environment & Highways Select Committee

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2020 – 2025 Budget Scrutiny

23/01/2020

Context

- Last year - A budget that didn't rely on Reserves and helped stabilise our finances
- This year - Moving from short to long term: **investing for impact** and for financial sustainability
- Next year - Outcome focused and comprehensive medium-term plan
- Significant progress towards financial stability and good performance
- Plus the injection of additional resources from Central Government, once again mean **no use of Reserves**, and a more medium-term and investment based outlook
- Continuing medium-term challenges:
 - Uncertainty about funding levels from 2021
 - Continuing high demand for services
- A refreshed Organisation Strategy and Phase 2 Transformation

Organisation Strategy 2019 – 2023

OUR FOCUS FOR THE NEXT 5 YEARS 2020 - 2025

We are changing and improving what the Council does and how it delivers services to reflect the ways in which our residents and communities now live their lives. We are now a year into our transformation to become a leading council. We are ambitious about our future and here we outline where our focus lies in the years ahead.

<p>Tackling inequality Working with residents in every area of Surrey to identify and address causes of inequality, especially in life expectancy for everyone.</p> 	<p>Supporting independence Helping residents help themselves and each other within their community.</p> 	<p>More joined up health and social care Integrating health and council services so they're more effective, efficient and seamless for residents.</p> 	<p>Creating a greener future Tackling the causes of climate change and become a carbon-neutral county as soon as possible.</p> 
<p>Embracing Surrey's diversity Recognising the benefits of a diverse workforce and population to ensure Surrey is a place full of opportunity.</p> 	<p>Partnership Working with residents, businesses, partners and communities to collectively meet challenges and grasp opportunities.</p> 	<p>Supporting the local economy Investing in the infrastructure Surrey needs to build a strong and resilient economy.</p> 	<p>Digital revolution Making the most of new technology to innovate and improve services, and the way we work, to help Surrey and residents thrive.</p> 

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OUR VALUES: we care about -

-  our residents
-  being excellent
-  being open
-  working together
-  respecting others

THE PRINCIPLES GUIDING OUR WORK:

- 1** Focus on ensuring no one is left behind
- 2** Take a fresh approach to working in partnership
- 3** Support people to help themselves and each other
- 4** Involve and engage residents earlier and more often in designing and delivering services, and responding to challenges

To read a full list of our achievements from the past year and to read our Organisational Strategy in full, please go to www.surreycc.gov.uk

Transformation Programme 2020 - 2025

There are 28 individual programmes across different stages: 13 are continuing and 15 are newly introduced into the transformation programme

Discover & Define

Design & Develop

Deliver

PEOPLE

Adults with learning disabilities and autism
NEW

Health and social care integration
NEW

Working differently with communities
NEW

Domestic abuse **NEW**

Preparing for adulthood

Libraries and cultural services

Accommodation with care and support

Adult social care practice improvement

Adult social care market management

Adult mental health (including staff transfer) **NEW**

Family resilience

SEND transformation (including transport)

PLACE

Greener future **NEW**

Countryside **NEW**

Economic growth **NEW**

Rethinking transport

Rethinking waste **NEW**

Improving infrastructure **NEW**

Creating Environment, Transport and Infrastructure **NEW**

Community protection (including Surrey Fire and Rescue Service Transformation)

ORGANISATION

Data insights **NEW**

Digital

Agile workforce

Customer experience

Transforming our core business processes
NEW

Land and property **NEW**

Becoming more entrepreneurial **NEW**

Moving closer to residents

Headline Capital Schemes to commence 20/21- 24/25

Over £650M invested in the County
(c£530m over the medium-term)

Highways - Further **£92M** of spend to improve and maintain our highway network which includes 3000 miles of road, over 3000 miles of pavements; from a deteriorating to steady state.



Extra Care-up to 165 units across first three planned extra care sites, with an estimated pre-planning land value of £5.5M. SCC capex of **£1.8M**. Total investment of **£7.3M**. Future phases to deliver up to 725 units.



