

SURREY COUNTY COUNCIL

TUESDAY 7 FEBRUARY 2023

**ITEM 5 (i) – AMENDMENT TO ITEM 5 - 2023/24 FINAL BUDGET AND
MEDIUM-TERM FINANCIAL STRATEGY TO 2027/28**

Item 5 (i)

Amendment by Jonathan Essex (Redhill East) to item 5 – 2023/24 Final Budget and Medium-Term Financial Strategy to 2027/28

Seconder: Catherine Baart (Earlswood and Reigate South)

Recommendations

Council is asked to approve the following budget proposals:

1. That commitment is made to a Phase 2 of the existing Children’s Homes programme within Children Services.

Budget commitment: £18m additional capital (self-financing borrowing) to deliver an additional 24 beds within Children’s Homes, in addition to the 24-beds approved by Cabinet in November 2022.
2. That the Greener Futures Retrofit Programme is expanded to provide further support to the NHS, private landlords and commercial premises.

Budget commitment: £270k to fund additional resources required. These costs would be fully recouped via charging for the services offered and therefore the net budget impact would be zero.
3. That increased bus usage is encouraged across Surrey by:
 - 3.1: allocating specific budget to implement improvements to existing routes and/or provision of new bus routes, following the Future Bus consultation.

Budget commitment: £1m one-off revenue budget to implement the outcomes of the Future Bus Consultation. Any ongoing future budget commitment will be determined based on assessment of the consultation responses.
 - 3.2: undertaking detailed analysis and a feasibility study of the transformation business case for a future £2 maximum bus fare across Surrey, drawing on relevant evidence, impact and learning from the trial of a £2 flat (single) bus fare in Surrey in early 2023.

Budget commitment: £50k consultancy budget specifically to carry out data analysis and feasibility study to better understand the results of the

Government pilot and inform future decisions on the potential implementation of a standard £2 bus fare across Surrey.

- 3.3 enabling the fast tracking and extension of the potential reach of the Freedom to Travel Transformation Programme.

Budget commitment: £707,500 over 2 years (£310k in 2023/24) to fund additional resources required.

The proposed budget amendments all focus on areas of further transformation and/or pilots for additional activity. The financial impacts are either requirements for initial one-off funding sources or full cost recovery proposals. As such, there are no direct impacts on Directorate budget envelopes for 2023/24. Some proposals may lead to future budget commitments, depending on the outcomes from the pilots proposed.

Table 1. Summary of budget proposals

| Proposal | 2023-24 revenue impact | 2023-28 capital impact | Notes |
|--|-------------------------------|-------------------------------|--|
| 1. Children Services: Commit to a Phase 2 of the existing Children's Homes programme. | | £18,000,000 | Assumption that the revenue costs associated with the borrowing required would be offset by the revenue efficiencies achieved (subject to business case). |
| 2. Greener Futures Programme: Retrofit Expansion to support NHS, private landlords and commercial premises | Net nil | | Additional expenditure budget of £270k, offset by recoupment of costs via charging for services provided. |
| 3. Increase bus use across Surrey: | | | |
| 3.1 Allocate specific budget to implement improvements to existing/provision of new bus routes, following the Future Bus consultation. | £1,000,000 | | Year 1 would need to be funded from one-off resources, with future commitments to be determined |
| 3.2 Analysis and feasibility study of the transformation business case for a future £2 maximum bus fare across Surrey. | £50,000 | | Suggested initial funding from one-off reserves to finance the data analysis and feasibility study. Any decision on implementation of a standard fare across Surrey would be dependent on future decision. |
| 3.3 Enable fast tracking and extend the potential reach of the Freedom to Travel Transformation Programme. | £310,000 | | Suggested funded from one-off reserves as one-off investment, also requires commitment of £397,500 in 2024/25. |
| | £1,360,000 | £18,000,000 | |

These are explored in more detail in the proposals below.

