

MINUTES of the meeting of the **RESOURCES AND PERFORMANCE SELECT COMMITTEE** held at 10.00 am on 9 December 2022 at Council Chamber, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF

These minutes are subject to confirmation by the Committee at its meeting on 2 February 2023.

Elected Members:

- * Steve Bax
- * Nick Darby (Chairman)
- * Will Forster (Vice-Chair)
- * David Harmer
- * Edward Hawkins
- * Bob Hughes (Vice-Chair)
- Robert King
- * Steve McCormick
- Tony Samuels
- * Lance Spencer
- Lesley Steeds
- * Hazel Watson
- * Jeremy Webster

(= present at the meeting)*

45/22 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Lesley Steeds.

46/22 MINUTES OF THE PREVIOUS MEETING: 7 OCTOBER 2022 [Item 2]

The minutes of the Resources and Performance Select Committee held on 7 October 2022 were formally agreed as a true and accurate record of the meeting.

47/22 DECLARATIONS OF INTEREST [Item 3]

None received.

48/22 QUESTIONS AND PETITIONS [Item 4]

None received.

49/22 BUDGET TASK GROUP NOTES WITH A COVERING REPORT [Item 5]

Noted and agreed.

50/22 SCRUTINY OF 2023/24 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY 2027/28 [Item 6]

Witnesses:

David Lewis, Cabinet Member for Finance and Resources
Natalie Bramhall, Cabinet Member for Property and Waste
Denise Turner-Stewart, Cabinet Member for Communities and Community Safety
Leigh Whitehouse, Deputy Chief Executive and Executive Director of Resources
Simon Crowther, Director of Land and Property
Marie Snelling, Executive Director, Customer and Communities
Anna D'Alessandro, Director of Finance- Corporate and Commercial
Rachel Wigley, Director of Finance - Insight and Performance
Louise Lawson, Strategic Finance Business Partner
Nicola Kilvington, Director of Corporate Strategy and Policy

The Cabinet Member for Finance and Resources and officers introduced the report.

Key points raised during the discussion:

1. The Chairman asked what the biggest risks, mitigations and opportunities were concerning delivery of the budget. The Director of Finance - Insight and Performance said that the £125 million of pressures showing within the draft budget were the biggest risk and had resulted in the need to look for a higher level of efficiencies than in previous years. A risk contingency budget had been set and each directorate was clear of the requirement to work within their budget envelope. The most significant and continuing risks to Surrey County Council (SCC) were within Children's and Adults services with officers working on a range of measures to manage those risks, including Home to School Travel Assistance where the overspend in 2022/23 had begun to reduce.
2. The Chairman queried if the contingency of £20 million could be used to close the £14.4 million budget gap. The Deputy Chief Executive and Executive Director of Resources confirmed that use of reserves was one of three options to close the budget gap, the other two being the identification of further efficiencies or an increase in Council Tax. The contingency was important to the budget setting process as it allowed a push for further efficiencies without risking a deficit, it provided some tolerance. It was expected that a good proportion of the gap would come through a positive outcome of the Local Government Finance Settlement.

3. The Chairman asked if Children's services was the area of highest risk for 2022/23. The Deputy Chief Executive and Executive Director of Resources said that the increase in demand over two financial years during the pandemic had resulted in Home to School Travel Assistance being one of the main risks, in addition to inflationary and external factors.
4. The Chairman noted the potential issue around staffing costs and inflation. The Deputy Chief Executive and Executive Director of Resources said that the five per cent allowance in the budget was affordable and higher than in previous years. It was hoped that with continued work and focus an agreement with the unions would be achieved for a local pay deal in good time for the new financial year.
5. The Chairman asked when the Equality Impact Assessments (EIAs) of the Draft Budget would be undertaken, what they would include, how would they compare to previous assessments and queried the method of public consultation necessary. The Director of Corporate Strategy and Policy confirmed that officers had been determining which efficiencies listed in the Draft Budget required an Equality Impact Assessment based on impacts to residents or staff. The current process is for completed EIAs to accompany the budget report to Cabinet and Council in January and February, respectively. However consideration was underway to include proposed draft EIA impacts at this point next year. Following a signing off process by senior officers within directorates, EIAs were checked and challenged by the Corporate Strategy and Equality, Diversity and Inclusion (EDI) teams then signed off by the relevant Cabinet Member. In addition, potential cumulative impacts across the range of budget proposals were considered, included in cumulative impact assessment which was appended to the final report.
6. The Chairman requested that EIAs were available to all Select Committees Members for scrutiny much earlier in the process going forward. The Deputy Chief Executive and Executive Director of Resources noted the effort made this year to bring forward the budget scrutiny process, in a year when it had been difficult to do so. Clear parameters for 2023 were expected following the settlement announcement on 21 December 2022 allowing more time for scrutiny and improvements to the timescales for EIAs and other aspects of scrutiny in next year's process.
7. The Chairman asked what the cost was of the Capital spend and borrowing by the Council and what changes had been made to

