

REPORT OF THE COUNCIL'S SELECT COMMITTEES

Item under consideration:

SCRUTINY OF 2021/22 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY TO 2025/26

Date Considered: 14 - 18 December 2020

- 1 Over the course of a week in December, the Council's four Select Committees reviewed the Draft Directorate Budgets and Medium-Term Financial Strategies relevant to their remits following initial scrutiny of assumptions in September/October. Each Select Committee received a summary of the Council-wide budget position alongside more detailed Directorate level information including capital plans, pressures and efficiencies and the medium-term financial strategy.
- 2 Cabinet Members and Executive Directors attended the meetings supported by Finance Officers to present evidence and answer questions from Members. The objectives of the scrutiny were to: test the sustainability of the 2021/22 budget, review how it supported the delivery of the council's strategic ambitions and consider how it would aid the county's recovery from the coronavirus pandemic. This report is a summary of the key points, conclusions and recommendations resulting from those meetings.
- 4 The Select Committees recognised the variety of challenges placed on officers and services across the Council during the unprecedented coronavirus pandemic and the resultant pressures this has caused for the Council's finances. Members wished to thank Council staff, particularly those on the frontline, for their ongoing efforts during this difficult time including the preparation of the budget and medium-term financial strategy.

Adults and Health Select Committee:

1. In Public Health, funding remains low (the second-lowest per head of population in the country in 2020/21) and continually stretched by an increasing proportion of Surrey's Public Health grant needing to be used to fund Public Health services delivered by other parts of the Council.
2. One of the biggest risks facing both the Adult Social Care and Public Health budgets is the ongoing financial impact of the Covid-19 pandemic. While the Select Committee was pleased to hear from officers that they expect extra costs relating to the pandemic to be met by central government, it was concerned to hear that great uncertainty still remains heading into the 2021/22 financial year, with a particular risk being related to the issue of hospital discharge costs and the impact this could have on Adult Social Care finances.
3. The Cabinet Member for Adults and Health's commitment to focusing on mental health was welcomed by the Select Committee, as was the Director of Public Health's commitment to reducing health inequality across Surrey. However, the Select Committee expressed concern about the continuing impact the Covid-19 pandemic will have on both mental health and health inequality and encouraged the Council to continue lobbying central

government regarding increased funding to ensure these priorities can be realised.

4. The Select Committee welcomed the comments from officers that they expect the £5m directorate gap in Adult Social Care to be covered by the Local Government Finance Settlement rather than further efficiencies but was concerned to hear that this was not yet guaranteed, leaving open the possibility of further efficiencies needing to be made in the final budget. The Select Committee questioned whether it would be sustainable for further efficiencies to be made given the pressures already facing Council-run services.
5. The Select Committee supported the aims and approaches of the Adult Social Care service strategy and transformation programmes and was assured they will help to achieve the efficiencies outlined in the 2021/22 draft budget. However, the Select Committee expressed concern that efficiencies related to the transformation programme might be impacted or delayed by the ongoing pandemic and the increasing demand for services. The Select Committee will continue to monitor the progress of these transformation programmes throughout 2021/22 to ensure efficiency targets are met and service quality improvements made.
6. The Select Committee welcomed the proposals to use the remaining £1.6m of the increase in Surrey's Public Health grant funding to invest in additional Public Health service provision, as well as Cabinet's approval for a carry forward from 2020/21 to safeguard this increased investment for the next two years, but considers the funding received to be still far too low, particularly with the impact the Covid-19 pandemic will continue to have throughout the 2021/22 financial year. The Select Committee encouraged the Council to continue lobbying central government regarding increased funding.

Children, Families, Lifelong Learning & Culture Select Committee

7. The Children, Families, Lifelong Learning and Culture Directorate's ('the Directorate') highest area of spend and overspend continues to be SEND services. The Children, Families, Lifelong Learning and Culture Select Committee ('the Select Committee') is concerned that the realisation of the significant efficiencies required by the draft 2021/22 Budget and Medium-Term Financial Strategy to 2025/26 is not feasible. The habitual use of the General Fund to offset overspends is unsustainable in the long term.
8. The Select Committee questioned whether it was realistic for the Directorate to be expected to find such substantial efficiencies year on year. The experiences of residents as understood by the Select Committee have caused it to become concerned that the scale of the efficiencies the Directorate has been, and is, expected to achieve creates a culture where thresholds for support are conservatively applied whilst the availability of early intervention remains inadequate, leading to the escalation of needs and increased demand for more intensive and costly services in the future. Moreover, the Select Committee considers it inappropriate that the Directorate is expected to find such substantial efficiencies whilst services are

experiencing significantly increased demand and operational challenges caused by the unprecedented COVID-19 pandemic.