1. Commit to a Phase 2 of the existing Children’s Homes programme.

Budget commitment: £18m additional capital (self-financing borrowing) to deliver an additional 24 beds within Children’s Homes, in addition to the 24-beds approved by Cabinet in November 2022.

Current Commitments

On 29th November 2022, Cabinet approved capital spend of £18m to create 24-beds in children’s homes in Surrey.

Alongside improved outcomes, this proposal will also create revenue efficiencies on the cost of placements made in externally run provision. Based on the transformed model of SCC-managed Children’s Homes, approved by Cabinet in November 2021, the average weekly cost of a placement in an SCC-managed children’s home ranges from £3,177 to £4,294. This compares to an average weekly cost of residential provision from the open market of £5,232 per week (as in July 2022). For provision for children with disabilities (CWD), the cost differential is less, with the SCC cost sitting at £5,194 compared to £5,639 on average on the open market. To illustrate, if we created 24 additional beds (8 of which were CWD) with £18 million capital investment and achieved 90% occupancy over the course of the year, we would realise a gross revenue efficiency of £1.2 million each year (using a midpoint average cost for in-house).

The existing £18m commitment is part of a larger capital budget already in place for Children Looked After which amounts to £36m in the capital programme and a further £3m held in the capital pipeline for other identified capital investment in this area.

Proposed Budget Amendment

The Council commits to early delivery of a Phase 2, delivering a further 24-beds for an estimated additional £18m. The borrowing cost associated with this additional capital investment (c£0.9m) is assumed to be self-financing as it can be covered by the revenue efficiencies generated once the homes are fully operational. The presumption will need to be demonstrated by a detailed business case.

Exact timings of Phase 2 would depend on capacity to deliver and would need phasing alongside phase 1 to prioritise locations and projects. Phase 2 would not be started until the procurement process for Phase 1 was complete and timed such that it would come onstream once the phase 1 accommodation is fully occupied.

2. Retrofit Expansion to support NHS, private landlords and commercial premises

Budget commitment: £270k to fund additional resources (estimated at 5 FTEs) to further support the NHS, private landlords and commercial premises

to undertake feasibility studies in advance of investing in formal Investment Grade Proposals. The budget assumption is that these costs would be fully received via charging for the services offered and therefore the net budget impact would be zero.

Current Commitments

This commitment would be in addition to fully funding the assessment of Surrey's Local Authority land and buildings to determine suitability for renewable energy (which was completed by an external organisation in 2020). The Council's Greener Futures team regularly collaborate with other local authorities, partner organisations and private industry to further develop proposals in this area. A summary of current activities is set out below:

- The Council recently funded a two-day training session for Council officers and those of the Borough and District with a renewable energy expert to provide advice on how to mobilise projects.
- Officers meet with colleagues from Boroughs and Districts monthly to provide peer support to each other on decarbonisation, including retrofitting of estates.
- The Council is developing a potential resource offer through the GF Partnership Steering Group Council.
- Officers in Greener Futures are in regular contact with colleagues in Surrey Heartlands to provide advice on estate decarbonisation; however, the Heartlands Assets Board are responsible for the decarbonisation of their estates.
- SCC is developing a pilot scheme with Elmbridge BC to deliver the Government's Minimum Energy Efficiency Standards (MEES) scheme, supporting landlords in improving the EPC ratings of residential properties in the private rented sector.
- The team is currently developing a project to establish a pilot One-Stop-Shop scheme through which able-to-pay homeowners will be able to assess what their property's retrofit needs are, taking a fabric-first approach, and then support the homeowner through the process of identifying which measures they wish to undertake, finding installers and financial support, all the way through to installation. The team is currently waiting to hear whether an external bid to support this pilot has been successful (anticipated end January 2023).

Proposed Budget Amendment

While collaborative working is well established with the Borough and Districts, expansion of the retrofit of buildings programme to assist NHS, private landlords and commercial premises with feasibility assessments and cost benefit analysis is proposed to contribute to the Council's Surrey-wide Greener Futures ambitions and 2050 net-zero target.

