



**SURREY COUNTY COUNCIL**

**CABINET**

**DATE:** 29 SEPTEMBER 2020

**REPORT OF:** MR TIM OLIVER, LEADER OF THE COUNCIL

**LEAD OFFICER:** RACHEL CROSSLEY, EXECUTIVE DIRECTOR FOR STRATEGY AND COMMISSIONING

**SUBJECT:** SURREY COUNTY COUNCIL STRATEGIC RESET

**SUMMARY OF ISSUE:**

Surrey, along with the rest of the UK faces an unprecedented future as a result of the Covid-19 pandemic, bringing with it both significant challenges and opportunities. The pandemic has fundamentally shifted the strategic context in which the council is operating. There are opportunities to use lessons learned from the crisis to enhance or adapt the council's strategic approach to ensure the aims and ambitions of the Community Vision 2030 can continue to be realised. To do this the strategies, budgets and transformation programme set by the council for 2020/21 need to be reset so they reflect how priorities have changed as a result of the new environment.

**RECOMMENDATIONS:**

Cabinet is asked to:

1. Note the key themes emerging from the planning assumptions and evidence base that have informed the strategic reset;
2. Note the input of the Member Reference Group in informing the Strategic Reset paper;
3. Note the financial implications, impacts on the Transformation Programme, and the impacts on Directorate business plans;
4. Consider, and agree the proposal that the four emerging priority objectives (Tackling inequality and ensuring no one is left behind; Driving inclusive growth; Creating a greener future; and Enabling resilient and connected communities) form a new focus for the council and the basis of a refreshed Organisation Strategy; and
5. Consider the process being undertaken by Directorates to understand the implications for future years following the impact of Covid-19 on our residents, communities and the council.

**REASON FOR RECOMMENDATIONS:**

Through the council's response to Covid-19 a number of the council's organisational priorities have come into sharper focus, including themes such as a strong and prosperous economy; happy, healthy, connected and resilient communities; a greener future; and being a leading council. There is consensus that the 2030 Vision remains the right focus, but how

we get there might need to change without losing the strong foundations that have been established over the past two years.

It is recommended that as part of the strategic reset a focus on these emerging priority areas will help the council to better prioritise its resources, refocus its transformation programme and ensure a stable provision of services going forward.

## DETAILS:

### Context

1. On 4 February 2020, Council approved the 2020/21 budget, however since then the council has faced unprecedented challenges brought about by the Covid-19 pandemic, which have fundamentally changed the context in which the council operates. In addition, wider and growing challenges faced by the county have presented the opportunity to look at public service reform, including how we can increase local accountability and engagement with residents in Surrey.
2. The council has made significant progress over the last two years in improving its financial position, however the pandemic has resulted in increased costs that have not been fully funded. Managing the pandemic locally has resulted in the council taking on a number of new responsibilities, provide support to shielding residents and develop a local outbreak plan. These additional costs and demand pressures are further exacerbated by the prospect of a significant reduction in the expected revenue from sources such as council tax, business rates and other charges.
3. In response to the impact of Covid-19, the council has conducted an in-year reset of its budget, strategic frame and delivery plans. This is in recognition that while the 2030 Vision remains the right destination, how we get there needs to change. Through the council's response to Covid-19 a number of organisational priorities have come into sharper focus including, tackling inequality and ensuring no one is left behind; driving inclusive growth; creating a greener future; and enabling resilient and connected communities. It is proposed that these priority objectives form a new focus for the council and a basis of a refreshed Organisation Strategy, ensuring resource is prioritised in the right areas and in recognition that not all the activities the council set out to deliver in 2020/21 can continue in the form that was originally intended.
4. Despite the challenges, the council adapted quickly in continuing to deliver the majority of services for residents, whilst also working as part of Surrey's Local Resilience Forum (LRF) to coordinate a county-wide effort to manage the impact of the pandemic both through our health and social care services and in developing a new support offer to shielding residents. As part of the recovery effort, the council sought to rapidly stand-up services that were forced to stop during lockdown due to health and safety concerns and continued to adapt where necessary to comply with social-distancing regulations. The work of the previous two years has put the council on a strong foundation to respond, and has enabled it to continue providing services while making efficiencies.
5. There is also the opportunity through the strategic reset to enhance or adapt our approaches based on the learning from our response to Covid-19, building on the increased community spirit that has emerged to develop new ways of working with communities and longer term, consider how public services can enable better

outcomes for the people and place of Surrey.