SEND - Up to **£31M** on specialist provision and a new SEND school. Further phases in future years.

Parsons
River Thames Flood Alleviation Scheme - £237M and Wider Surrey Flood Alleviation Scheme - £33M to protect thousands of homes and businesses from the risk of flooding.



Schools Basic Need - SCC will invest a further **£70M** to provide school places.

Community Investment Fund - £100M fund to regenerate high streets and visible investment in communities over the medium term.



Greener Futures – Various projects including a Solar Farms; EV charging point pilot; ULEV purchases and electrification of various transport services, including. Total spend **c£84M**.

Improved Access to the Countryside – Maintenance and improvements to the rights of way network and visitor improvements totalling **£3M**.



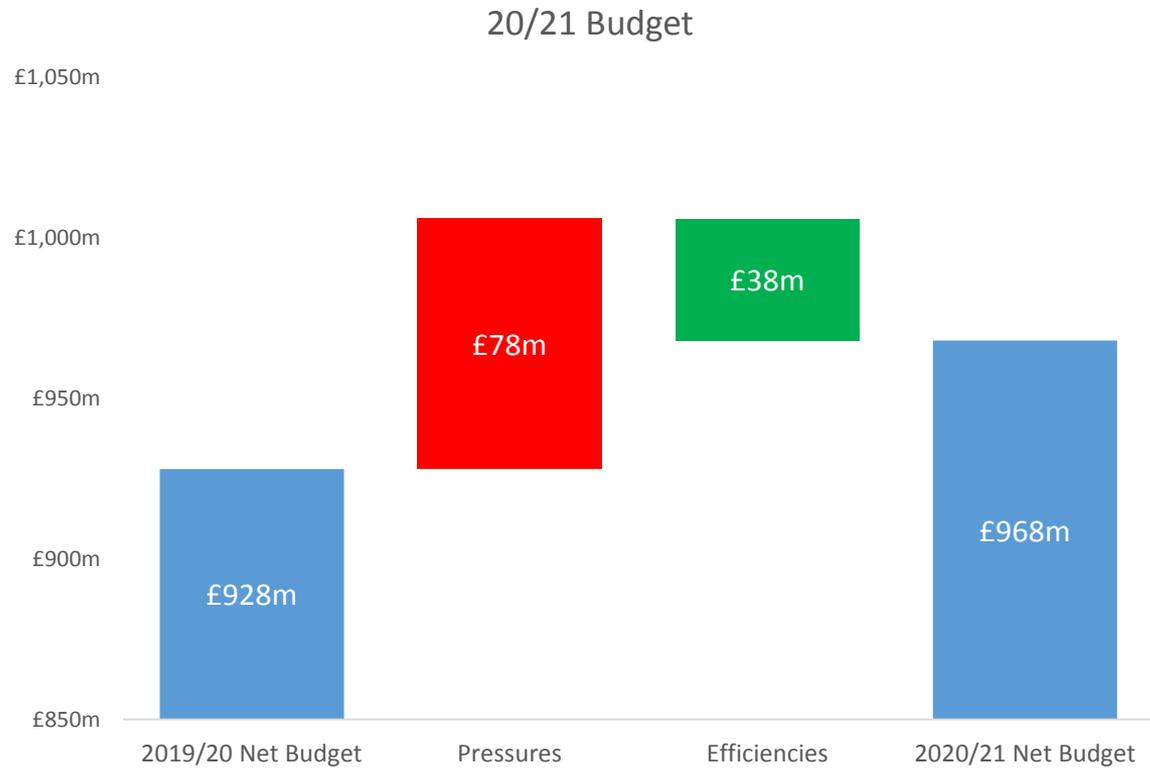
Draft Funding announcements from Central Government

