

CABINET- 25 January 2022

CABINET RESPONSE TO THE SCRUTINY OF 2022/23 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY TO 2026/27

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Cabinet Response to Recommendations:

1. Recommendation: Cabinet is asked to consider creating a parallel carbon budget (carbon impact of the total budget) in 2023/24 to be set alongside the financial budget so the carbon emission implications of decisions as well as the financial implications can be scrutinised. **(Communities, Environment and Highways Select Committee)**

Response: The Greener Futures Team is developing the capacity to monitor the Council's carbon emissions, and also has access to tools that allow estimates to be calculated for projects such as new infrastructure and buildings. As such, it should be possible to provide an estimated carbon impact for the 23/24 budget.

The Council will continue to take direct action on environmental sustainability for future generations as part of the Carbon Net Zero targets set for 2030 and 2050. The Council has brought in expertise to better understand and report on carbon impacts of the Capital Programme and to set established processes for assessing capital plans and capturing necessary information for business case scrutiny and benefits realisation. This will include a member of the Greener Futures team being part of CPP.

2. Recommendation: The Cabinet Member for Transport & Infrastructure to provide evidence in the final budget to assure the committee that the additional capacity planned for the Planning Enforcement Team is adequate and realises additional revenue in terms of recovered costs. **(Communities, Environment and Highways Select Committee)**

Response: The proposed budget increase of £125K provides additional capacity to increase the planning enforcement team from its current team of 2xFTE posts. It allows for expansion which will enable a higher profile, proactive service that can carry out greater levels of enforcement activity by way of an additional senior officer and appropriate regrading of the existing team members. The increase in budget will also provide for additional legal support that will be required when pursuing cost recovery.

In addition, a plan for further action has been outlined and is in the process of being fully costed to ensure its robustness. This would include further capacity by way of technical support and legal support which are required at appeals and in court, as well as proactively bringing together enforcement authorities – which is often a core issue in delivering effective enforcement action. This would also include provision

for additional Counsel advice to support enforcement cases and allow for direct action.

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3. Recommendation: The Community, Environment and Highways Select Committee seeks assurances from the Cabinet that the final 2022-23 budget has adequate resources allocated to support the high priority action plans and intended outcomes in relation to:
 - a. Climate Change and Greener Futures Delivery Plans;
 - b. A shift to Local Transport Plan 4 and active travel; and
 - c. Recommendations of the Greener Futures Reference Group previously presented to Cabinet

(Communities, Environment and Highways Select Committee)

Response: Cabinet can confirm that the resources in the 22/23 budget are sufficient to take the action needed in this coming financial year to achieve the aspirations set out in the Greener Futures Delivery Plan, which was developed with the input of the Greener Futures Reference Group and which accepts many of the recommendations made to Cabinet – as captured by both the ETI core budget and the transformation funding of £1.7m that is proposed for the Greener Futures programme. As set out in the Delivery Plan itself, there is a clear need over the medium to longer term for the Council to attract and leverage funding from partners and Government, and the budget for ETI includes staffing whose role it will be to develop a more consistent and robust approach to such external funding.

In respect of Local Transport Plan 4, which includes a shift to more active travel as a core principle, the budget contains sufficient resource for 22/23 to deliver the immediate priorities identified in the Plan; again further investment is being made through our Rethinking Transport transformation programme. However, as with Greener Futures, it is recognised that there are investment needs that the Government and others will need to provide investment to ensure that the full aspirations of the LTP are met over the medium term. Again, it is anticipated that the Council will leverage external investment with the resources identified in the Medium Term Financial Strategy.

4. Recommendation: Cabinet is requested to ensure that a comprehensive, representative, and early budget consultation with residents and key stakeholders should form an integral part of the Council's annual budget setting process with findings communicated to all Members and made available to Select Committees with draft budget papers. The initial budget consultation process should conclude first before a draft budget is presented to the Council's Select Committees. The deadline for this year's call for evidence for example could have been extended from 28 December 2021 to allow residents and stakeholders more time to comment and engage after the festive and the New Year period. **(Resources and Performance Select Committee)**

Response: For the 2022/23 budget setting process, we adopted a two-stage approach to consultation and engagement:

- **Stage One - Working with a market research company to gather insight from a representative sample of over a thousand residents on the principles we should adopt in developing our budget.**
- **Stage Two – Consulting with residents and other stakeholders on proposals in the draft budget once it was agreed by Cabinet in November 2021.**

The results from the first stage of engagement were important in shaping the final budget. In line with residents’ priorities, most of the Council’s spend, and the proposed increase in council tax, is allocated to services that support some of the most vulnerable adults and children in Surrey, including an increase in mental health investment of almost £8m.