6. The national and local landscape remains extremely fluid, which makes it challenging to make predictions in the short and medium term. The in-year reset is based on a set of planning assumptions based on the most likely scenario, however this is expected to alter in the future if further extended periods of lockdown are initiated. The council will continue to play a key role over the coming months, and into the medium and longer term, in managing the emerging challenges, being prepared to amend the strategic direction where necessary and maintain a crucial role in the continued response and recovery.

### **Impacts on residents and the council**

7. The strategic reset has been based on a set of planning assumptions, and the analysis of data from a range of government and national bodies, and local sources, brought together to form an evidence base. The planning assumptions – developed from emerging policy trends and predictions from government messaging and policy think tanks - have provided a basis from which to predict a “most likely” scenario for the council’s operating environment moving forward following the Covid-19 lockdown. Supporting this, and to ensure the council and partners have a detailed picture of how Covid-19 has impacted our residents, communities and businesses, an analysis of the data in the evidence base was also undertaken. This includes a Local Recovery Index (LRI), developed to measure the broad impact that Covid-19 has had on five dimensions in Surrey - community, health, environment, the economy, and infrastructure - and how local areas are recovering from this impact.
8. From a review of the planning assumptions and the evidence base, some key themes have emerged:
  - a. **Widening inequality**
    - The impacts of Covid-19 and lockdown measures are being felt, with different responses and behaviours by age, race, property and wealth, leading to polarisation and exacerbated social, economic and health inequalities.
    - The health impacts of Covid-19 during the initial phase of the pandemic have been felt more in certain communities including parts of Waverley, Mole Valley, and Reigate & Banstead where there are a higher number of over 80s and care homes.
    - The current economic climate will see some businesses close permanently, leading to increased unemployment and subsequent impacts, such as more child poverty and homelessness. Some parts of the county will most likely be more acutely affected by this, for example high streets in towns and cities, communities near to Heathrow airport and Gatwick airport, or areas that are highly reliant on visitors that support the local hospitality and tourism industry.
    - Surrey has a higher proportion (compared to the South-East or England) of businesses in the ‘micro’ size band (employing nine people or fewer). As the Job Retention Scheme is ended it is expected many of these firms will struggle to keep all their furloughed employees. Currently the proportion of people furloughed under the Coronavirus Job Retention Scheme in Surrey ranges from 27% in Spelthorne to 21% in Reigate & Banstead.

**b. Increased pressures on public services**

- The social and economic fall-out is likely to increase demands on public services. As a crisis impacting the entire population, public services need to anticipate the extra demands e.g. on mental health services.
- Public services will also need to manage anticipated declining revenues as the economic climate deteriorates through a shrinking tax base, and the shape of fiscal policy once the crisis is over.
- The rate of people claiming Universal Credit and Job Seekers Allowance increased dramatically as a result of Covid-19. The Claimant Count for July 2020 increased 313% in Surrey compared to July 2019. All of Surrey's districts and boroughs recorded higher increases than the South-East (183.9%) and national increases (131.7%) in June.