- Draft funding was announced on 20th December (called the Provisional Settlement) - broadly followed our planning assumptions
- It was largely a roll forward of the 2019/20 position and provided additional funding for:
 - Adults Social Care (£14.2m)
 - Children with SEND (£13.5m)
- A new Social Care Precept of 2% (=£14.6m) and Council Tax threshold of 1.99% (=c£16m)

Key Budget Highlights for 20/21

- Additional **c£38M plus £13.5M SEND** from Provisional Settlement, one-year only – waiting on Final Settlement in Jan 2020 to confirm
- Total net funding of **£968M**
- Pressures of **£78M** – including pay and contract inflation
- Efficiencies of **£38M**, of which £24m to be delivered by Transformation
- Future year funding remains very uncertain - **provisional gap of c£160M by 24/25**

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Budget build 19/20 to 20/21 by Directorate

- New funding, additional pressures, pay and contract inflation as well as efficiency proposals identified through the budget process = **Net Budget for 2020/21 of £968M for SCC**

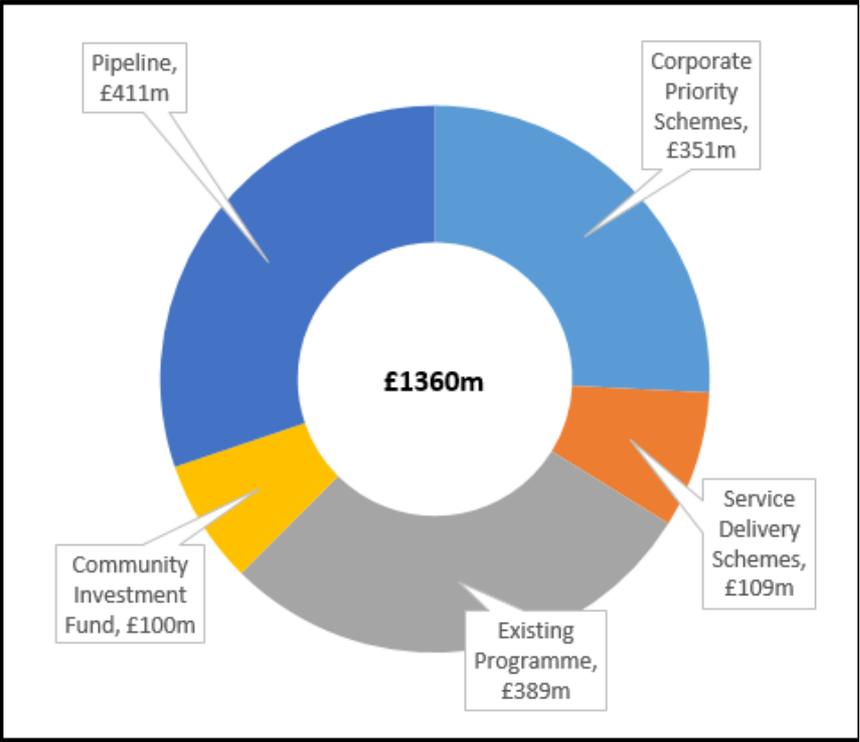
Directorate	2019/20 £m	Pressures £m	Pay Inflation £m	Contract Inflation £m	Efficiencies £m	2020/21 £m
Children, Families, Learning & Culture	243.7	5.7	3.0	3.8	-12.0	244.2
Public Health	30.2	0.3	0.0	0.0	-0.3	30.2
Adult Social Care	363.9	11.7	1.4	7.4	-12.3	372.1
Environment, Transport & Infrastructure	162.6	4.8	1.3	3.5	-4.0	168.2
Transformation, Partnerships & Prosperity	16.9	2.9	0.3	0.1	-1.0	19.1
Resources	65.7	2.6	0.9	1.2	-4.1	66.3
Central Income & Expenditure (1)	45.6	27.1			-4.4	68.2
Total Net Expenditure	928.6	55.0	6.8	16.1	-38.1	968.4
Total Funding	-928.6					-968.4

