

REPORT OF THE COUNCIL'S SELECT COMMITTEES

Item under consideration: INTERIM RECOMMENDATIONS FROM SELECT COMMITTEES FOLLOWING BUDGET DEEP DIVES AND BUDGET BRIEFING SESSIONS

Date Considered: September-October 2024 (Budget Deep Dives and Select Committee Budget Briefing Sessions)

- 1 The four Select Committees of the Council share responsibility for the scrutiny of the Council's budget. Following an initial budget briefing in July 2024, each Committee selected two areas for budget *deep dive* to explore in more detail specific risks and opportunities relating to the development of the 25/26 budget with support from Finance and Service officers. This was followed by a second Budget Briefing in October 2024 at which the findings of the *deep dives* were discussed and more detailed thinking on the 25/26 draft budget was shared. These sessions highlighted the significant challenge in mitigating in year (24/25) overspend to bring spending down to a reasonable level, and in closing the budget gap and developing a balanced budget for 25/26.
- 2 During these budget briefings each Select Committee reviewed the in-year budget position (24/25), the emerging budget position for 2025/26 and over the Medium Term, and the Budget Gap. Directorate pressures and efficiencies for 2025/26 were discussed. Members probed the risks associated with efficiencies and transformation programmes and highlighted resident and service-user priorities.
- 3 Summaries of the informal Select Committee deliberations and the interim recommendations arrived at following budget *deep dives* are detailed below. These are intended to influence the final revenue and capital budget 2025/26 and are to be considered alongside the draft budget proposals to Cabinet in November. Deep dive recommendations were shared informally with Finance, Executive Directors and Cabinet Members mid-October to inform draft budget proposals. **This is the first year that Select Committees have formulated recommendations to Cabinet this early in the process, creating a greater opportunity to influence the final budget recommended to Council by Cabinet.** In previous years Select Committee recommendations have been made to Cabinet at its December or January meeting.

Communities, Environment and Highways Select Committee:

- 4 The Committee questioned the high costs of multi-year contracts including waste disposal and the Ringway highways contract. The inflationary assumptions built into contracts were considered. Budget pressures (£5m) arising from proposals to enhance highways services including verge maintenance were discussed and members raised residents' frustrations around weeds maintenance. The high proportion of Fire and Rescue expenditure on staffing was noted as was the potential impact of a higher than anticipated national pay award. The

Committee learnt that the Registrations service is fully self-funding delivering a contribution of approximately £1.7million to the Council budget. Future funding of community functions was discussed.

- 5 The Committee provided feedback on its *deep dive* into the Capital programme (EIG) and outlined a number of recommendations. Concern was expressed at the level of capital financing requirement (as a % of spending power) compared to other County Councils. The Committee heard that its conclusions matched those of Cabinet and work was already underway to address the Committee's concerns including to reprofile and reprioritise capital spend and benchmark borrowing against other authorities.
- 6 The Committee provided feedback on its *deep dive* into Bus Services and DDRT (Digital Demand Responsive Transport). This had emerged as the main area of Committee concern with costs of around £3m* in FY25/26 rising to £12m over the MTFs period. The costs per passenger journey were not considered proportionate or justifiable when taken against decisions to withdraw home to school transport assistance from disabled children or those with additional needs and disabilities where the costs were lower. Committee Members reiterated deep concerns about the scheme unless it could be made more cost effective and suggested that this was an obvious area to consider savings to help close the budget gap.

** Since the deep dive workshop, following tender of phase 2 and subsequent contract award, the estimated costs for phase 3 have been revised to £1.5m, which will be confirmed through a later tender process.*

Children, Families, Lifelong Learning & Culture Select Committee:

- 7 The Committee heard about continued budgetary pressures arising from Home to School travel assistance, children's residential placements and the cost of provision of services for children with Additional Needs and Disabilities. The achievements of the directorate against this background of extreme financial pressure were highlighted by officers including expansion of specialist education places, increased timeliness of ECHPs and reduced numbers of children in care. Concerns were expressed around under-provision of social workers and ongoing difficulties filling vacancies in the sector.
- 8 The Committee provided feedback on its *deep dive* into VCSE infrastructure organisation funding and highlighted the importance of the services provided by Voluntary, Community, Social Enterprise Sector (VCSE) organisations. Although a small amount of money in budgetary terms this was an issue of importance to the Committee and reputationally for Surrey County Council. The impact assessment of the funding redistribution proposed was not available to the Committee and it is consequently unable to provide an informed recommendation. A review of the impact is planned by the end of November to enable a recommendation.