**c. Opportunities for reform**

- Notwithstanding the significant, negative impacts caused by Covid-19, the crisis provides the opportunity for potential reforms across a range of policy areas. This includes new ways of working, reforms to the way children and young people are educated, and opportunities to further integrate local health and care services.
- Changes to ways of working and travel patterns could have long-term environmental benefits and strengthen economic productivity, however work may need to be undertaken to harness these positive changes before 'normal' behaviours return. For example, during the pandemic transport usage has fallen, but traffic levels are beginning to rise again. Car usage in April dramatically fell to 29% of the level in previous months. This has steadily risen back to 66% of the March 2020 figures.
- Voluntary, Community and Faith Sector (VCFS) organisations have played a vital role in the response to the pandemic and delivering support to residents that are particularly vulnerable as a result of Covid-19, as well as playing an important role in both recruiting and matching volunteers to local organisations. Going forward there is the opportunity to build on the community spirit that has emerged through the response to develop new ways of working with communities that enables greater community participation and to work in closer partnership with the VCFS, supporting the sector to remain resilient and responsive to community needs.

9. For more detail, the planning assumptions can be found in Annex 1, while emerging findings from the evidence base can be found in Annex 2, and the Local Recovery Index (LRI) in Annex 3.

**Financial impact of Covid-19**

10. The impact of Covid-19 on the Council's finances has been reported to regularly (most recently to this Cabinet meeting in the Month 4 (July) Financial Report). On 21 July 2020 (as part of the Month 2 Financial report), Cabinet approved an in-year budget reset to incorporate Covid-19 funding for costs and lost income into Directorate budgets.

11. The total of Covid-19 costs, lost income and unachievable efficiencies at the point of the reset was £51.9m. Unachievable efficiencies were then excluded leaving a total of £47.6m, funded by £46.1m of Government grant (£47m had been received, with £0.9m already used in 2019/20) and £1.5m of contingency. A summary of the financial impacts and the reset by Directorate (as at end of Month 2) is included in Annex 4.
12. In July, Government announced a further allocation of Covid-19 grant funding of £6.4m. £1.5m of this replaced the contingency used in the budget reset. A further £3m is allocated as part of the M4 (July) Financial Report (Item 16 on this Cabinet's agenda). This leaves £1.9m held in reserve pending a further review of the Council's Covid-19 costs over the coming months. Details of a further grant to cover lost sales, fees and charges are awaited.
13. The Finance and Transformation teams continue to work closely with colleagues across the council to manage the impact on 2020/21 budgets and to plan the budget and efficiency programme for 2021/22 and the medium term. Progress on developing the budget for 2021/22 will be presented to Select Committees in September and October. Covid-19 costs will present a significant ongoing financial challenge into 2021/22 with no current expectation of additional central government funding to meet this pressure. This creates a significant financial challenge that the council will need to consider over the next few months. Further information on the scale of the challenge is provided in paragraphs 29-31.

#### **Implications for planned Directorate activities**

14. The Covid-19 pandemic has resulted in some of the planned Directorate activities for the year either being paused or delayed as priorities have had to shift to meet the challenges provided by the pandemic or cancelled due to government regulations prevailing at the time.
15. During the period of lockdown, Directorates have regularly reviewed their business plans to help build a picture of what the key implications are for the council and to adapt to the changing situation. Activities across business plans remain broadly deliverable, however there are issues linked to resources and capacity if everything, including those areas of work that have been paused or pushed back, were to continue to be delivered to the original timelines. An initial phasing of activity has taken place but this will continue to be an iterative process, recognising that our operating environment is continuing to shift as a result of Covid-19.
16. There are concerns about providers and other businesses that are part of supply chains to remain financially viable, which puts certain activities in business plans at risk. There are similar concerns around ensuring our VCFS partners remain strong and resilient given the key role they play in prevention and support to our more vulnerable residents. In many areas partnership working has been strengthened through the Covid-19 response, including with health partners through our work as part of Surrey Heartlands and Frimley Integrated Care Systems, and there is the opportunity for these to be developed further to support integration of services where suitable and improve service delivery.

17. The issues of capacity to deliver the activities in Directorate business plans supports the move to shift the focus to the smaller group of emerging priorities in order to help us to better prioritise our resources and refocus our transformation programme.
18. Please see Annex 5 for further details about specific implications on planned Directorate activities.