Note (1) The increase in CIE from 19/20 to 20/21 is mainly attributable to the following increases: £7.5m Transformation Fund, £5m Feasibility Reserve, £10m additional Contingency and additional MRP. This will be further detailed in the final report

Proposed Capital Programme 20/21 – 24/25

- Capital Programme continues to be developed; **c£1.4B** over the period
- **Corporate Priority Schemes** - £351M including SEND, Highways, River Thames, Extra Care
- **Service Delivery Schemes** - £109M of projects being finalised
- **Pipeline Schemes** - £411M of projects at early stages
- **Community Investment Fund** - £100M of schemes to be developed
- **Current Programme** - £389M

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- 9 • Detailed programme to be presented in January Budget Report



Environment, Transport & Infrastructure and Community Protection Group

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Environment Transport & Infrastructure - Context

Key drivers for Environment Transport & Infrastructure (ETI) include:

Highways & Transport

- Managing the network and supporting sustainable transport solutions
- Maintaining and improving our existing infrastructure, including significant additional capital investment (slide 21)
- Focus on long term investment in strategic transport infrastructure to build a strong and resilient economy

Environment

- Revised National Planning Policy Framework
- Environment Bill - A Green Future: Our 25 Year Plan Improve the Environment
- Resources and Waste Strategy
- Climate Emergency – National Target to be carbon neutral by 2050
- Scrutiny Task Force Call to Action, recommending a Climate Change strategy and action plan, a key recommendation being that ‘Surrey County Council will be zero carbon across our organisational emissions by 2030’

Community Protection - Context

Brought together recently, the Community Protection Group (CPG) includes Surrey Fire & Rescue Service, Trading Standards, Emergency Management, Health & Safety, Military Covenant and Resilience. At its core, this group is positioned to work together to deliver against the Council's 2020-2025 Corporate Strategy and the 2030 Community Vision.

Partnership working, starting with services within Surrey County Council, will be core to the success of the group and prioritising our most vulnerable residents.

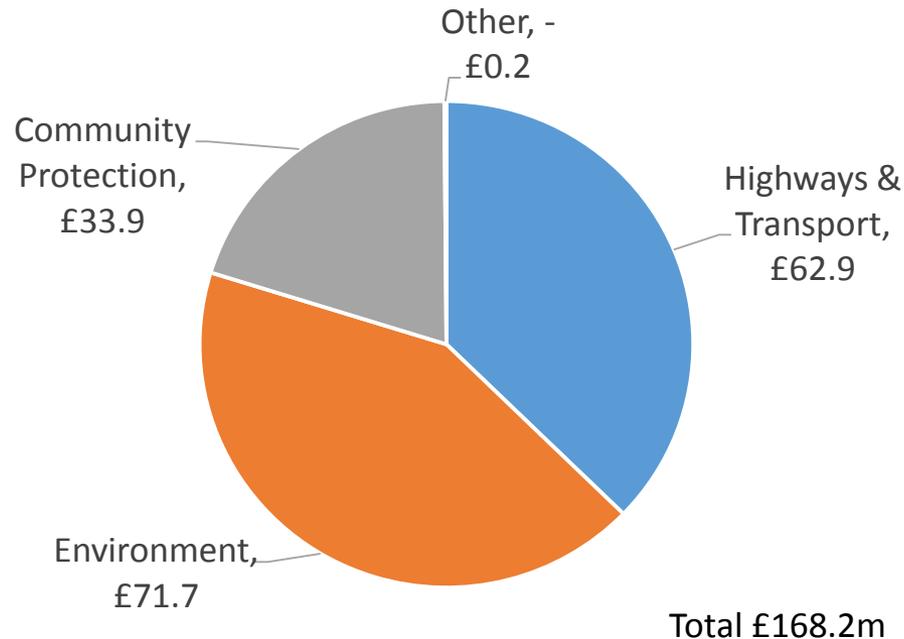
Page 28 External partnerships with the boroughs and districts will also be key to protecting people, places and premises, particularly to enable better working with businesses to support the Surrey economy.

