

REPORT OF THE COUNCIL'S SELECT COMMITTEES**Item under consideration: SCRUTINY OF 2022/23 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY TO 2026/27****Date Considered: 13 - 17 December 2021**

- 1 Over the course of a week in December, the Council's four Select Committees reviewed the Draft Directorate Budgets and Medium-Term Financial Strategies relevant to their remits following initial briefing budget from Finance officers in October. Each Select Committee received a summary of the Council-wide budget position alongside more detailed Directorate level information including capital plans, pressures and efficiencies and the medium-term financial strategy.
- 2 Select Committees took evidence from Cabinet Members, Directorate Leadership Teams, and the Finance Service over the course of four remote, informal meetings. These meetings took place remotely owing to the increasing prevalence of the Omicron variant of coronavirus, however, the meetings were streamed live on the Council's webcasting website so that residents might observe proceedings. Minutes were taken by Democratic Services and will be published in the normal way in the next set of Select Committee agenda.
- 3 The objectives of the scrutiny were again this year to: test the sustainability of the 2021/22 budget, review how it supported the delivery of the council's strategic ambitions and consider how it would aid the county's recovery from the coronavirus pandemic. This report is a summary of the key points, conclusions and recommendations resulting from those meetings. Further scrutiny topics and actions for committees identified at these meetings are included in their respective minutes and not reproduced here.
- 4 The Select Committees recognised the variety of challenges placed on the Council and its staff during the pandemic and the usual uncertainty arising from the date of the local government financial settlement from central government.
- 5 Several issues were raised by Select Committees with assurances being sought from decision makers that no negative outcomes would be experienced by Surrey residents as a result of efficiencies and changes to services.

Adults and Health Select Committee:

1. The Committee asked about the Adult Social Care (ASC) Directorate's forecasting of demand. Witnesses assured Members that robust monthly monitoring processes enabled the Council to be clear on how expenditure on ASC services compared to the budget proposals.

2. The potential financial impact of the Omicron variant was raised and how this had been factored into the reserves for 2022/23. The Director of Public Health explained that the risk of a new variant had remained on the corporate risk register and that through using COVID reserves, Public Health could flex their services as appropriate. In terms of contingencies, The Director of Finance (Corporate and Commercial) stated that from the 2021/22 financial year, the Council had circa £11 million of reserves and contingencies which could be added to the 2022/23 budget, any unspent money from 2021/22 could be carried over.
3. The sustainability and risks of the Learning Disabilities and Autism (LD&A) efficiencies were explored. The Executive Director of Adult Social Care explained that expenditure on LD&A had risen, and would continue to do so, due in large to those transitioning from Children's Services into ASC every year. The Executive Director of Adult Social Care explained that the proposed efficiencies in this area were focused around changing the model of day care services and a maximisation of independence.
4. The Mental Health Lead for the Independent Mental Health Network asked for reassurance that mental health would be a focus of forthcoming budgets to ensure that ASC capacity could meet the increased demand. The Strategic Finance Business Partner (ASC and PH) stated that the assumption of a continuation of the high level of demand for mental health services was built into the draft budget for 2022/23.
5. The Chairman enquired about how the efficiencies identified would help to tackle health inequalities and the impact on residents. The Director of Public Health explained that the efficiencies outlined in Public Health for the 2022/23 draft budget were relatively small and that they should not have any material impact on health inequalities.

Children, Families, Lifelong Learning & Culture Select Committee:

1. The Committee probed the assumptions and deliverability of efficiencies in the budget particularly regarding Children's Services. The Executive Director for Children, Families and Lifelong Learning highlighted that the approach taken was about working differently to better meet families' needs at a lower cost, such as through the prior introduction of the new Family Safeguarding Model and the creation of more in-county placements. The Committee highlighted the challenge of the high number of agency social workers, placements in independent school settings and the financial pressure this created.