9. It is the Select Committee's view that the Directorate still does not utilise the funding available to it efficiently enough and that the significant transformation of services is required to create truly resource-efficient ones which provide users with the best outcomes. The Select Committee supports the aims and approaches of the Directorate's Service Strategy and transformation programmes, particularly the increased availability of early intervention services to prevent the escalation of children and young people's needs and the introduction of further in-county, internal provision to reduce unit costs and improve service user outcomes. However, the Select Committee is concerned that those programmes will not deliver efficiencies at the rate or to the extent required by the Directorate's draft 2020/21 Budget and Medium-Term Financial Strategy to 2025/26, particularly as the implementation and impact of transformation has been delayed and limited by the COVID-19 pandemic, which is also exacerbating children and young people's needs and driving increased demand for services. The Select Committee encourages the Council to continue engaging central government regarding increased funding for its children's and education services.
10. The Select Committee noted the assurances given by the Director – Financial Insights that the Local Government Finance Settlement would enable the Directorate to close the remaining budget gap of £5.9million in 2021/22. However, the Select Committee did not share the Director's confidence in the Funding Settlement and was concerned by the Director's comment that, if the Funding Settlement does not meet the gap, services may be required to find further efficiencies in 2021/22.
11. The Select Committee found there to be an implicit link between the draft 2020/21 Budget and Medium-Term Financial Strategy to 2025/26 and the Council's 2030 vision, organisation strategy and commitment to be carbon zero by 2050. However, achieving those ambitions requires the successful, significant transformation of Directorate services. The Select Committee welcomes the arrival of the Directorate's new Executive Director and her leadership and looks forward monitoring the attainment of those objectives.
12. It was similarly apparent to the Select Committee that, on the face of it, the draft 2021/22 Budget and Medium-Term Financial Strategy to 2025/26 and the Service Strategy support the response to the COVID-19 pandemic and the recovery therefrom. However, the Select Committee questions whether that support will be adequate in practice, due to the concerns raised above regarding the efficiencies the Directorate is expected to achieve through transformation.

Communities, Environment and Highways Select Committee

13. The Select Committee probed the overall £18.3m budget gap and the £5.9m situated in the Environment, Transport and Infrastructure Directorate (ETI). The Select Committee was given assurances by the Executive Director – ETI that developments around the Local Government Finance Settlement would resolve this gap. When questioned further about budget sustainability the Executive Director was confident that the Directorate could deliver savings in 2021/22 without compromising service delivery but that this would become more difficult in 2022/23.
14. Members questioned the witnesses on the growing gap between Council resources and funding in future years and their strategy to deal with it. Officers explained that the Council was using capital investment to realise revenue efficiencies with the Cabinet Member for Transport citing improvement in the condition of highways via investment. The Select Committee raised the important role of the Directorate's contracting and queried the draft inflation assumptions. The Executive Director assured the Select Committee that the Directorate would seek cost reductions opportunities via new contracts but more importantly, through innovation. Inflation rates would be reconsidered due to the Government's Autumn Statement, Finance Officers expected the figure to be revised down from 2.5% to 1.5% in the final budget.
15. The Select Committee considered the reduction in highway insurance claims seen this year as being heavily influenced by the restrictions imposed in response to the pandemic and should be seen in this context. The Select Committee again highlighted the issues posed by the ongoing contractual issues associated with the Eco-Park. The Executive Director confirmed that the Council is not paying for a service it has not yet received but acknowledged the impact of delays on financial risk.
16. The Select Committee was concerned that levels of investment for the countryside must be commensurate with the Council's ambitions. Members were reassured that the Directorate was in the initial stages of developing its capital programme and was keen to improve visitor's experience and encourage greater use of Surrey's countryside by families. This also applied to Greener Futures (the Council's Climate Change Programme). Given the importance of the capital programme in realising the Directorate's priorities the Select Committee agreed it was important for the metrics of success for capital spend be made clear in the final budget.
17. Clear links were drawn between the Directorate's budget, in particular its capital programme, and the delivery of the Council's Greener Future Programme (Climate Change) while elsewhere the investment in the countryside and infrastructure projects support the delivery of the Council's four priority areas ('dial up' areas). The Directorate's support for bus providers during the pandemic was a clear example of how it was contributing to Surrey's coronavirus response. The Executive Director added that additional

support had been built into the 2021/22 draft budget as there was a pressure of £1.7m owing to the impact of COVID-19.

18. It was noted that the Community Protection Group was mostly responsible for statutory services and had inherited the Coroner's Service in April 2020. The Select Committee acknowledged the budgetary pressures created by this service's historic underfunding and overspending and heard that a review to establish costs was underway. The Select Committee was keen to gain further understanding of the service's accounts and would follow up with the Director. The Surrey Fire and Rescue Service is due to complete phase 2 of its efficiency and effectiveness programme in January 2021.

Resources and Performance Select Committee

19. The questions posed by the Committee to Cabinet Members and officers provided insight into how the budget prioritised spending and the budget pressures and savings overall. Members also explored the contingencies built into the budget and the judgements made around council tax and business rates income.
20. The Select Committee was briefed on the provisional local government finance settlement and the extra resources it was expected to bring. It was noted that the settlement was a one-year arrangement only.
21. In relation to the Resources and the Transformation, Partnerships and Prosperity (TPP) Directorates, the Select Committee questioned the savings around Land & Property, IT & Digital and in Orbis. Officers' views were that the savings were reasonable and achievable. It was noted that the savings required of Resources and TPP Directorates were more modest than those from the front-line facing Directorates. The importance of the transformation programmes in delivering the savings required of these other Directorates was emphasised.
22. The Select Committee noted that there was still a budget gap of £18.3m. However, based on the provisional local government finance settlement, officers felt content that this gap could be bridged without any changes in service proposals.
23. The Select Committee noted the uncertainties in the assumptions about receipts for council tax and business rates and the recovery of deficits in the collection fund. These concern the level of collection for 2021/22, the ongoing recovery of uncollected monies for 2020/21, and the level of support from government to meet deficits.

Recommendations:

1. In order to understand the long-term benefits of its capital investments the final 2021/22 - 2025/26 MTFS presented to Council by the Cabinet in February should include clarity on the expected outcomes, benefits or measures of success of the capital programme
2. The Cabinet to work with each district and borough council to agree the assumptions about receipts for council tax and business rates to ensure the 2021/22 County Council budget is based on robust figures

Kay Hammond
Chairman of the Children, Families, Lifelong Learning Select Committee

Nick Harrison
Chairman of the Resources and Performance Select Committee

Bernie Muir
Chairman of the Adults and Health Select Committee

John O'Reilly
Chairman of the Community, Environment & Highways Select Committee