these compared to original projections. The Director of Finance-Corporate and Commercial explained that the capital programme was £1.9 billion overall, consisting of £1.1 billion of programme and £800 million of pipeline. The borrowing element of the capital programme (c£1.1 billion) was funded in many ways such as grant money, unfunded borrowing, Section 106 monies, third-party monies and capital receipts. The current costs of borrowing are approximately £46 million for 2022/23 this comprised of both interest and the money set aside in terms of the repayment of unfunded borrowing (Minimum Revenue Provision - MRP). Borrowing costs were anticipated to rise to £86 million by 2027/28 with all parameters included in the revenue budget resulting in the current capital programme being affordable. The Finance Director - Corporate and Commercial confirmed that nothing had been removed from the programme and explained that the capital project budgets were set by the Council's three Strategic Capital Groups being; Infrastructure, Land and Property and Information Technology (IT) panels as part of an officer led capital programme panel to consider and agree with Cabinet Members the requirements of running the capital related programme for the next five years. The full impact of inflationary measures had not been fully experienced to date and was expected to continue to come through after the capital programme had been agreed. Strategic Capital Groups have undertaken value engineering to rescope and resize programmes to fit within their budget envelopes. Inflationary mitigations also consisted of accelerating spend from future years; that is, bringing forward budgets from future years in the Medium-Term Financial Strategy (MTFS) to compliment and supplement the budget for the current financial year with the possibility reducing future ambition until inflation has returned to more "normal" levels.

8. The Chairman asked if the Your Fund Surrey (YFS) draft budget reduction from £100 million over five years to £60 million was a change to the capital programme. The Finance Director - Corporate and Commercial confirmed this reduction in the YFS pipeline programme and explained this was considered adequate to cover the fund over the five-year period based on trend analysis of past, current claims and future potential applications.
9. The Chairman queried the inevitable consequences to the budget around extra care homes and subsequent inflationary effects. The Finance Director - Corporate and Commercial explained that Strategic Capital Groups had considered the potential impact and how any risks could be addressed within current budget envelopes. Investments in large schemes such as extra care homes continued to be carried out to support the revenue programme over the medium-term

10. The Chairman queried the overall effect of draft budget efficiencies on residents. The Deputy Chief Executive and Executive Director of Resources said that in relation to the Resources directorate, proposals had centred around internal efficiencies with significant reductions in services to residents avoided. Work continued to manage individual services and demand at the right level with the allocation of resources in an efficient way rather than a series of closures or service cessations. The Cabinet Member for Communities and Community Safety added that the Customer and Communities directorate had made every effort to minimise the impact on residents with an increase in registration fees remaining in line with inflationary pressures and the reduced costs of community partner libraries. The directorate continued to look at ways to mitigate any funding that could not be raised locally.
11. The Chairman requested clarification around the efficiencies in terms of the contact centre. The Executive Director, Customer and Communities explained the approach was consistent with those undertaken by other local authorities in which the provision of a telephone service for those with protected characteristics or digitally excluded residents would continue with further encouragement towards the use of online reporting for those residents that were able and preferred to use digital tools. Further collaboration with the library service would continue to support those digitally excluded or requiring support and any required reduction in contact centre staff due to fewer routine calls would be achieved through natural wastage.
12. A Member, in noting concerns to changes within the contact centre queried the role of Community Link Officers (CLOs) to support and highlight gaps. The Executive Director, Customer and Communities confirmed that CLOSs were vital to highlight local intelligence and contribute to the wide support required with this work.
13. A Member asked when the settlement could be expected. The Finance Director - Corporate and Commercial confirmed that the provisional settlement would be announced on 21 December 2022 with the final settlement expected in January 2023, which was unlikely to change from the provisional settlement. HM Treasury had advised some policy statements would be issued to aid the budget setting process, but nothing had been received to date.
14. A Member queried if the life of a new item of capital programme was considered in its assessment and the overall capital programme. The Finance Director - Corporate and Commercial confirmed this

was considered as part of setting MRP. MRP is enacted one year after the asset becomes operational. This was taken into account as part setting the capital programme and ensuring its affordability.

