

**MINUTES** of the meeting of the **COMMUNITIES, ENVIRONMENT AND HIGHWAYS SELECT COMMITTEE** held at 10.00 am on 15 December 2020  
REMOTE MEETING.

These minutes are subject to confirmation by the Committee at its meeting on Monday, 18 January 2021.

**Elected Members:**

- \* Mr John O'Reilly (Chairman)
- \* Mr Andy MacLeaod (Vice-Chairman)
- \* Mr Saj Hussain
- \* Mrs Fiona White
- \* Mr Keith Witham
- \* Mr Mike Benison
- Mrs Jan Mason
- \* Mr Ken Gulati
- Mr John Furey
- \* Mr Paul Deach
- \* Mr Jonathan Essex
- \* Mr Mike Goodman

**In attendance:**

Natalie Bramhall, Cabinet Member for Environment and Climate Change  
Matt Furniss, Cabinet Member for Transport  
Denise Turner-Stewart, Cabinet Member for Communities

**33 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

None received.

**34 MINUTES OF THE PREVIOUS MEETINGS: WEDNESDAY, 16 SEPTEMBER 2020 [Item 2]**

The minutes were agreed as a true record of the meeting.

**35 DECLARATIONS OF INTEREST [Item 3]**

None received.

**36 QUESTIONS AND PETITIONS [Item 4]**

None received.

**37 SCRUTINY OF 2021/22 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY TO 2025/26 [Item 5]**

**Witnesses:**

Matt Furniss, Cabinet Member for Transport  
Natalie Bramhall, Cabinet Member for Environment & Climate Change  
Denise Turner-Stewart, Cabinet Member for Communities

Katie Stewart, Executive Director – Environment, Transport and Infrastructure (ETI)  
Steve Owen-Hughes, Director – Community Protection Group (CPG)  
Rachel Wigley, Director – Financial Insight  
Mark Hak-Sanders, Strategic Finance Business Partner - Corporate finance  
Tony Orzieri, Strategic Finance Business Partner – Environment, Transport and Infrastructure (ETI)

**Key points raised during the discussion:**

1. The Strategic Finance Business Partner – Corporate Finance explained that the core assumptions that underpinned the budget were generated using the established PESTLE Framework that focuses on political, economic, social, technological, legal, environmental and climate factors, thus the draft budget was based on an assessment of the likely operating environment for the county Council for 2021/22 and over the medium term. COVID-19, demand pressure and inflation were also considered within this framework. The draft budget was developed in an integrated way across the organisation and was to be linked with the Council's four new priority objectives and the community vision 2030. The immediate priority for 2021 was to stabilise the Council's finances following the COVID-19 crisis.
2. Funding estimates would continue to be iterated following further clarity from the detailed local government finance settlement that was expected before Christmas 2020. The November spending review had, however, given relative confidence that the £18.3m gap in the draft budget could be closed without directorates being required to provide further efficiency savings.
3. The medium-term estimates assumed that the Government Fair Funding Review would have an overall negative effect on the Council's funding, with estimates suggesting that the funding gap would rise to £170.1m over the 5-year period to 2025/26. Thus, there would be a sizeable gap to close over the medium term if these funding projections were accurate.
4. A Member queried how the Council could achieve a reduction in waste prices. The Executive Director informed the Select Committee that some of the waste efficiency was achieved by renegotiation of a residual waste subcontract, within the existing Suez contract. The Directorate would continue to monitor contracts and market prices to ensure best value for money.
5. A Member asked why the reduction in highways insurance claims was projected to continue. The Executive Director acknowledged that there had been fewer road users during the COVID-19 pandemic which

would have caused a decrease in insurance claims. However, the Council's increased capital investment into the county's highways and subsequent reduction in highways defects were also driving down claims and costs.

6. A Member asked if there were any efficiency savings rolled over from the 2020/21 budget. The Executive Director stated that there were several efficiencies that had not been achieved in the previous budget, namely waste and recycling efficiency savings due to COVID-19. A £700k efficiency in network managements and £200k efficiency in bus lane enforcement were also rolled over and were either expected to be delivered in 2021, or have additional savings made to enable delivery. The Executive Director assured the Select Committee that these efficiencies would be achieved without impacting service delivery.
7. The Select Committee noted the growing gap between the projected available resources and the calculated future budget requirement and asked how the Service was planning to address the gap. The Director – Financial Insight stated that the Transformation Programme was a longer-term approach focused on the Council's six priority areas and would drive further efficiencies. The Strategic Finance Business Partner explained that it was important to establish the level of uncertainty that the Council was expected to face over the following five years and that funding was on the downward trend; this would be the context that Directorates would need to build into their spending plans and contract negotiations. A significant programme of capital investment was designed to release revenue efficiencies. Efficiencies had been sufficient but needed to be reviewed on an annual basis. The Fair Funding Review was to provide more certainty over the medium-term period.
8. Given the importance of investment, the Select Committee requested that the final budget include greater clarity on the expected outcomes, benefits or measures of success (for example, social and environmental outcomes) of the capital programme and each of the items listed in the capital budget in order for Members to understand the long-term benefits of the Council's capital investments.
9. The Strategic Finance Business Partner – ETI gave a summary of the ETI service context. The 2021/22 draft budget showed service pressures of £9.4m and efficiency proposals of £3.4m, resulting in a £6m funding gap for the next financial year. This gap was projected to increase over future years.
10. The Executive Director stressed that the Directorate could deliver the £6m proposed efficiencies without compromising service delivery and that 2022 onwards would pose a greater challenge. The Executive

Director summarised that the service focus was on positive efficiencies, innovation and reducing the cost of service activity.

