Budget Sub-Group, 20 November 2020

Members: Mark Brett Warburton, Nick Harrison, Peter Szanto

Officers: Anna D’Alessandro, Mel Few, Becky Rush, Leigh Whitehouse, Rachel Wigley

1. Anna – there was a M6 budget reset in September as a result of government funding due to Covid-19, which showed the change in the gap when compared with the first iteration in May 2020. May iteration had gap of £64m; most recent iteration has gap reduced to £18.3m. There is currently a £3.5m deficit position, which is an improvement on M5 of £1.2m. This deficit is a result of business as usual activity only. The total impact of Covid-19 is £78m, £64m of which is cost, £13m of which is income loss, and circa £1m of which is unachievable efficiencies. Funding came in two forms: £53m government funding in the form of grants in four tranches, and £23m of specific government funding. Due to receive £4.6m income support grant on 27 November. Since M6 budget reset, Council has received fourth tranche of Covid-19 funding. Current Covid Reserve of £9.9m.

2. Anna – paper also goes into capital budget and impact of Covid-19 on Medium-Term Financial Strategy (MTFS). Main areas where Covid impacts in 2021/22 are £65m Covid pressures and £14.6m pressures across all services, and collection fund deficit, which is estimated to be £37m across council tax and business rates (£30m of this is council tax; £7m is business rates). This will be split over the next three years, and the impact in 2021/22 will be £12.5m. Recovery, as best we can estimate as there is no precedent over the MTFS has been built into the budget.

3. Anna – emphasises that this is unprecedented and have done work to understand past recovery plans and impact of Covid. Will receive spending review on 25 November and revise all assumptions based on this. Also included in the report is information on earmarked reserves, contingency and the general fund.

4. Nick – mentioned £78m, was looking at annex 1 and couldn’t see that number. Why is this? Anna – of the £78m, £64m is the cost element. This info is collated from the Delta return to government.

5. Nick – appreciates extra info given us at our request.

6. Peter – congratulates team on the work. Numbers are moving around all the time. Where do you think key exposure is and key concerns when putting all this together; where you have the least confidence? Mel – SEND and SEND transport continue to be difficult. ASC may be difficult but less so than SEND. Waste is fairly concerning. Leigh – the areas of highest risk are where there’s an intersection between budgets that are difficult to manage and Covid impact. In SEND, Covid crisis has come on top of something that’s difficult to manage in normal times.

7. Mark – regarding adult education income, during Covid were we able to conduct online training to continue income on this throughout this period, or was it a loss in income? Rachel – **will check with service.**

8. Mark – regarding capital sums, in Annex 2 document highways maintenance is £33.9m across the years going ahead as a projection without any inflation. Not taking into account inflation can have serious consequences. Becky – it's on capital spreadsheet, so it's not a highways contract, it's a breakdown of how we're expecting to spend the circa £1bn. There's an allocated capital spend each year. We'll just have to spend less if inflation goes up. Anna – we tend to push back on capital items that require inflationary impact. We review MTFS programme every year. A number of business cases are required, particularly when numbers increase or go to pipeline. If there is an inflationary impact, then a business case is required by the service identifying all the costs including inflationary impacts on contracts and make a case for that money to be assigned to the service.

9. Mark – does the £1.7m funding for asylum seekers cover all of that cost or is that a partial amount? Rachel – **can provide an update as we move closer to year end.**

10. Mark – are we taking into account a likelihood that after Covid there'll be a demand to revise business rates, particularly for retail sector, as model is unviable at the moment. Anna – everything will change regarding business rates following the Fair Funding Review baseline reset, which we're expecting in 2022/23. Expecting to hear more about this on 25 November. This will create a fundamental impact on business rates bottom line. Leigh – risk is degradation in the base from fewer retailers. Government may pay us a grant to compensate us.

11. Mark – picking up on Mel's comments about SEND, future projections seem to allow for approximately £20m in next year's budget then the amount drops after that. Do your concerns about SEND stop after a year, or is the projection not as accurate as we'd like it to be? Mel – we are trying to bring SEND children in-county, which will have an impact as SEND children will not have to be transported such far distances, and the capital budget this year reflects that. Also have action plans to bring the cost down.

12. Rachel – regarding SEND, for 2020/21 we are assuming a £24m overspend in budget, but actually it's higher by another £7.6m. There's a transformation programme headed by Liz Mills, involving a whole raft of work, which has achieved £8m of efficiencies in SEND this year (so the overspend would have been higher without these efficiencies). Continuing to look at that for future years and trying to increase placements in-county. Generally, there's not enough money in the SEND system so most counties overspend on SEND. Still waiting for government to tell us how we can deal with the deficit. We are providing for a deficit in this budget. A lot of issues around SEND, but there is a transformation programme around it. There will also be Member briefing on SEND in December.

13. Nick – pleased we're providing money in high needs block. SEND transformation has been ongoing for a long time. Moving in-county is good but it's long-term. Are we looking to put more of the cost on schools in their regular budget or changing eligibility criteria? Rachel – not looking at changing eligibility: if a child has needs, there is a protocol around providing for them. Looking at earlier intervention. Also, the transformation programme has only been established in the last 12-18 months. We're also trying to work with schools to see what they can do and this is being worked through with schools forum. Mel – another thing is making sure NHS and adults' services accept their fair share of the cost. Now there's a transition team up to the

age of 25, meaning that there's more partnership between children's and adults' services.