15. A Member asked if the assessments of programme life expectancy were accurate. The Finance Director - Corporate and Commercial said that in addition to internal/corporate assessments, MRP policies were discussed annually with auditors with any policy changes agreed with external auditors prior to implementation. The Member asked if it could be evidenced that departments estimations were sound. The Finance Director - Corporate and Commercial confirmed that MRP was a central cost with the justification of lifespan agreed by Finance and presented to external auditors.
16. Will Forster, in noting that £10.3 million out of the £68.6 million efficiencies were flagged as green and 11 per cent of efficiencies were flagged as red, asked how this rating compared to the Council's budget in previous years.
17. Will Forster queried how the Council's corporate costs compared to other authorities and asked when the regional study on benchmarking and corporate costs in particular, would be available. The Director of Finance - Insight and Performance said that benchmarking work is undertaken by several formal and informal benchmarking groups to share costs and learning. A South- East Benchmarking Group had been set up with work to accelerate in the new year. In addition conversations around benchmarking corporate costs would be taking place with Hertfordshire County Council. It was expected that benchmarking information would be available by summer 2023.
18. Will Forster asked if it was possible to see efficiencies by department in percentage terms to better understand why some departments were not expected to make efficiencies. The Director of Finance - Insight and Performance said that efficiencies were set against budget envelopes on a pro rata basis.
19. Will Forster requested further detail on the red rated twin track savings on slide 24. The Director of Finance - Insight and Performance explained that it was usual to see red rated efficiencies for ambitious but achievable efficiencies at this stage because some elements were still being developed with the risk contingency reserve available in case the savings could not be achieved.

20. Will Forster queried the latest thinking around the amount of Council Tax increase, and whether the budget gap equating to just under a further two percent Council Tax increase could be seen to infer that an increase of four per cent would be included in the final budget. The Deputy Chief Executive and Executive Director of Resources confirmed the planning assumption of a 1.99 per cent Council Tax position with a decision being made by Cabinet following the 21 December 2022 settlement announcement and reflected in the January 2023 Cabinet report as to the actual increase. The Cabinet Member for Finance and Resources added said that an overall increase at four per cent should not be assumed.
21. Will Forster asked if schools would be compensated by the government under the School Funding formula for the Council's proposed free school meal increase of 5 per cent and how would this increase affect existing school budgetary pressures. The Deputy Chief Executive and Executive Director of Resources said that it was not yet clear if the government would compensate schools for the increase in costs of Free School meals, however distribution of the additional funding given to schools in the autumn statement would be confirmed over the next month followed by a final Council decision around the increase to schools when the facts could be considered in full. The Finance Director - Corporate and Commercial added that funding for Free School Meals was not ringfenced and schools could and did use any surpluses to support their budgets if eligibility proved higher than participation.
22. A Member said that if planned efficiencies would not have a negative impact on residents, why had they not been identified previously. The Deputy Chief Executive and Executive Director of Resources said that identifying these efficiencies had required a concerted effort and detailed work, more complicated to implement than an efficiency resulting in a service reduction.
23. A Member queried why the use of reserves had not been considered for what were expected to be temporary inflationary pressures rather than a rise in Council Tax. The Deputy Chief Executive and Executive Director of Resources explained that reserve levels had been rebuilt to provide sufficient protection for the level of the Council was facing. Whilst the large inflationary increases were hopefully short term, there were other longer-term risks to be managed, for example an expected tightening in public spending levels which might adversely affect resources in the medium term.