The estimated additional resources required, based on an estimate of the overall assets/estate held by such organisations and the existing energy engineer capacity within assets teams, is 5 FTEs at an estimated cost of £270k, relating to the following:

- Principal Energy Officer (PS11) £65k
- Senior Energy Officer (PS10) £56k
- Energy Officers X 3 (PS9) £147k

The budget assumption is that these costs would be covered by charging the NHS, private landlords and commercial companies for the work carried out by the Council team, either on a full cost recovery basis (NHS) or a commercial basis for commercial customers. It would be important to ensure that these costs could be fully recovered.

3. Increase bus use across Surrey.

3.1 Allocate specific budget to implement improvements to existing/provision of new bus routes, following the Future Bus consultation

***Budget commitment:** £1m revenue budget to implement a combination of additional and/or extended bus routes in response to the outcomes of the Future Bus Consultation. This budget allocation is one off funding for year 1 only, providing assurance that the outcome of the consultation will be considered and implemented. The ongoing future budget commitment will be determined based on assessment of the results of the consultation.*

Current Commitments

While there is no specific funding within the proposed budget for the outcomes of the Future Bus consultation, the revenue budget already includes an uplift of £2.1m agreed in earlier years in response to the pandemic and changing travel behaviours, in addition to inflationary uplifts. The 2023/24 proposed budget also includes an additional £450k to support the introduction of a half-price young person's travel scheme.

The outcome of the consultation is expected to be managed within existing budget envelopes, as while new or extended routes may be proposed it is anticipated that some existing routes may no longer prove viable.

The capital programme also includes provision for the introduction of ultra-low emission buses together with supporting measures such as bus priority and more real time information. However, no budget for improvements (or retention of any of the proposed 24 services proposed to be reduced/cut) has been included in the budgeted savings anticipated following the Future Bus Network Review (January 2023).

Proposed Budget Amendment

Ringfence £1m of revenue funding to ensure resident responses to the Future Bus Consultation can be implemented. Review the level of investment appropriate here after reviewing the opportunities for service improvements/retentions proposed with bus companies, following collation and analysis of responses received from the public consultation.

As an indication of what the funding will be used for, the following estimates have been provided. Actual activities will depend on consultation responses and a review of the proposals that deliver the largest benefits to residents and the best value for money:

- The cost of a new bus service or extending an existing service will depend on the extra resources required and the estimated additional revenue the operator will expect. As a guide, securing one bus and associated staffing to establish a new route seven days a week would cost circa £140,000 - £160,000 per annum (based on the tendering undertaken in May 2022).
- Assuming a new route requires four buses to operate an hourly or half hour frequency, which will depend on route length and overall end to end journey time, the cost could be in the region of £500,000 - £600,000 per annum, considering economies of scale.
- Adding a Sunday Service - securing one bus and staffing on Sundays would cost circa £18,000 to £25,000 pa. For a typical route in Surrey needing four buses to operate an hourly or half hour frequency depending on route length, the cost would be £72,000 to £100,000.
- Adding an Evening Service - to add an evening service, (19.00 to 23.00) on Monday to Friday for a typical route in Surrey needing four buses to operate an hourly or half hour frequency depending on route length, the cost would be £130,000 - £150,000 per annum.

3.2 Analysis and feasibility study of the transformation business case for a future £2 maximum bus fare across Surrey, drawing on relevant evidence, impact and learning from the trial of a £2 flat (single) bus fare in Surrey in early 2023.

Budget commitment: £50k consultancy budget specifically to carry out data analysis and feasibility study to better understand the results of the Government pilot and inform future decisions on the potential implementation of a standard £2 bus fare across Surrey.

Current Commitments

The £2 flat (single) bus fare initiative was announced by Government in September 2022. Various options will have been costed and strategically modelled by Government in discussion with the UK's biggest bus operators, given the scheme covers the whole of England.