Through the current transformation programmes and the improved coordination of services within the Community Protection Group we will be in a perfect position to improve:

- The safety of vulnerable adults and children in their homes;
- Information and assistance available to the public around protecting themselves from risk, such as fire and rogue traders. Also, enabling people to be more resilient in order to help residents help themselves and others in their communities; and
- Working with businesses around enabling greater understanding of risk, such as Health & Safety, and the impact that incidents and accidents can have on their operation.

ETI & CPG – Where is the money spent (1)

2020/21 Revenue Budget by Service £m



Highways & Transport £62.9m

includes:

- Highway maintenance
- Local bus services
- Concessionary fares

Environment £71.7m includes:

- Waste management
- Countryside & Environment
- Planning

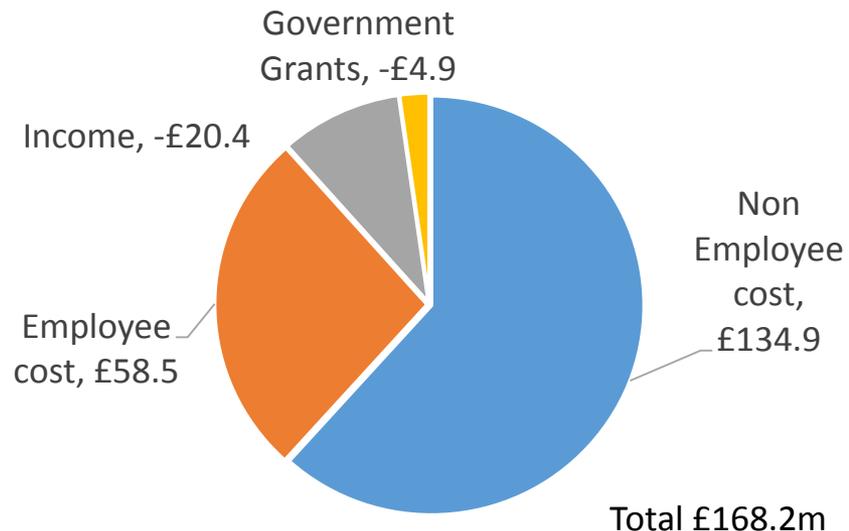
Community Protection Group £33.9m

includes:

- Surrey Fire & Rescue Service
- Trading Standards
- Emergency Management
- Health & Safety, Military Covenant

ETI & CPG – Where is the money spent (2)

2020/21 Revenue Budget by Expenditure Type £m



Non-Employee costs £134.9m includes contracts for services including waste management, highway maintenance, local bus subsidies, concessionary fares

Employee costs £58.5m including firefighters

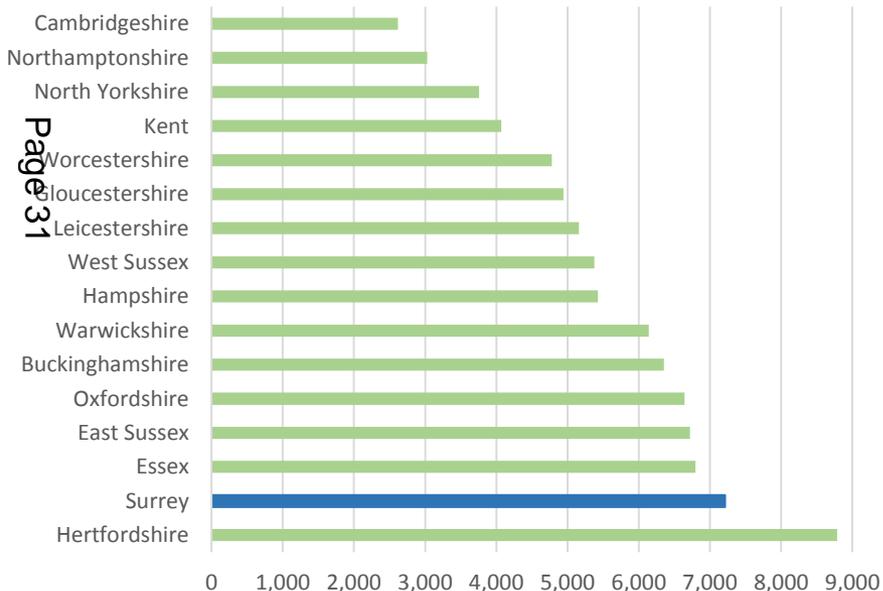
Income -£20.4m includes parking enforcement (offset by costs), highways fees and charges, streetwork permits, developer fees, and recovery of costs.