24. Bob Hughes asked what income and expenditure assumptions underlay the budget for Land and Property. The Cabinet Member for Property and Waste summarised the high levels of energy and inflation which were estimated to increase by 43 per cent in addition to estimated building maintenance increases of 25 per cent. The reactive maintenance budget for 2022/23 of £3 million was expected to rise to by £0.75 million.
25. Bob Hughes queried the areas of the Transformation programme that were expected to make significant progress during the next year. The Deputy Chief Executive and Executive Director of Resources expected the emergence of a more radical redesign of the Council's structures to improve service delivery and noted the short and medium-term activity around Home to School Travel Assistance in addition to cross cutting efficiencies and demands around adults and children's social care. The Vice Chairman noted that Select Committees should closely consider the degree to which the departments they oversee were following the Transformation programme.
26. Bob Hughes asked which programmes were considered urgent and needed to make significant progress next year. The Deputy Chief Executive and Executive Director of Resources said that there had been a focus to ensure the Transformation programme reflected the most important aspects of work for the authority with the tactical rather than strategic importance evidenced. Immediate changes around Home to School Travel Assistance, improvement of the overspend and current and future provision would be the most significant part of the programme next year.
27. Bob Hughes queried the expected timescale for achieving the Resources directorates efficiencies identified in the report. The Deputy Chief Executive and Executive Director of Resources said that efficiencies had been constructed to reflect a profile with an expectation of delivery throughout and within the financial year with savings outlined accordingly.
28. A Member, in noting the efficiencies around making the most of contracts, asked if that had not been the case previously. The Deputy Chief Executive and Executive Director of Resources explained that the efficiency referred to the constant diligence required and the change of emphasis to procurement services to include the continual monitoring throughout the life of a contract. Currently the focus of professional procurement support is on the tendering process for most contracts, rather than ongoing contract

management. There is confidence that investing in more contract management support will deliver a net efficiency.

29. A Member, in referencing the office building rationalisation lease cost reduction offset by additional running costs and borrowing costs savings figure of £0.8 million for 2023/24 (noted in Annex 1, page 58) asked how the rate of rationalisation of SCC office buildings could be accelerated to increase savings for the next financial year and improve occupancy. The Deputy Chief Executive and Executive Director of Resources summarised the saving in the budget for the next year of £800,000 over the lifetime of the planned £1.7 million building on savings delivered in the current year. Overlaying the estate strategy, which included the move to Woodhatch from County Hall and Dakota with an additional 500 people moving to Woodhatch from Consort House in January 2023 and a proposed exit from Quadrant Court, include plans to focus on the transition to hybrid working. Greener Futures ambitions and raising the quality of the Council buildings also needed to be balanced against the need for efficiencies.

30. A Member queried the current under occupancy rate of the Council's offices and the expected occupancy rate for the next financial year. The Deputy Chief Executive and Executive Director of Resources noted the challenge of obtaining reliable data which was currently based on the use of door passes, however implementation of new technology as part of a Land and Property system was expected to provide reliable information capture methods and in the meantime the creation of a data suite would provide information around trends in usage which could be shared in January 2023. A Member requested that the Resources and Performance Select Committee (R&PSC) be provided with the occupancy data for SCC buildings in January 2023. **Action – Deputy Chief Executive and Executive Director of Resources**

31. A Member queried the cost of the enterprise Resources Planning/ Systems Applications and Products in Data Processing (DB&I, ERP/ SAP) programme delay to SCC and the impact of the request for additional funding to Cabinet in the draft budget 2023/24. The Deputy Chief Executive and Executive Director of Resources said that the impact on the budget next year was relatively small. Short term measures had been considered to temporarily bridge the savings gap anticipated in resources and across the council. Costs resulting from the delay would be brought forward to meet cost of additional work that had taken place.