2. Witnesses stated that the council set its budget with regard to the Community Vision 2030 and the four priority objectives. This was shown through decisions regarding whether directorates were required to close budget gaps in their entirety or whether additional funding could be directed to those services. Thus, it was unlikely that the budget gaps for 2022/23 for Adult Social Care, Children, Families & Lifelong Learning and DSG High Needs Block would be closed through further efficiencies.
3. When asked what impact government's Special Educational Needs & Disabilities review could have on the assumptions around funding for the 2022/23 budget and the MTFs the Committee were informed that the current assumptions around ongoing funding for the High Needs Block included an 8% year on year increase in funding, which was based on previous years and was likely to be broadly correct for the next couple of years.
4. A Member enquired about the basis of the assumption that service income in Customers & Communities would return to pre-COVID levels and the degree of confidence in that assumption. The Strategic Finance Business Partner highlighted the challenge of this assumption and highlighted that there had already been positive indications of this in the 2021/22 financial year, especially in the Registration service. £500,000 of COVID-19 funding had been used to support the Directorate in the 2021/22 financial year.

Communities, Environment and Highways Select Committee:

1. The Committee first raised the broader issues of the impact of the end of furlough, increasing inflation and other income pressures on Surrey. Witnesses agreed that uncertainty arising from the pandemic brought risks to delivering the budget. To deal with this there was a £20m contingency built into the budget centrally to meet unforeseen pressures and there was a £58m total contingency.
2. The Committee sought a commitment that the savings and efficiencies identified in the draft budget proposals would not lead to any deterioration in services to residents. The Cabinet Member for Transport and Infrastructure confirmed that there were no plans to reduce services.
3. The Committee raised several queries in relation to the Council's climate change work. Witnesses were asked if this budget would deliver the reduction of 1.2million tonnes of carbon dioxide as set out in the Greener Futures Delivery Plan. An Officer said that although it was too early to confirm, the projections had now been completed so it would be possible to track progress. A member asked if the budget alongside the MTFs

was adequate to deliver the Greener Futures initiative and climate change delivery plan. The Committee were told that the Council would be able to leverage the investment and that capacity had been created to develop bids for additional funding as the Council's budget alone would not be sufficient for the Greener Futures initiatives and the Climate Change Delivery Plan. The Committee considered the idea of a carbon budget running parallel with the financial budget in the future as a means of staying on top of our commitments.

Resources and Performance Select Committee:

1. The Committee questioned the impact of the proposed budget reductions or efficiencies on residents and the Council's service delivery. Witnesses said that the final budget package was being produced with an expectation that that would include updated impact assessments to consider any changes to service delivery. They added that where the service had identified equality implications, impact assessments would be drafted alongside these in addition to being presented to the relevant Select Committee and Cabinet as part of the future decision-making process.
2. Some concerns were raised about the timing and method for collecting feedback from residents on their priorities for Council spending. Officers reassured Members that it was as rigorous as possible and built on prior consultation rounds with residents earlier in 2021. Witnesses took on feedback on the closure date of the consultation. Following on from this the Committee raised differing council tax support offers across the 11 districts and boroughs and how information on these different offers could be disseminated as part of engagement with residents on the council's budget proposals.
3. A Member asked why reserves were being bolstered whilst at the same time the Council was increasing its borrowing. Witnesses advised that the Council didn't externally borrow until there was a need to do so and its savings offset the amount of reserves, so in terms of interest costs every pound in reserve would offset interest costs until that funds were required to fund the capital programme. Although the numbers in reserve seem significant, it would not be beneficial to reduce them and risk the profile of the Council's finances over the medium-term.
4. A Member noted an overspend of £3m in IT & Digital and asked if it had been included as a budget pressure and if so where. Officers explained that a report was planned for Cabinet in December 2021 on the cost of the delay to the implementation of the My Surrey corporate system. That impact had been registered in both the capital and the revenue budgets.