The Government funded scheme runs from 1 January to 31 March 2023 and ten bus operators in Surrey have signed up to participate. Most County Council contracted services are included in the scheme.

The three-month scheme will provide valuable data that could be used to help the Council assess whether a permanent £2 (single) bus fare could generate long-term bus patronage in Surrey. It will also provide data on the financial impacts of such a scheme.

While Surrey's Bus Service Improvement Plan sets out the joint revenue and capital priorities of our bus operators and the Council, and whilst improvements to fares and ticketing is a priority, introducing a £2 flat fare is not addressed.

Proposed Budget Amendment

The Council should commit budget to ensure that analysis of the data can take place as soon as possible to inform the future potential to introduce a £2 (single) bus fare across Surrey. It would be logical to understand the take up, revenue impacts, etc. of the three-month Government national scheme first, with that data being used to extrapolate the costs across Surrey for a permanent scheme. It is also highly likely that bus operators would wish to understand the three-month project outcomes before considering a permanent Surrey proposition.

Significant work would be required to model and forecast the impact and cost of a £2 (single) bus fare across Surrey, including the likely generation of additional patronage and the reimbursement methodology for individual bus operators. Specialist consultancy support would be required to complete this assessment work, including the detailed analysis of bus operator ticketing data during the three-month Government scheme. This will generate forecast cost and usage scenarios. The proposal is that a budget of £50k is specifically identified to fund this feasibility work and data analysis. The analysis is anticipated to be very time intensive, including data provision and analysis, forecast scenarios, reimbursement scenarios, gathering information from bus operators and developing non-disclosure agreements. The work will be predominantly specialist consultancy services, with some in-house management, estimated at an 80:20 split.

Once complete, this work would provide the Council data and insight to inform future decisions on appropriate next steps.

3.3 Enable fast tracking and extend the potential reach of the Freedom to Travel Transformation Programme.

Budget commitment: £707,500 over 2 years (£310k in 2023/24) to fund additional resources to enable focus and expansion on the Total Transport elements of the Freedom to Travel programme.

Current Commitments

To date the Freedom to Travel programme has focussed on improving the customer experience and communications for families and young people in preparation for the next academic year, particularly to address immediate service pressures and opportunities for transformation within the area of Home to School Transport and partially to ensure robust baseline data to inform the next steps of the wider programme.

The recommendations from the learning review, Family Voice, Audit and Children, Families & Lifelong Learning Committee have all been incorporated into the transformation work and are being grouped and prioritised in short,

medium, and long-term actions and objectives. However, the overall scope of this transformation programme has the potential to deliver much greater transformation, including direct benefits to Surrey County Council and NHS operations and support delivery of the Council's Surrey-wide Greener Futures ambitions and 2050 net-zero target.

The medium to long-term focus of the Freedom to Travel Programme will take a wider cross-cutting approach to travel across Surrey County Council and partner organisations, including examining opportunities to shift home to school travel assistance and adult social care clients away from private vehicles to alternative modes of transport, including buses. Where possible, Freedom to Travel will seek to incentivise residents using bespoke travel solutions to take up bus travel, for example, by promoting half-fare schemes for under 20s. Increasing access to new public transport solutions is key, particularly for residents in more rural communities. The programme also plans to explore the role that Demand Responsive Transport can play in future, and how the Council can partner more effectively with Surrey's community transport sector. However, partnering with the community transport sector in ways that do not allow public to use the same vehicles could reduce the demand for 'total transport' and how these journeys could extend the provision of public (bus) transport.

As part of the background work to this programme, officers have reviewed the lessons learned from the government's 2016 'Total Transport' pilots. Freedom to Travel shares the ambition of Total Transport in its desire to optimise transport planning and procurement in Surrey to minimise duplication of commissioned services, design complementary transport networks, improve services and achieve cost efficiencies. Key to the Freedom to Travel programme's success will be constructive engagement with local partners and communities too, developing common goals for the county geared around more integrated planning, commissioning and delivery of travel assistance. It is also clear from the pilots that both financial and non-financial benefits will take time to deliver, and Freedom to Travel will be looking at how to better manage service demand in parallel to address service pressures in the short-term, as well as looking to the medium to longer term picture.