32. A Member, in referencing slide 42, noted the Your Fund Surrey (YFS) scheme appeared in the budget under Central Income and Expenditure (CIE) with no indication of how much the programme was costing now or in the medium term. The Finance Director, Corporate and Commercial confirmed that CIE contained the corporate costs required to support the Council to deliver services and included MRP, interest payable and receivable. MRP was shown, not the amount attributable for individual schemes but shown in totality. The Executive Director, Customer and Communities reiterated that as a demand led scheme, borrowing only took place against approved schemes.
33. A Member asked if an assumption had been made on the interest cost of YFS to be able to balance it. The Finance Director, Corporate and Commercial confirmed that this was the case with assumptions included in the capital programme.
34. A Member requested a full briefing to the RPSC on the property portfolio. The Chair asked the Member to inform, outside of the meeting, what specific area(s) he would like to be included in the report. **Action – Director for Land and Property**
35. A Member asked if the budget setting process at the start was zero based. The Director for Finance - Insight and Performance said that budget setting was not zero based but instead started from the position of the previous year. However, all aspects of the budget were looked at in proposing the budget for future years. This reflected that much of the Council's activity inevitably continued from year to year.
36. A Member said that long-term savings and benefits to residents created were as important as the immediate return on costs – around care homes and independent living – and asked if the budget included the revenue saving for the extra care accommodation. The Director for Finance - Insight and Performance confirmed that lines to include the revenue saving appeared further down the MTFS as they would take time to come on stream with efficiencies expected due to less residential care costs.
37. A Member asked for the exact total cost to the Council of the ERP/SAP programme for this and next year and requested a follow-on session for the R&PSC to review the programme in early 2023. The Deputy Chief Executive and Executive Director of Resources explained that an exact figure was not currently available. The go

live date for the project had been extended to June 2023 with the delay bringing added costs. If conclusions were reached during a replanning and commercial conversation taking place with the supplier during the week commencing 12 December 2022, costs would be shared imminently with the R&PSC and would go forward to Cabinet for approval. The Deputy Chief Executive and Executive Director of Resources suggested a briefing for the Resources and Performance Select Committee in January would be timely in addition to a lessons learned exercise with a possible subgroup of the committee to consider the programme at an appropriate time so not to destabilise the programme. **Action – The Deputy Chief Executive and Executive Director of Resources**

Resolved:

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 the provisional Local Government Funding Settlement and 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 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 earlier 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.

51/22 STRATEGIC INVESTMENT BOARD MID YEAR REPORT – FINANCIAL YEAR 2021/22 AND FOECAST UPDATE 2022/23 [Item 7]

Witnesses:

David Lewis, Cabinet Member for Finance and Resources
Natalie Bramhall, Cabinet Member for Property and Waste
Leigh Whitehouse, Deputy Chief Executive and Executive Director of Resources
Simon Crowther, Director of Land and Property
Anna D'Alessandro, Finance Director, Corporate and Commercial
Neil Jarvey, Strategic Finance Business Partner

The Cabinet Members for Finance and Resources; and Property and Waste and Strategic Finance Business Partner, introduced the report.

Key points raised during the discussion:

1. A Member queried the remit of Surrey Choices. The Finance Director, Corporate and Commercial said that Surrey Choices provided learning and disability services on behalf of SCC.

Resolved:

The Select Committee noted the report.

52/22 EXCLUSION OF THE PUBLIC [Item 8]

**53/22 STRATEGIC INVESTMENT BOARD MID YEAR REPORT –
FINANCIAL YEAR 2021/22 AND FOECAST UPDATE 2022/23 [Item
9] [Part Two discussion, internal record only, not for publication]**

Witnesses:

Key points raised during the discussion:

No discussion took place under Part 2 conditions.

54/22 PUBLICITY OF PART TWO ITEMS [Item 10]

No discussion took place under Part 2 conditions.

**55/22 PERFORMANCE MONITORING SESSION NOTES 14 OCTOBER
2022 [Item 11]**

Agreed and noted.

**56/22 RECOMMENDATIONS TRACKER AND FORWARD WORK
PROGRAMME [Item 12]**

Key points raised during the discussion:

1. The Select Committee noted the Recommendation Tracker and the Forward Work Programme.
2. The Chairman reiterated the request made for a full briefing to the R&PSC on the property portfolio with a timescale determined by the Cabinet Member for Property and Waste. The Cabinet Member for Property and Waste requested confirmation of specific requirements to be included in this briefing. The Chairman suggested that a discussion between the Chairman, Vice Chairs, the Member concerned and Scrutiny Officer to agree the requirements.

57/22 DATE OF THE NEXT MEETING: 7 OCTOBER 2022 [Item 13]

The Committee noted its next meeting would be held on 2 February 2023.

Meeting ended at: 12:45pm

Chairman.

This page is intentionally left blank