5. A Member asked if the Council had reviewed similar Council's corporate costs to understand how our costs compared. The Committee were informed that the subject of benchmarking was an important one, it was a complex area due to a lack of availability of comparable data. However, work was being undertaken to build local networks and have useful discussions to enable more focus on this.
6. The Committee wished to understand the reasons for non-delivery of a number efficiencies and whether there were similar risks within the current budget. Officers said that the forecast for 2021/22 was that £4.1m of efficiencies were deemed to be undeliverable, with approximately half of that figure being in the Adult Social Care Directorate. The impact of COVID-19 was a consistent underlying theme across the non-delivery of efficiencies in 2021/22 and this would continue in 2022/23. The budget had been set based on several core assumptions, COVID-19 being one of them.

Recommendations to Cabinet:

1. Cabinet is asked to consider creating a parallel carbon budget (carbon impact of the total budget) in 2023/24 to be set alongside the financial budget so the carbon emission implications of decisions as well as the financial implications can be scrutinised. **(Communities, Environment and Highways Select Committee)**
2. The Cabinet Member for Transport & Infrastructure to provide evidence in the final budget to assure the committee that the additional capacity planned for the Planning Enforcement Team is adequate and realises additional revenue in terms of recovered costs. **(Communities, Environment and Highways Select Committee)**
3. The Community, Environment and Highways Select Committee seeks assurances from the Cabinet that the final 2022-23 budget has adequate resources allocated to support the high priority action plans and intended outcomes in relation to:
 - a. Climate Change and Greener Futures Delivery Plans;
 - b. A shift to Local Transport Plan 4 and active travel; and
 - c. Recommendations of the Greener Futures Reference Group previously presented to Cabinet**(Communities, Environment and Highways Select Committee)**
4. Cabinet is requested to ensure that a comprehensive, representative, and early budget consultation with residents and key stakeholders should form an integral part of the Council's annual budget setting process with findings communicated to all Members and made available to Select Committees with draft budget papers. The initial budget consultation process should conclude first before a draft budget is presented to the Council's Select Committees. The deadline for this year's call for

evidence for example could have been extended from 28 December 2021 to allow residents and stakeholders more time to comment and engage after the festive and the New Year period. **(Resources and Performance Select Committee)**

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5. Cabinet to ensure that the effect of Council borrowing result in a real return, particularly any commercial borrowing which ought to cover return on its investment. **(Resources and Performance Select Committee)**
 6. Cabinet to ensure that an assessment is undertaken of all Surrey's borough and district council's council tax support offers to ensure any increase in Surrey County Council's share of Council Tax is affordable to all residents. **(Resources and Performance Select Committee)**
 7. To further support collaborative working, to avoid any silos and to ensure proper oversight and effective budget scrutiny next year, the Cabinet is requested to ensure that the Budget Task Group (with all Select Committee representation) will be provided with:
 - a) Regular in-year and up-to-date finance monitoring updates throughout the year - particularly when there are significant and material changes - to be assured that assumptions made and expectations derived from the budget 2022-23 and MTFS 2026-27 (where relevant) will be met in practice;
 - b) Early communication and understanding of 2023-24 draft budget with high-level assessment of effect on residents;
 - c) Meaningful details about the budget efficiencies with overarching Budget Impact Assessments (including any impact on, for example, service delivery, residents, corporate and organisational priorities, Equality, Diversity & Inclusion matters and staffing) be provided to Select Committees and the Budget Task Group where appropriate before the draft budget is formally presented to all Select Committees. This should happen earlier than November 2022 to ensure Members have sufficient time to understand, make further enquires and add real value to the scrutiny process; and
 - d) Commentary and comparison of corporate costs of the Council with similar Local Authorities.

(Resources and Performance Select Committee)

Liz Bowes
Chairman - Children, Families,
Lifelong Learning Select Committee

Nick Darby
Chairman - Resources and
Performance Select Committee

Bernie Muir
Chairman - Adults and Health Select
Committee

John O'Reilly
Chairman - Community,
Environment & Highways Select
Committee