### **Implications for our Transformation programme**

19. The council has an ambitious Transformation programme to ensure that high-quality services are delivered for our residents and continue to drive efficiency savings to ensure that the Council remains on a sustainable financial footing.
20. Our planned 2020/21 Transformation activities have been variously impacted by Covid-19. Some programme activities were slowed where colleagues have necessarily been focussed on the pandemic response. Other programmes modified their focus, for example, libraries transformation effort was directed at rapidly expanding the digital offer for residents during lockdown. The current scenario has also presented some unintended opportunities to accelerate transformation initiatives with our agile programme improving the council's remote working capability far quicker than planned.
21. When lockdown restrictions began to ease at the start of the summer efforts were made to bring programmes back up to speed, recognising the residual impacts and ongoing challenges posed by Covid-19. Annex 6 provides programme level detail on Covid-19 impacts and the key deliverables that we are now on track to deliver for 2021/22.
22. Looking ahead to 2021/22 and beyond, there are now some new and altered priority objectives as outlined in this report that our Transformation programme needs to respond to. In line with the proposed review of the Organisation Strategy outlined below, the Transformation programme will be refreshed to ensure that it supports the council to play a more pro-active role in the economic recovery and inclusive growth; tackle place-based inequalities; accelerate the shift to a new operating model, centred on an agile and digital culture.

### **Looking ahead and next steps: 2021/22 onwards**

#### **Revising the Strategic Frame**

23. Surrey's Community Vision states that by 2030 we want Surrey to be a uniquely special place where everyone has a great start to life, people live healthy and fulfilling lives, are enabled to achieve their full potential and contribute to their community, and no one is left behind. We want our county's economy to be strong, vibrant and successful and Surrey to be a great place to live, work and learn. A place that capitalises on its location and natural assets, and where communities feel supported and people are able to support each other. Despite the significant impact of Covid-19, the broad ambitions outlined in the 2030 Community Vision remain valid and provide the direction of travel going forward.
24. But given the changed landscape, a sharper focus on a smaller group of priorities based on themes emerging from evidence on the impact of Covid-19 will enable the organisation to prioritise its activity at a time when the council needs to continue to

consider issues of financial sustainability as a priority to ensure stable provision of services in the medium term.

25. It is proposed therefore that these priority objectives form the new focus for the council and the basis of a refreshed Organisation Strategy, alongside a refreshed list of key enablers. The four priorities for the refreshed Organisation Strategy will be:

- i. **Tackling inequality and ensuring no one is left behind**
- ii. **Driving inclusive growth**
- iii. **Creating a greener future**
- iv. **Enabling resilient and connected communities**

26. Underpinning these priorities the key enablers which will drive the achievement of these ambitions.

- a. **Our people (including embracing diversity)**  
Fundamentally review workforce requirements and evaluate and embed new ways of working. Increase the focus on the wellbeing of staff and support them through the major changes brought about by the crisis. Be an organisation that embraces diversity of talents, skills and backgrounds to make the council more effective.
- b. **Digital**  
Build on the changes to working practices and the way council services have been operating in response to Covid-19 to embrace digital solutions to help us transform our organisation and services to deliver the outcomes for the people and place of Surrey.
- c. **Partnership**  
Building on the areas where partnership working has been strengthened through the Covid-19 response, there is the opportunity for these to be developed further to support integration of services where suitable and improve service delivery.
- d. **Transformation Programme**  
Will continue to drive efficiencies, key outcomes for people and place, and lay the foundations for future changes. The Transformation programme will ensure that it is playing a more pro-active role in the delivering the priority objectives.
- e. **Public Service Reform**  
We will explore new models of public services and devolution to local communities where possible, to deliver better outcomes and services that present increased value for money for our residents.
- f. **Financial sustainability**  
The in-year reset of the budget set out to address the financial challenges as a result of Covid-19 and deliver a balanced budget in 2020/21. The reset of

the council's strategic framework around the emerging priorities will ensure our ambitions are, and continue to remain, affordable and achievable.