- 9 The Committee provided feedback on its *deep dive* into Early Help funding noting the belief that early help spend does have an impact on outcomes and reducing demand. Consequently, early help funding should be protected in the 2025/26 budget iteration with inflationary costs built in. The Committee would have liked clearer evidence of the direct link between preventative spending and reduced demand.

Adults and Health Select Committee:

- 10 The Committee considered the challenge of achieving cost savings through *Transformation and Demand Management*. Members questioned the level of efficiencies required in spite of rising demand, and the inherent challenge in delivering these savings. There was concern that sufficient resource was available to support transformation activity. The opportunities presented by technology enabled care was considered. Members learned how technology could help people stay independent in their homes and the Committee challenged officers to look again at discretionary spend and what more could be done to manage discretionary services more effectively.
- 11 The pace of transformation and demand management was discussed. Members questioned whether quicker progress could be made to mitigate budget pressures but acknowledged delivery of savings must not be made at the expense of residents' care. The importance of communications in re-setting any expectations and promoting the benefits and opportunities of technology enabled care were emphasised.

Resources and Performance Select Committee:

- 12 The select committee considered the work underway to reduce costs through changes to the shape of the workforce, recruitment and procurement controls, and a review of the capital programme, before turning to the reasons for changes to the expected budget gap across the rest of the medium-term. Officers assured members that is partly due to uncertainty in forecasting beyond 2025/26, as well as an expected Fair Funding Review. In response to a question on the impact of SEND funding on the budget, the committee heard how the Dedicated Schools' Grant's High Needs Block is less than the cost of the services that it funds alongside detail of the other pressures on this part of the budget.
- 13 Members heard how work with the Data teams and decreasing numbers of agency and interim staff was helping to drive down costs in Customer, Digital & Change, before noting that broadened objectives of the Organisational Redesign should generate further efficiencies and stating their desire to see the Customer Transformation Programme deliver return on the proposed investment. In Land & Property, contractualised inflationary pressures, the embedding of tighter contract management controls and the costs of vacant sites were discussed.

- 14 The Committee provided feedback from its *deep dive* sessions. The Committee noted the potential financial benefits of good data management and governance, and that poor quality data and governance could drive poor decision-making and poor performance. Members felt there was a strong case for continued investment in data improvements, noting that this was unfunded from 25/26. On workforce costs, the Committee noted the importance of work to continue increasing the number of minority ethnic workers at the council, and welcomed a forthcoming ethnicity pay gap report. The costs of employing significant numbers of agency staff were noted and members agreed that work should continue to keep this low.

Recommendations to Cabinet

Communities, Environment and Highways Select Committee:

Deep Dive Capital Programme

- I. The Council's capital financing requirement trajectory presents too high a risk with regards to affordability and financial stability. Levels of borrowing need to be reduced.
- II. Cabinet/Council should review its appetite for risk and set an appropriate limit for borrowing going forward. A risk policy should be put in place if it does not already exist. (This *might* prioritise most spend on projects which generate income or avoid future costs).
- III. Cabinet should re-examine the process for prioritising Capital programmes in line with SCC strategic priorities to drive more ruthless investment decisions and ensure the right schemes are coming through the pipeline in future.
- IV. Capital spend on highways maintenance for improving the overall condition and safety should continue to be prioritised to reflect resident concerns and priorities.

Deep Dive Bus Services & DDRT (Digital Demand Responsive Transport)

- I. Ongoing publicity and promotion of existing DDRT should be prioritised to increase numbers of passenger journeys to decrease the cost per passenger and increase value for money.
- II. Consideration should be given to delay/deferring phase 3 rollout of DDRT. Alternative bus provision should be investigated, including commercial bus services that might receive a subsidy. DDRT should only be introduced as the provider of last resort where all other options are exhausted. The Department should encourage the use of a more hybrid model (including fixed journeys) rather than a completely bespoke service.

Children, Families, Lifelong Learning & Culture Select Committee:

Early Help Deep Dive

'Is early help prevention activity sufficiently well-funded to increase the wellbeing and life chances of the most disadvantaged Surrey residents in line with SCC's policy of no one left behind?'

