

REPORT OF THE COUNCIL'S SELECT COMMITTEES**Item under consideration: SCRUTINY OF 2023/24 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY TO 2027/28****Date Considered: 5 - 15 December 2022**

- 1 The four Select Committees of the Council share responsibility for the scrutiny of the Council's budget. Each Committee held a public meeting in December to consider the most up-to-date iteration of the draft revenue and capital budget 20223/24.
- 2 Owing to this shared responsibility, each Select Committee reviewed the corporate, council-wide budget position and the specific service budgets specific to their remits. All four Select Committees raised common issues related to external economic circumstances that impact the Council: government funding, the high rate of inflation, increased interest rates and the broader cost-of-living pressures faced by residents and the knock-on effect for budget pressures, service provision and capital investment.
- 3 When reviewing the draft budgets as presented by Cabinet Members and Executive Directors scrutineers sought to understand assumptions that underpin the figures, to probe the risks associated with efficiencies and to be sure that the budgets reflect resident and service-user priorities.
- 4 Summaries of the scrutiny undertaken by each Select Committee and the recommendations made at those public meetings are detailed below.

Adults and Health Select Committee:

1. The Committee wished to understand if witnesses felt residents appreciated the true cost of adult social care. The Cabinet Member thought that this could be better understood, and this was something that they wanted to change. An Officer stated that the consultation on the budget last year showed strong support for prioritisation spend on Adult Social Care and the pandemic had brought that into sharper focus.
2. The Committee learned that 50% of the budget pressures in Adult Social Care were inflation-related and there had been significant increase in pressures compared to previous years. There was a £20 million contingency in the budget to mitigate against risks which would be used if required.

3. A Member asked in what respects the pandemic was still impacting the Council's budgeting. The Council continued to see demand for services at a high level and this had not dropped off. There was also an impact on income levels from services receiving a lower revenue. The level of need in general had increased, especially in terms of the average cost of a care package. The Director of Public Health explained that there had been extra resources during the pandemic through the covid outbreak management fund which was ending at the end of the financial year, although demand was continuing.
4. Regarding pay inflation, the Committee heard that an overall 5% increase for the next financial year was being considered and how it would be apportioned was yet to be decided.
5. A Member queried the efficiency for Section 117 (Mental Health Act 1983) at a time when demand for mental health services was increasing post-pandemic. Witnesses explained that the efficiency related to joint funding from the NHS for individuals discharged with Section 117 aftercare. The ongoing care would be funded 50:50 between the NHS and the Council and there were cases at the moment whereby the Council was wholly funding.
6. The Committee queried the efficiencies related to learning disabilities and autism. It was explained that those who required transport would continue to receive it. In terms of the in-house services, the key change was the deregistration of two care homes, which would become supported independent living accommodation. The efficiency around the reablement service was about utilising staff more productively through a new rostering system.
7. A Member enquired about the efficiency regarding front door redesign. It was explained that this was not about reductions in services, rather the method of meeting needs would cost less, digitising the offer linked to the broader goal of prevention and early intervention.
8. The Chairman asked if the witnesses about financial co-operation with the NHS on Discharge to Assess (DSA). Officers explained that the Council and NHS partners worked closely on DSA and met weekly to plan together. There had been an announcement of £500 million for the coming financial year (2022/23), which had been extended for the next two years. The Cabinet Member added that the Council could work better with the NHS on this.

9. The Director for Finance Insights and Performance recognised it was a concern that inflation had rapidly increased since the Safety Valve agreement was agreed, and said they hoped to receive an additional £7.8m from Government to cover this in 2023/24. A Member asked what would happen if the Government rejected two free school bids that it was anticipated would contribute to the additional in-county specialist places required to reduce revenue costs. The Director for Education said it may have risk to revenue savings in year five of the programme and would require a reassessment.
10. A Member probed if the assumption the £19.2m pressure forecast in 2023/24 for home to school transport would fall in subsequent years was realistic in an area of historic overspend. The Strategic Finance Business Partner for Children, Families and Lifelong Learning said projections were realistic due to the current travel assistance policy and the expectation EHCP growth would drop in the medium term.
11. The Committee was assured by the Executive Director for Children, Families and Lifelong Learning that although borrowing costs are high at this time, it was financially sound not to delay its capital programme expanding in-house residential provision for children, due to the fact this is at least £1,000 per week less expensive than private provision.
12. It was noted by the Director for Family Resilience and Safeguarding that the cost of an agency worker is significantly more than for a permanent member of staff and this contributed to a £2.5m overspend in social worker staffing in spite of a high level of vacancies.
13. A Member asked if the Directorate's largest efficiency target in the short and medium term, managing demand in looked after children, was achievable. The proportion in Surrey is already low (in the top quartile nationally). The Director for Family Resilience and Safeguarding explained they expected strengthening Early Help would reduce costs in statutory social care, and envisaged this change could be done within the current budget envelope through repurposing. No Wrong Door and reunification were other strategies that would help to safeguard young people residing with their birth families.
14. The Director for Customer and Communities assured the Committee that marriage registrations quickly recovered from the pandemic,

while Surrey Arts income was close to recovering due to an extension of their teaching programme. Should a gap in predicted income arise in libraries, they would look at temporarily holding vacant posts.