11. The Chairman asked whether contract inflation rate was likely to be less than 2.5%. The Executive Director responded that inflation rates were to be reviewed as part of the final budget and should reduce pressure. The Strategic Finance Business Partner stated that a revised assumption of 1.5% across all contracts was being considered.
12. A Member referred to the forecast cost increases in the highways and waste contracts and asked if there would be any efficiency savings in those areas. The Executive Director stated that maintenance prices were monitored and benchmarked throughout the life of the existing contracts thus savings were not assumed as part of the medium-term financial strategy (MTFS). Savings were to be targeted through the procurement process and innovation was key to reducing overall cost. The Directorate was continuing to monitor the market to take advantage of any positive developments. The Cabinet Member for Transport explained that costs were reducing whilst maintaining the quality of service due to the level of investment into the highways network; 40% more miles of road (300 miles in real terms) compared to previous years, when there was a lower amount of capital funding, had been maintained showing that higher investment produced long-term revenue savings. The Cabinet Member offered to provide the Select Committee with a briefing outlining the revenue benefits realised from highways capital investment.
13. A Member questioned whether the £21m allocated for highway maintenance was sufficient to maintain all of the county's highways. The Cabinet Member for Transport responded that there was a good level of managed investment going into the highways network and £92m extra funding was guaranteed over the following five years so improvements would continue to be made.
14. A Member asked whether the contractual situation of the Eco Park had any implications on the sustainability of the ETI budget. The Executive Director responded that the ongoing delay of the Eco Park had financial consequences for the Council and that these risks were increasing. The Council, however, would not have to make any payments before completion of the facilities. The Council was continuing to take appropriate action to protect its interests in relation to the waste private finance initiative (PFI) contract and a detailed management strategy was being developed jointly with Cabinet.
15. A Member asked whether a reduction of central government's funding contribution to the Eco Park would increase financial risk. The Executive Director stated that the Council received credit for capital

investment in the facility from the Department for Environment, Food and Rural Affairs (DEFRA) and that the amount was continually kept under review. The Strategic Finance Business Partner added that the draft budget assumed a level of PFI credit and waste infrastructure grant and if those changed to the Council's detriment the Directorate would look to manage it, in the first instance, through the waste sinking fund.

16. A Member queried the level of investment for the countryside now that its management had returned to the Council. The Executive Director stated that the Service was building revenue spend alongside capital spend and that the capital programme was being reviewed, developing overtime. Funding into the countryside was on an invest to save basis and directed particularly toward visitor experience.
17. A Member asked how the Council could ensure that other Local Authorities in the Basingstoke Canal Partnership provided revenue funding for management of the waterway. The Cabinet Member for Environment and Climate Change was the recently appointed Chairman of the Basingstoke Canal Joint Management Committee and assured the Select Committee that Surrey County Council and Hampshire County Council met their financial liabilities.
18. A Member stated that public transport services should be made a priority as currently it was not a viable alternative to private travel. The Cabinet Member for Transport assured the Select Committee that the need for improvements in public transport was taken seriously. There was £50m of investment into low emission electric and hydrogen buses and a bid submitted to the Department for Transport for on demand transport. The Council was endeavouring improve bus routes and timetabling to enable bus operators to run their buses for longer and at a lower cost. The Council committed its subsidies to bus providers into the evenings and weekends in order to gain the greatest value in return for investment and to capture the night-time economy. The Cabinet Member informed the Select Committee that Surrey residents could expect to experience the benefits of this investment around April/May 2021.
19. The Chairman noted that bus usage had declined due to the COVID-19 pandemic and asked if the Council would still be investing revenue funds into supporting bus services. The Cabinet Member for Transport responded that the Council had been heavily supporting bus operators throughout the pandemic and that it would continue its level of revenue funding. The Council had provided additional payments to support hospital routes and Heathrow routes, following Heathrow's announcement of a significant withdrawal of its subsidies for bus routes. The Executive Director added that additional support was built into the 21/22 draft budget as there was a pressure of £1.7m owing to

the impact of COVID-19. Government funding was expected to continue into 2021 so the amount of funding for buses could increase if needed.