The Children, Families, Lifelong Learning and Culture Select Committee:

- I. Notes that investing in early help – which is discretionary funding - does make a positive difference. There are indications that early help reduces the demand on statutory services in Surrey, i.e., the number of children going into care, and the number on Child Protection Plans*.
- II. Believes investing more in preventive activities – such as easily accessed emotional wellbeing support for adolescents – would prevent young people's needs escalating, would contribute significantly to their wellbeing (and that of their families), and reduce the pressure on statutory services. Notes with regret there is no additional discretionary funding available to invest in prevention without making cutbacks elsewhere.
- III. Since preventive spending is having a positive impact on both outcomes for children and reduced statutory demand, recommends that early help spending is protected, with inflationary costs built in. The Committee is convinced of the value that early help brings and Cabinet should factor this into its budget decision-making.

**Cllr John O'Reilly would like to record his acknowledgment of SCC's successes in reducing the demand on statutory services in the county (i.e. the number of children going into care and the number of Child Protection Plans, contrary to the national trend).*

Voluntary, Community & Social Enterprise Deep Dive

'What is the likely impact on the infrastructure organisations – and on the organisations they support in the wider system - of the redistribution of funding, and can any negative impacts be mitigated?'

The Select Committee has withdrawn its recommendations in the light of new information on the impact of the proposals to withdraw funding from Surrey Community Action and redistribute it to other organisations. It will advise its recommendations following an investigation to clarify the situation, which is planned by the end of November.

Adults and Health Select Committee:

- I. The committee urges Cabinet to review the planned efficiencies and savings targets for FY 25/26 to be delivered via the Transformation Programme to ensure these are realistic and achievable.
- II. The committee acknowledges the challenges the transformation plan presents to the Adults, Wellbeing & Health Partnerships directorate (AWHP). Members of the committee have requested to be kept up to date on the delivery of transformation, ensuring key milestones are met.
- III. The committee recommends a review of discretionary services in all areas across the directorate, ensuring they are aligned with key pressures on managing demand and delivering good outcomes. The committee expects to see evidence to demonstrate this.
- IV. The directorate continues to prioritise joint working and integration ensuring that everyone gets best value and outcomes.

Resources and Performance Select Committee:

Workforce Costs Deep Dive – The Select Committee:

- I. Recommends the model behind the Organisational Design Principles as well as their upcoming review.
- II. Recommends that the Cabinet agrees action plans for the implementation of the six ‘spans and layers’ and clarifies the changes and potential savings that this will deliver from the present configuration.
- III. Recommends that work continues to restrict the amount of agency staff at the council to ensure that the associated costs are reduced.

Data Deep Dive - The Select Committee:

- I. Recommends exploratory work is undertaken into the possibility of implementing a ‘golden single source of data’ practice across the council.
- II. Recommends that work clarifying how the estimated investment costs of the programme were arrived at is shared with the select committee for consideration.
- III. Recommends that Cabinet give serious consideration to continued prioritisation of data improvements and suggests it seeks a clear articulation of the benefits or this work (or risks of not doing it) and a more detailed explanation/justification of the estimated cost of continuing this programme.

Additional Recommendations:

- I. The select committee welcomes the upcoming Organisational Redesign (formerly the 'Core Function Re-design') and recommends that the service continues to report back to this select committee as it works toward the aim of producing a return on the significant investment in the 2027/28 financial year.
- II. The select committee recommends that analysis being undertaken to forecast possible demographic changes, including potential increases in Surrey's resident population, which includes housebuilding targets (NPPF changes) and other relevant information, is made available to the select committee, along with associated proposed changes to the planning framework, and recommends that these are factored into the revised MTFS modelling.
- III. The select committee recommends that it receive an update on vacant and part-vacant properties and sites in all portfolios (that are owned by SCC, companies owned by SCC, or where SCC is a shareholder) – including schools and office buildings - and related policies, usage strategies and practices, with detail on how determinations of retention or disposal are made in accordance with Best Value.
- IV. The select committee welcomes the recruitment controls in place and further plans to examine and implement changes to organisational structure – such as the “6 spans and 6 layers” work, as discussed in the *Workforce deep dive*, - and recommends that recruitment continues to be carefully managed through robust business cases and justifications to produce the best outcomes for council services.
- V. The select committee welcomes the procurement controls in place and the extensive work of the Procurement Board and recommends that the Board continues in its work and examines and analyses the management of contracts to ensure value for money, quality and sustainability of the service in all council contracts.

Fiona Davidson
Chair - Children, Families, Lifelong Learning and Culture Select Committee

Bob Hughes
Chairman - Resources and Performance Select Committee

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