Communities, Environment and Highways Select Committee:

15. The Committee raised the economic risks to the Council of inflation and the cost-of-living pressures. Officers reassured Members that the Council had planned for this, and the draft budget contained a central £20m contingency that could meet any unforeseen pressures and there was a £58m total contingency. The inclusion in the draft budget of 4% figure for inflation was a reasonable starting point and that Finance believed that this inflationary provision in the budget was sound. Officers added that Directorates needed to keep within their budget envelopes and that the draft budget included provision to cover the National Insurance increases for employers.
16. The Committee sought assurances that service levels would not deteriorate as a result of this draft budget. An officer confirmed that the Council would not be delivering any kind of service reduction because of the changes in the budget because of the proposed efficiencies. The Cabinet Member for Transport and Infrastructure confirmed that there were no plans to reduce services and stated that Surrey residents would be able to see improvements in services.
17. The Committee probed the Council's progress against its Greener Futures programme including reductions in carbon emissions, building accessible electric vehicle charging infrastructure and addressing the 32,000 homes that had been identified as requiring emissions improvement as only 500 homes had been addressed to date. The witnesses confirmed that 547 homes had been delivered so far and work was being done to accelerate this and that the Greener Futures Member Reference Group would keep this under review.
18. Further to this, the Committee inquired as to whether the budget was sufficient to meet the Councils' climate commitments. An officer said that the Council would be able to leverage investment in this area and that capacity had been created to bid for funds as our own budget would not be sufficient for the Greener Futures initiatives and the Climate Change Delivery Plan. Relationships had been built with energy savings scheme providers and the Council had become successful in terms of leveraging some funding. Officers' assessment, based on current knowledge and our understanding of

the policy environment and government policy, was that there was confidence that the Council had the capacity to secure the required investment to meet its targets.

19. The Committee asked if having a carbon budget running parallel with the financial budget was possible in the future. It was explained that Council decisions were made with the carbon impact in mind. It was highlighted that there was a section for carbon impact in the Cabinet report template and the aim was to become more sophisticated in how the information was captured and reported. A Member stated it was important include the specific carbon impact on future budgets too.
20. The Committee asked witnesses if more could be done to prioritise the increase in Planning Enforcement Team's capacity and if it was achievable in this year's budget. An Officer said that the budget pressure identified in the report was the result of employing additional enforcement officers. The increase in enforcement from two to three officers would allow the Council to be more proactive and so it was currently under review. The Cabinet Member for Transport and Infrastructure agreed that it was a priority to be proactive with a scope to recover cost.

Resources and Performance Select Committee:

21. The Committee wanted to understand the impact of the budget efficiencies on services to residents. The Chairman explained that not only detail was required but the impact of changes to services in general. The Committee considered it to be advantageous to assess the probable effects on residents in relation to efficiencies as early as possible. Officers agreed that considering the implications of efficiencies were an important part of the budget design process.
22. The Committee probed the methodology behind the consultation aspect of developing the budget and expressed doubts that the deadline of 28 December 2022 for residents to contribute to the Council's survey would be beneficial as this meant residents finding time over the Christmas period. Officers were asked if consideration had been given to holding consultation earlier in the year.
23. The Committee inquired about staffing costs and the assumptions in the budget on wage inflation. Officers explained that a three year pay and reward plan was being considered. The Committee raised the issue of being able to recruit and retain staff particularly in social care as there are a high number of agency workers in these teams.

24. Council tax was discussed in the context of ongoing cost-of-living difficulties for residents. A Member asked what was being done to join up services with borough and district councils offering different council tax support to residents. Officers stated that this had been considered in detail during the last 18 months and that the aim was to share budget information widely in the future but there were limitations due to the nature of the two-tier system.
25. The Committee questioned the Council's level of reserves. Officers said that the level of reserves held were reviewed annually as part of the budget setting process and that the Section 151 officer had to be satisfied that they were at a prudent level. In previous years, the Council had set itself on a course that would see reserves depleted to the point where it wouldn't be sustainable. With this in mind, the current level of reserves was proportionate to the level of risks that the authority faced. By comparison to the recommendations of external auditors, the County had reasonable but not excessive level of reserves.
26. A Member noted the IT overspend of £3m and asked if it had been included on the budget. Officers explained that Cabinet would be presented with a report on 20 December 2022 on the cost of the delay to the *My Surrey* system implementation. That impact had been felt in both the capital and the revenue budget. Some of the impact occurred in the current financial year and would be factored in the budget monitoring report to Cabinet. The Cabinet report would propose that the revenue costs would be contained within the corporate budgets. Officers were confident that costs would be contained without the need to increase any budget lines in the draft budget.
27. Non-delivery of efficiencies was raised and the risks within the current budget particularly the red rated savings. Officers said that the forecast for the 2021/22 budget was that £4.1m of efficiencies were deemed to be undeliverable at this point, with approximately half of that being in Adult Social Care.