Government grants -£4.9m includes Fire pensions grants, Bus Service Operator Grant, and Bikeability cycle training grant.

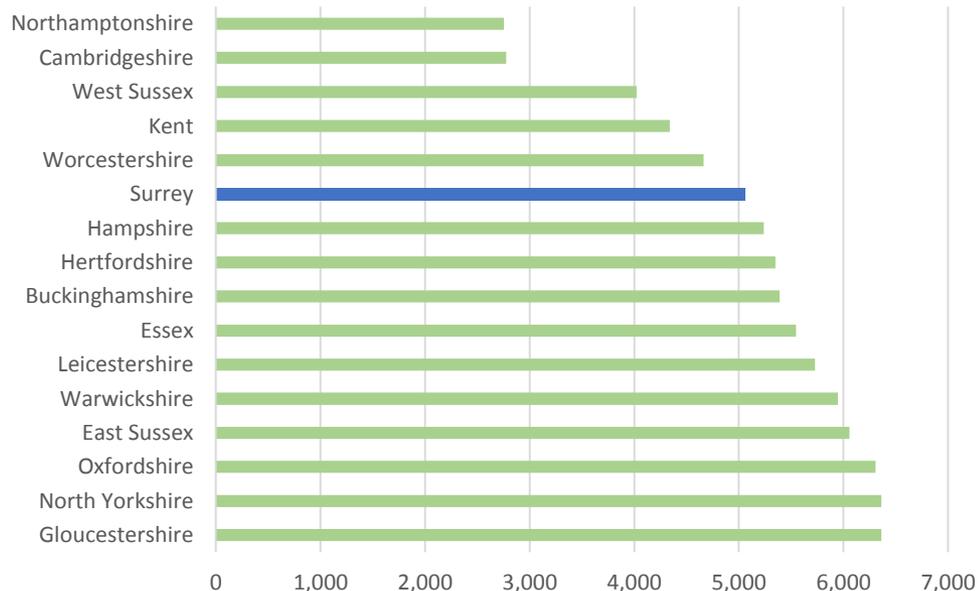
Benchmarking - Highway Maintenance

As a result of benchmarking analysis, a review of expenditure was undertaken and £5.3m of repairs reclassified as capital. The graphs below show SCC's highway maintenance spend for 2017/18 compared to the nearest neighbour grouping *after adjusting for capitalised repairs*. These show that SCC's spend is relatively high per mile, but lower per vehicle mile travelled.