14. Nick – why are SEND transport and waste the main concerns? Mel – SEND children are transported out of county to far away areas and recent peer review has concluded that we are out of line going forward. Regarding waste, we have new waste contracts coming up in foreseeable future. In the first lockdown, there was a huge rise in kerbside collections, although in this lockdown, numbers seem to have returned towards normal.

15. Nick – why do we think the £13m collection fund recovery in 2022/23 is possible? Anna – we don't have a precedent for this, so we have to estimate. Pre-Covid, we would have recouped on average 45-50% of non-collectible collection fund moneys in subsequent year; 27% collected two or more years later; 15% written off; and 9% outstanding. In 2022/23, we are estimating that we might recover 40% of non-collectible moneys and would have 35% to still chase or write off. Those are the figures we're working on around council tax. The 35% gap is what we believe will be bad debts. These numbers are based on analysis of previous years and are the most detail we have right now. Nick – understands the logic. Are these assumptions shared or agreed with districts and boroughs? Anna – our colleagues in other counties will be doing the same thing. We are having discussions with S151 officers across Surrey, and every time we receive information from districts and boroughs, we review our figures.

16. Mel – Reigate and Banstead council, for example, collected £56m and paid SCC £56m. They pay the budget in cash each month.

17. Mark – with any waste gasification plant, there is a risk of explosion or fire. Who carries liability cost for this? Is it something we have to worry about financially? Leigh – for the life of the contract until 2024, it's the responsibility of the contractors. Until they pass acceptance test showing everything is working, we don't pay anything at all, then once this has been passed, they are responsible if it's working. Only impact is if it's not working, we have to look at how we treat the facility within the new contract.

18. Nick – when we look at budget at the December Select Committees, we would like to see whole transformation piece in terms of money going in and saving this is leading to. **If can share that with R&P committee, that would be helpful.** Leigh – can see how the amount allocated to transformation affects the budget. Details for transformation will be brought forward in January. Nick – understands it may be later rather than sooner.

19. Nick – on the NHS income from continuing care, we constantly include this as a saving item. We must be getting towards end of that, understands process has changed. Is this realistic? Mel – fairly comfortable at the moment. Under the first wave of Covid, the risk was discharge of patients from hospital straight away, and there was a backlog of deciding whether patients should continue healthcare or be transferred into ASC. Was told in last meeting with ASC that risk is now diminished there. Not sure how the second wave of Covid has affected this. Regarding older risks, we have now had collections of funds. Rachel – there has been a backlog in assessing patients as health colleagues have been focusing on Covid. With the

resolution of that, we should be able to progress this and we are trying to deliver in partnership to make it work.

20. Nick – looking at page 13, paragraph 4.38 of the draft budget report and MTFS, to what degree are these efficiencies brought about by the new ERP system, and to what extent are they agile office efficiencies? Leigh – significant savings in medium term are largely to do with new ERP acquisition. Agile office estate strategy is set out as a placeholder with an estimation of figures we should be targeting. With the DB&I programme (ERP) we're improving productivity benefits. To date, we have struggled to do that with the agile and digital investment we've made. Put in place a new benefits board, the role of which is to capture productivity benefits in the savings. Will engage with directorates with aggregated list of savings and make sure investment in those systems is starting to deliver cash savings. DB&I will have clearer figures this time next year when have got through design period. Looking to bring high level office strategy to Cabinet in January 2021, then need to go through with services and test theories. Will allow us to build bottom-up on building by building basis. Will be working with services to help them deliver savings.

21. Nick – more explanation on the Orbis saving? Leigh – that is largely driven by integration of teams which is enabled by our ERP. East Sussex is going through a process to replace theirs too.

22. Nick – there is uncertainty about the change in the tax base in districts and boroughs. Presumably this will come late in the process and will be an important factor in terms of what collections we do make. Anna – at the moment our estimates are better than they were previously. All depends on information received from districts and boroughs. We are staying close to districts and boroughs regarding their estimated impact on council tax and business rates.

23. Nick – how useful do you find the resilience index? Leigh – it would be wrong if we saw something in the resilience index that was surprising. It's a useful way of checking our understandings are correct. Useful for comparison to others and for comparing changes over time. CIPFA were keen to introduce the index after Northamptonshire's experience, where they effectively went bankrupt and should have known that was happening in advance, as the resilience index pointed that out. Internally it gives assurance and helps to calibrate our position, which is why we're sharing it.

24. Mel – feels very comfortable with this budget. Negative revenue support grant (RSG) is only thing that could be a cause for concern, but it's currently sitting in the background and overall the position is comfortable. Nick – good that we have contingencies if we need them. Presumably will look as we go forward about filling that gap. Mel – we will almost completely reach budget target without touching those reserves, so in pretty good shape. £10m will be put in budget reserve on balance sheet and rolled over to next year.

25. Nick – requests more information on central income, corporate charges, levies, adjustments (referring to page 7 of Annex 1). **Anna to come back to Nick on that. Will have an answer by December Select Committee.**

26. Nick – good report, identifies where we have to make savings or not. This is a good basis for scrutiny in December.

Actions:

1. Rachel Wigley to check whether the council was able to continue adult education classes online, thereby continuing income, during the pandemic
2. Rachel Wigley to check whether the £1.7m funding for asylum seekers covers all asylum seekers-related costs or a partial amount
3. Leigh Whitehouse to provide details at December Resources and Performance Select Committee of whole transformation piece in terms of money going in and saving this is leading to
4. Anna D'Alessandro to provide at December Select Committee more detail on central income, corporate charges, levies, adjustments (with regards to page 7 of Annex 1 – Draft Pressures and Efficiencies)

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