Recommendations to Cabinet:

Joint recommendations:

1. That findings from Equality Impact Assessments are included in the draft budget reports provided to Select Committees by December 2023.

2. Requests, following the details of the Local Government Finance Settlement, the Section 151 Officer provides a written briefing note (by email) to all Members with details of any impact on the Council finances and Draft Budget 2023-24

Adults and Health Select Committee

Adult Social Care:

1. That the Accommodation with Care & Support Strategy is allocated sufficient budgetary resources for the delivery of Extra-Care and Supported Independent Living facilities to remain on schedule.
2. That sufficient budgetary plans and resources are in place to effectively support Discharge-to-Assess processes.

Adult Social Care and Public Service Reform:

3. That there is a coordinated approach between in-house, day services, and transport services for Learning Disabilities and Autism, and for this to be used toward determining pressures and efficiencies for this area.

Children, Families, Lifelong Learning & Culture Select Committee

The Select Committee wishes to make workforce recruitment and retention the priority for budget expenditure in Children's Services, and with that in mind recommends the Cabinet ensures:

1. It is costed whether increasing the salaries of permanent staff in line with neighbouring authorities, to incentivise recruitment and retention, would reduce the spend on agency staff by a similar or greater amount, and if this is the case that it ensures salaries are competitive.
2. Market rate supplements are used for social worker positions and other hard-to-recruit areas that remain unfilled in social care and SEND. These should be reviewed by the Service after 12 months.
3. In the event pay inflation is higher than expected, the Council should prioritise funding for roles related to social care and SEND.

Communities, Environment & Highways Select Committee

1. Broadly supports, based on the information provided, the budget proposals for those areas that fall within its remit, noting the assurance that all the savings/efficiencies identified will not lead to deterioration in the services provided to residents (subject to the Local Government Finance Settlement anticipated on 21 December 2022).
2. Recommends an uplift in the Highways Capital Programme to reflect the very high inflation specifically facing the service and its contractors, particularly in the Members' Highways allocation.
3. Will continue to closely monitor performance throughout the year to be satisfied that expectations derived from the budget will be met in practice.

4. Asks the relevant Cabinet Members/Services that a briefing note highlighting any impact on the Council's budget, which could impact the areas under this Select Committee's remit, be circulated to the Committee following the Local Government Finance Settlement.
5. Notes that Surrey County Council currently receives only ten per cent of Business Rates paid by Surrey businesses. The Committee asks Cabinet to re-lobby the Government and all Surrey Members of Parliament (MPs) to increase the amount of Business Rates that come to the Council.

Resources and Performance Select Committee

In appreciating the work undertaken to prepare the Draft Budget 2023/24 and MTFS to 2027/28, the Resources and Performance Select Committee:

1. Requests Cabinet to include clearer timescales for achieving proposed efficiencies – with income, costs and expenditure assumptions where relevant (e.g. Enterprise Resource Planning/SAP; Land and Property; Transformation, Twin Track programme etc.) – is provided in the Final Budget 2023-24.
2. Asks that the work on benchmarking data on corporate costs be prioritised by Cabinet and presented to the Budget Task Group by September 2023 and to this Select Committee with the next year's Draft Budget.
3. Expresses concern about increasing the cost of providing Free School Meals; asks Cabinet to consider the impact on schools budget; and continue to lobby the Government to compensate schools.
4. Invites Cabinet to continue to ensure that the impact of inflation in service provision and contracts – including the cost of borrowing and any increase in interest rates – is reflected in the Final Budget 2023-24.
5. Asks Cabinet to review the Capital budget in light of provisional Local Government Finance Settlement as well as the significant inflationary pressure which seems likely to continue for some time; and carefully consider whether the Capital budget needs an inflationary uplift to reflect predicted costs and the potential for value engineering or revise the list of projects in the Capital programme to fit the budget.
6. Asks Cabinet and the Section 151 Officer that detailed budget impact assessments, including Equality Impact Assessments (EIAs), are presented in the Final Budget 2023-24 papers. For the next year's budget setting process, the Select Committee reiterates that this process needs to take place early and EIAs of the next year's Draft Budget 2024-25 are provided to the Budget Task Group in November 2023 and to the Select Committees in

December 2023 with the Draft Budget papers; making sure resources, guidance and processes associated with EIAs are refreshed by September 2023 and promptly reflected into a) the Council's budget setting process next year; and b) the Council's developing Equality Diversity and Inclusion Strategy – a final version of which needs to come back to this Select Committee for feedback and scrutiny before it is presented to Cabinet for approval.

7. Requests, following the details of the Local Government Finance Settlement, the Section 151 Officer provides a written briefing note (by email) to all Members with details of any impact on the Council finances and Draft Budget 2023-24.

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