£ per mile



£ per million vehicle miles



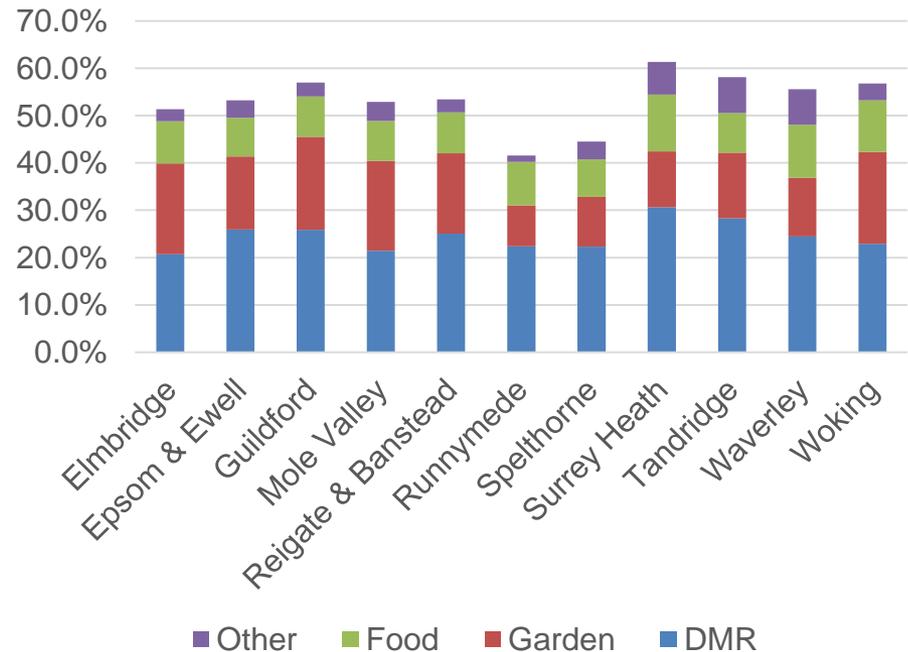
Spend is influenced by many factors e.g. road length/condition/usage, rural/urban mix, and differences in service delivery costs across the country.

Benchmarking – Waste & Recycling

Comparison of recycling rates across Surrey shows significant variances. An efficiency of £0.5m is included in the 2020/21 budget from greater incentivisation and recycling/minimisation campaigns. A 1% reduction in residual waste equates to a cost reduction of c.£0.3m.

	Index of multiple deprivation - higher figure = more deprived	Household - waste sent for recycling (tonnes)
Elmbridge	7.5	51.4%
Epsom and Ewell	8.5	53.2%
Guildford	9.4	57.0%
Mole Valley	8.9	52.9%
Reigate and Banstead	10.3	53.5%
Runnymede	10.9	41.6%
Spelthorne	13.2	44.5%
Surrey Heath	7.7	61.4%
Tandridge	10.6	58.1%
Waverley	7.1	55.6%
Woking	9.9	56.8%

Recycling Tonnages by District & Borough



ETI & CPG budget summary

Budget movement	£m	Comments
Prior year budget	162.6	
Growth pressures		
Contract inflation	3.5	Where contractually required
Pay inflation	1.3	Assumes 2% uplift to salaries, and that the cost of incremental progression is managed within the wider budget (e.g. through staff turnover).
H&T: Strategic Transport Review	1.6	Decision taken not to implement Transport efficiencies, which were included in the 2019/20 budget.
Environment: Community Recycling Centres (CRCs)	0.6	Decision taken not to implement changes at CRCs, which were included in the 2019/20 budget.
H&T: Street lighting private finance initiative (PFI) contract changes	1.4	The 2019/20 budget included a one-off efficiency from contractual changes.
H&T: Bus Service Operator Grant (BSOG)	1.1	The 2019/20 budget included use of surplus transport grant, which is partially one-off.
Community Protection: Fire & Rescue contingency crewing	0.1	The Home Office require that Fire & Rescue services have appropriate contingency arrangements in place.
Total growth pressures	9.6	
Efficiency proposals	(4.0)	See next slide
Final 2020/21 budget	168.2	

The ETI and CP revenue budget envelope increases from £162.6m in 2019/20 to £168.2m in 2020/21.