Proposed Budget Amendment

The proposal is to invest additional revenue funding of £707,500 over 2 years (in addition to the £87,500 already factored into the budget), to enhance the programme team resources to widen the scope and fast track the results of the planned workplan, including the realisation of financial efficiencies. This would include:

- Maximising the potential of aggregating existing journey demand for council, NHS, housing purposes to large employment sites and town centre/rail stations to underpin viability of existing/new bus routes and demand-responsive transport.
- Dovetailing with wider transport initiatives to deliver on the ambition of Surrey's new Local Transport plan.
- Assessing the impact of reducing road speeds and road safety improvements on road traffic accidents and air quality, thereby creating

potential benefits to the NHS with links to the Health and Wellbeing Strategy and Integrated Care Board priorities.

The budget covers the following posts (£87,500 is already committed to for year 1 cost of the programme manager):

| Role | fte | Scale | Cost p/a |
|--|-----|-------|-----------------|
| Programme Manager | 1 | PS13 | £87,500 |
| Project Support | 2 | PS11 | £130,000 |
| Data Analyst | 2 | PS11 | £130,000 |
| Total 1 year cost | | | £347,500 |
| Total cost over 2 years | | | £695,000 |
| External support/expertise | | | £100,000 |
| Total programme cost over 2 years | | | £795,000 |

Section 151 Officer Commentary

The financial information set out in these proposals has been developed in consultation with officers from the Greener Futures Team, the Children, Families and Lifelong Learning Directorate, Highways and Transport, the Twin Track Programme Team and Finance.

Proposals 1, 2 and 3 are deemed to be viable and within the legal powers of the Council to implement.

Proposal 1 would require a detailed business case to be developed to demonstrate the financial viability of the proposal, including the need for revenue efficiencies to more than cover the borrowing costs associated with the required capital investment, recognising that the capital budget is already at affordable levels and therefore it cannot result in an increase to net borrowing costs.

In addition to an assessment of the net impact on the revenue budget, the Council is required to ensure that all borrowing undertaken is appropriate and proportionate. As such, consideration as to the level of overall borrowing the Council undertakes must be given. The current proposed capital programme includes significant investment and results in an increase in both the overall borrowing position and the level of borrowing costs as a proportion of the revenue budget. The Council has committed to limiting significant further growth into the medium term, even if self-financing. Therefore, these proposals to increase borrowing further will need to be assessed in order to demonstrate proportionality and ensure affordability, prudence and sustainability.

Capacity to undertake the work will also need to be factored in. If agreed, the funding will be added to the Capital pipeline, until a business case is fully developed.

Proposal 2 is predicated on the ability to fully recover the costs through charging for the services offered. A pilot would be undertaken to test this assumption, including whether this is a commercial opportunity or cost recovery, prior to any long-term commitment to recruiting the additional resources proposed.

Proposals within recommendation 3 all require one-off investment from reserves in order to fund initial works and pilots, totalling £1.36m in 2023/24 (and a further commitment of £0.4m in 2024/25).

Despite making good headway with building earmarked reserves and contingencies, the Council faces significant financial uncertainty, over the medium-term. The Government's Fair Funding Review (expected from 2025/26), the uncertain impact of Adult Social Care reform and the estimated medium-term funding gap of £224m by 2027/28 mean that the retention of the Council's reserves is essential in order to mitigate risk and provide sustainability and resilience in the delivery of services.

Proposal 3 represents a call on reserve levels, which must be assessed alongside the risk environment set out above and the alternative option of re-prioritising spend within existing Directorate budget envelopes to enable the progression of the proposed schemes.