27. The council faces ongoing and anticipated challenges which are set out in Annex 1. The Covid-19 pandemic is still having an impact on the council, our residents, our communities and local businesses. The council has significant aspirations of public service reforms that support the development of more effective and efficient services for residents in Surrey. The Government is potentially considering radical changes to the social care system, and by the time of publication of this report, is still to secure a free trade deal with the European Union as part of the Brexit transition phase. These highlight some of the significant challenges and risks that the council faces over the coming years, which is why the proposed re-focusing of the council's strategic frame is designed to support effective prioritisation and put the organisation into a position to tackle these challenges.
28. Following Cabinet's agreement to the focus of the Organisation Strategy around the four priority objectives, a paper outlining an updated version of the Strategy will be presented to Cabinet on 27 October. Following approval by Cabinet, the strategy will be presented to the County Council on 8 December for final approval.

#### Future financial implications

29. Given the challenges and uncertainty faced across the public sector, it is important the council continues to show strong leadership and maintains a relentless focus on robust financial planning. To support this, officers have already begun extensive work to understand the implications for future years following the impact of Covid-19 on our residents, communities and the council. Directorates have been tasked with costing the core planning assumptions and scenarios (see Annex 1 for further details) to arrive at costs and opportunities for the Medium Term Financial Strategy (MTFS) (2021/22 to 2025/26). This will be iterated over the coming weeks for submission of a draft budget to Cabinet in November.
30. The table below sets out assumptions in funding over the MTFS 2020/21-2025/26. We assume a 1.99% increase in council tax, with the tax base remaining flat growing gradually from 2023/24 onwards. There is also an expected c£35m collection fund loss for both Council Tax and Business Rates, spread over the next three years.

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
<b>Likely funding breakdown</b>	£m	£m	£m	£m	£m	£m
Council tax precept	760.9	780.5	796.0	813.9	834.2	855.1
Business Rates	116.2	116.4	132.9	115.4	84.8	59.2
Grant Funding	88.2	93.4	25.8	25.0	13.1	13.1
<b>Funding before collection fund</b>	<b>965.4</b>	<b>990.3</b>	<b>954.7</b>	<b>954.2</b>	<b>932.1</b>	<b>927.4</b>
CT collection fund	3.0	(16.2)	4.9	(3.2)	1.6	1.6
BR collection fund		(2.5)	0.7	0.7		
<b>Total funding</b>	<b>968.4</b>	<b>971.6</b>	<b>960.3</b>	<b>951.7</b>	<b>933.8</b>	<b>929.0</b>

\* The 2020/21 funding of £968.4m has been increased by £51.3m to £1,019.7m. This adjustment reflects allocations of Covid-19 emergency funding (£50.6m) and Public Health Grant (£0.7m) which are one-off for 2020/21 and do not change the base. The increase to 2020/21 was approved by Cabinet in July.

31. Based on the above "most likely" funding assumptions, the table below sets out the "most likely" pressures Directorates could be facing over the medium-term. These are based on the core planning assumptions identified by Directorates using a



PESTLE macro-economic based approach. The table also sets out the net gap of £63.7m in 2021/22, and work is underway to close this gap ahead of the report on the draft budget being presented to Cabinet in November.

Directorate	Base Budget £m	2021/22			Total by 2025/26	
		Optimistic £m	Pessimistic £m	Most Likely £m	Most Likely £m	Net Growth £m
Adult Social Care	372.1	386.7	433.4	400.9	485.2	113.1
Public Health	30.2	31.0	31.6	31.0	31.1	0.9
Children, Families, Lifelong Learning and Culture	245.2	254.1	269.6	265.8	305.8	60.6
Environment, Transport and Infrastructure	132.8	136.6	142.6	140.7	155.1	22.2
Community Protection	36.2	36.8	39.2	36.9	41.2	5.1
Resources	66.6	67.0	72.8	72.6	76.0	9.3
Transformation, Partnerships and Prosperity	17.4	17.5	20.3	19.6	20.1	2.6
Central Income and Expenditure	67.8	67.8	67.8	67.8	67.8	0.0
<b>Total</b>	<b>968.4</b>	<b>997.6</b>	<b>1,077.3</b>	<b>1,035.3</b>	<b>1,182.2</b>	<b>213.9</b>
<b>Projected Funding</b>	<b>968.4</b>	<b>971.6</b>	<b>971.6</b>	<b>971.6</b>	<b>929.0</b>	<b>(39.4)</b>
<b>Net Gap</b>	<b>0.0</b>	<b>(26.0)</b>	<b>(105.7)</b>	<b>(63.7)</b>	<b>(253.2)</b>	