20. A Member asked the Executive Director to provide the 2020/21 capital spend figures for the schemes set out in the draft Capital Programme over the following five years so members might discern any changes in levels of investment. Additionally, the Committee requested more specific information to be provided on the schemes under development in the ETI Capital Pipeline.
21. A Member asked how all the schemes set out in the draft Capital Programme individually contributed to the delivery of the Council's net zero climate change target. The Executive Director stated that the Directorate was endeavouring to embed the climate strategy across the whole of the Council's activity. The Directorate was looking at setting up a low carbon energy revolving loan fund, which could significantly increase investment in low energy infrastructure and energy efficiency measures.
22. The Strategic Finance Business Partner - ETI gave an overview of the Community Protection Group (CPG) Draft Budget. The CPG MTFS showed a gap of £1.2m in 2021/22, compared to the Council's estimated available funding, which was projected to increase to £8.7m by 2025/26. Expected budget pressures totalled £1.8m for 21/22, offset by efficiencies of £0.5m. The estimated £6m of total pressures over 2021-26 were projected to be offset by £0.5m. Pressures on the CPG largely came from inflation and the Coroner's Service.
23. The Director - CPG stated that the Coroner's Service had historically been an area of overspend. This was due to a combination of issues related to management practices, contract management and controlling of costs. The CPG had to address these issues and re-stabilise the budget when the service was transferred to the Council, to ensure that the statutory requirements could be delivered. The Service remained a budget pressure but once baseline costs were established the Group could work towards achieving efficiencies. The Cabinet Member for Communities emphasised that historically the services now within CPG had been financially disciplined and always worked within budget envelopes. The improvements to Surrey Fire and Rescue Service (SFRS), due to be completed in January 2021, presented an efficiency for the CPG. The investment into protection and prevention was on track and had met expectations and external validation critiques.
24. The Draft Capital Programme included a project to purchase new fire engines and equipment. The Chairman asked for further detail to be provided on the types of vehicles and equipment that the service

would be acquiring. the Director – CPG explained that there was a replacement programme for all equipment and a rolling programme for replacement of the Service’s fleet with more efficient and some electric fire engines.

25. A Member asked for further detail to be provided of fire and rescue vehicles and other equipment that the Service had obtained over the previous few years, detailing what was in service that hadn’t been in the years previous. The Director - CPG agreed to provide a written response to the Select Committee.
26. The Chairman requested further detail on what the capital money invested into the Making Surrey Safer programme was used for. The Director - CPG responded that the Service transformation was about carrying out more protection and prevention measures, with the aim of moving away from response measures only. The Director - CPG offered to provide more detailed information regarding this to the Select Committee.
27. Regarding the Revenue Budget, the Chairman questioned why there were no further efficiencies planned or required. The Cabinet Member for Communities explained that the services were in the majority statutory so had to be delivered. Seeking efficiencies whilst SFRS was going through an improvement programme was not practical.
28. The Chairman asked how the additional pension costs in SFRS had been met. The Chief Fire Officer explained that there was a historical court ruling that brought into scope pensions for part-time firefighters. The Service set up a capital scheme looking at the worst-case scenario of costs and the number of people that would be impacted. It was still being worked through and there were a number of plans underway. Capital costs were put aside to ensure that the Service could meet the costs. Uplifts in pensions are a matter of national negotiation and can impact the budget.

**Recommendations:**

- I. In order to understand the long-term benefits of its capital investments the final 2021/22 - 2025/26 MTFS presented to Council in February should include clarity on the expected outcomes, benefits or measures of success of the capital programme.

**Action/Further information requested:**

- i. Where possible, provide data on the capital spend for this year against the projects listed on page 35 of the agenda so that the Select Committee might discern how investment is changing (Owner: Finance)

- ii. Provide more specific information on the schemes under development in the ETI Capital Pipeline (Owner: Executive Director – ETI)
- iii. Briefing for Members on the benefits realised from highways capital investment to cover impact on revenue budget and resident satisfaction (Owner: Executive Director – ETI and Cabinet Member for Transport)
- iv. Breakdown of the Coroner’s Service accounts (Owner: Director – CPG)
- v. Provide detail of fire and rescue vehicles and equipment that SFRS has obtained over previous years. (Owner: Director – CPG)
- vi. Provide more detailed information on what outcomes and improvements the capital money invested into the Making Surrey Safe Programme was intended for (Owner: Director – CPG)

**38 FORWARD WORK PROGRAMME AND RECOMMENDATIONS TRACKER [Item 6]**

**Witnesses:**

Ross Pike, Scrutiny Business Manager

**Key points raised during the discussion:**

1. The Chairman noted that the Surrey Infrastructure Plan and ETI Directorate Performance Report was on the agenda for the January meeting of the Select Committee. The Climate Change Delivery Plan and SFRS Improvement Plan were to be discussed at the March meeting.
2. A Member requested that the Land Use Strategy be added to the Select Committee’s Forward Work Plan.
3. The Executive Director stated that they would discuss with the Scrutiny Business Manager the timeliness of bringing the Land Use Strategy and the Local Transport Plan to the Select Committee.

**39 DATE OF THE NEXT MEETING: MONDAY, 18 JANUARY 2021 [Item 7]**

The Select Committee noted its next meeting would be held on 18 January 2021.

Meeting ended at: 12:18

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**Chairman**