ETI & CPG efficiency proposals

Description	2020/21 £m	Comments
H&T: Street lighting LED conversion	0.4	Conversion of street lights to LED will be implemented over 3+ years and energy efficiencies are expected to grow accordingly.
H&T: Concessionary fares volumes	0.6	The volume of concessionary journeys has reduced in recent years, and this is expected to continue.
Environment: Countryside estate/visitor economy	0.1	Developing the countryside offer to include events, concessions, catering, etc.
Environment: Reduce waste management costs	0.5	Reduce waste management costs through a combination of incentivisation and recycling/minimisation campaigns.
H&T: Network management	0.7	Review of network management to support the Council's environmental aims and encourage sustainable modes of transport. Includes implementation of the revised parking Policy and further measures to be developed.
H&T: Highway enforcement	0.2	Additional enforcement, e.g. of bus lanes, will help to ensure journeys are more reliable thereby supporting sustainable transport choices.
Community Protection: Fire efficiencies	1.5	Collaboration opportunities and modernisation of the service in response to the recommendations of HMICFRS.
Total efficiencies	4.0	

ETI & CPG – key budget assumptions

Transformation & Feasibility funding

- Slide 4 sets out the Council's five year transformation programme. Transformation funding of c.£2.5m and feasibility funding of c.£1.7m are sought in 2020/21 to support priorities including:
 - Resources & waste management: including rethinking the way waste is managed with partners across Surrey; refocussed waste minimisation and recycling campaigns
 - Renewable energy: supporting the introduction of renewable energy in council buildings & businesses (e.g. LoCASE), and investigating the potential for a solar farm
 - Rethinking transport: supporting the introduction of low emission vehicles into community transport and bus sectors, developing a more coordinated approach to air quality and emissions
 - Protecting and enhancing our environment including facilitating the planting of 1.2m new trees by 2030
 - Developing a long term major infrastructure plan and pipeline of schemes
 - Supporting the procurement of the new highway maintenance contract
 - Supporting modernisation of the Fire service in response to the recommendations of HMICFRS

Waste management

- Waste tonnages and prices are broadly similar to 2019/20 (540,000 tonnes)

Fire

- In response to the Inspection the budget allows for investment in Business and Community Safety and the implementation of a new response model. The revenue budget is supported by additional capital investment
- Court of Appeal ruling that national changes to Fire and other pension schemes were discriminatory. Expected that cost of rectifying will be funded by Government

ETI & CPG – key budget risks & issues

Prior year budget reductions: A number of reductions and efficiencies were not fully delivered in 2019/20 including income and contracts reviews (c.£0.6m), and the 20/21 budget assumes that these are delivered in full.

Countryside: The budget assumes that any financial impact from changes to the Surrey Wildlife Trust contract can be contained within the overall ETI budget envelope.

Waste: Implications of the Resources and Waste Strategy.

Fire: Fire Brigade Union currently have a trade dispute with SFRS. This has resulted in industrial action and could possibly affect the implementation of the new response model.

Fire pensions: Fire staff were not notified of their right to join the modified pension scheme, which has now closed. The council is now required to fund a separate mirrored scheme, currently estimated at £3.5m. A provision of £3m was set up in 2018/19. In addition, we have received confirmation that additional 10% flexi hours allowances are pensionable, which creates an estimated ongoing pressure of up to £0.1m per year.

Pay costs: Cost pressures could arise as a result of ETI's planned staffing review. Budgeted pay inflation does not cover the cost of pay progression.

Proposed Capital Programme 20/21 – 24/25

ETI and CPG capital programme continues to be developed; and includes investment of **c.£467m** over the MTFS period including:

- River Thames flood alleviation scheme and wider flood alleviation measures £150m
- Highway maintenance £166m (an increase of £92m)
- Maintaining & improving other highway assets £89m (an increase of £56m) including:
 - Bridges and structures £43m
 - Traffic signals £15m
 - Drainage £13m
 - Illuminated street furniture £11m
 - Safety barriers £7m
- Fire vehicles & equipment £15m (an increase of £6m)
- Rights of way and improved access to the countryside £3m
- As well as existing programmes including street lighting LED conversion (£16m) and local highway schemes (£10m).

The programme also includes a “capital pipeline” of schemes under development, **c.£222m**, including major transport infrastructure and schemes which support creating a Greener Future including waste and recycling infrastructure, solar energy, and supporting the introduction of low emission buses and vehicles.

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