#### CONSULTATION:

32. A strategic reset Task and Finish group was established by the Select Committee Chairmen & Vice-Chairmen's Group with representatives from each of the Select Committees plus the Audit & Governance Committee. It was agreed that the group would undertake oversight of the development of the council's reset strategy, provide scrutiny and challenge and feedback from the perspective of members' respective remits.
33. The roles and functions of the group were:
- On behalf of the select committees the group to carry out pre-decision scrutiny to influence the reset plans and in-year priorities by reviewing them for risk, value for money and outcomes for residents;
  - To identify and prioritise future public scrutiny of particular issues emerging from the reset plans;
  - Report back its findings to the Select Committee Chairmen & Vice-Chairmen's Group; and
  - Make recommendations to Cabinet as necessary.
34. The working group reviewed and stress tested the core planning assumptions (Annex 1). Their conclusion was that they represented a comprehensive document to highlight areas of risk and opportunity for Directorates, and it was recommended that these should form part of the information provided to select committees to inform their work programmes in the autumn.
35. Meetings of the group took place on 30 July, 14 August and 24 August with its conclusions feeding into the report to Cabinet in September 2020.

## **SECTION 151 OFFICER COMMENTARY**

36. The council has a duty to ensure its expenditure does not exceed resources available. Although significant progress has been made over the last twelve months to improve the council's financial position, the medium term financial outlook is uncertain. The public health crisis has resulted in increased costs which are not fully funded in the current year.
37. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected from next year onward, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term. Within this context the council will continue to develop and implement plans to ensure the delivery of services are contained within resources.
38. The Section 151 Officer confirms the financial information presented in this report is consistent with the council's general accounting ledger and that forecasts have been based on reasonable assumptions, taking into account all material, financial and business issues and risks.

## **LEGAL IMPLICATIONS – MONITORING OFFICER**

39. There are no specific legal implications from the strategic reset at this time. Specific legal advice will be provided as the council varies its priorities and programmes in the coming months.

## **EQUALITIES AND DIVERSITY**

40. There are no immediate direct equality implications arising from this report. It notes that one of the impacts of Covid-19 on residents is widening inequality for health, economic and social outcomes. The council is working to better understand differential impacts on these outcomes for residents and communities of all backgrounds. We will also consider how the opportunities identified in this report can help us tackle inequalities, eliminate discrimination and promote equality of opportunity and good relations between communities.
41. The proposals to focus a refreshed Organisation Strategy on four priorities reaffirms and provides added emphasis on the council's mission to tackle inequality and make sure no-one in Surrey is left behind. This also includes a commitment to developing a diverse workforce, using the strengths this brings to supporting the council to achieve the Strategy's priorities. Further detail on the equality implications of the refreshed Strategy will be reported to Cabinet in October.
42. Current budget assumptions identify a net budget gap of £63.7m for the 2021/22 financial year. Equality Impact Assessments will need to be developed for efficiency and transformation proposals to close this gap where there are likely to be equality implications for residents and staff.

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**Consulted:**

- Strategic Reset – Task and Finish Group
- Strategic and Integrated Planning Group

**Annexes:**

- Annex 1 – Planning Assumptions
- Annex 2 – Evidence Base
- Annex 3 – Local Recovery Index
- Annex 4 – Covid-19 financial impact
- Annex 5 – Implications for Directorate business plans
- Annex 6 – Transformation programmes – impact of Covid-19 and key deliverables by April 2021

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