The summary results from the first engagement exercise were included as an annex to the Draft Budget ahead of engagement with Select Committees in December 2021, available with the other draft budget papers to inform the scrutiny process.

For the second stage, we responded to the Select Committee’s concerns by extending the budget consultation closing date from 28 December 2021 to 7 January 2022. This enabled more stakeholders to share their views to provide further useful insight to help set the final budget.

5. **Recommendation: Cabinet to ensure that the effect of Council borrowing result in a real return, particularly any commercial borrowing which ought to cover return on its investment. (Resources and Performance Select Committee)**

Response: The delivery of planned benefits – both financial and non-financial – of the Capital Programme will be closely monitored throughout the year and across the MTFs through rigorous governance. Depending on the scale and nature of the project, assurance on the delivery of benefits may sit with Capital Programme Panel, the Benefits Board and/or Major Projects Board. A significant amount of planned borrowing relates to schemes in the capital pipeline, which would be subject to an approved business case prior to commencement. Projects will be tracked for delivery against plans over the implementation period and into operational delivery.

For the commercial portfolio, Strategic Investment Board and Shareholder Investment Panel review the performance and forecasts of the companies in which funds have been invested, in order to maintain oversight and ensure that the delivery of the commercial purpose to make a return on investment is maintained.

Officers will produce an annual statement of benefit realised, and expected future benefit, from the commercial portfolio. This will complement work under way to track longitudinally the benefits of past investment decisions, recognising that the financial impact of investments often has a long tail following the initial investment decision.

6. Recommendation: Cabinet to ensure that an assessment is undertaken of all Surrey's borough and district council's council tax support offers to ensure any increase in Surrey County Council's share of Council Tax is affordable to all residents. **(Resources and Performance Select Committee)**

Response: Finance have been engaging with the eleven District and Borough councils to understand the nature and scope of their local council tax support schemes. There is some degree of local variance, particularly amongst the schemes for working age residents where each council has flexibility to set their own definition of vulnerable people and their own criteria for the level of support available.

The criteria which determine whether households or individuals qualify for support tend to be based on income levels, the composition of the household, the level of savings and value of property, and the level of other financial support received. As an overview, there is a general range of support available of between 70% to 100% of the council tax bill, depending on those locally set criteria.

Increases are understandably difficult in the context of wider pressures on household finances, however the investment funded by additional council tax is aimed specifically at supporting the delivery of services to vulnerable people and investing in the mental health of residents. The Council will continue to engage with Government to make the case for equitable and sustainable funding for services, but we recognise that difficult decisions locally are necessary to secure the Council's long-term ability to deliver resident priorities and support vulnerable people.

7. Recommendation: To further support collaborative working, to avoid any silos and to ensure proper oversight and effective budget scrutiny next year, the Cabinet is requested to ensure that the Budget Task Group (with all Select Committee representation) will be provided with:
- a) Regular in-year and up-to-date finance monitoring updates throughout the year - particularly when there are significant and material changes - to be assured that assumptions made and expectations derived from the budget 2022-23 and MTFS 2026-27 (where relevant) will be met in practice;
 - b) Early communication and understanding of 2023-24 draft budget with high-level assessment of effect on residents;
 - c) Meaningful details about the budget efficiencies with overarching Budget Impact Assessments (including any impact on, for example, service delivery, residents, corporate and organisational priorities, Equality, Diversity & Inclusion matters and staffing) be provided to Select Committees and the Budget Task Group where appropriate before the draft budget is formally presented to all Select Committees. This should happen earlier than November 2022 to ensure Members have sufficient time to understand, make further enquires and add real value to the scrutiny process; and

Response: Responding to recommendations a) to c) together, we are committed to engaging Select Committees as early as possible in scrutinising the budget, including progress in delivering the budget. A monthly finance update is reported to Cabinet on a monthly basis and therefore available to scrutiny throughout the year. The Budget Task Group receives regular updates on in-year budget delivery as well as progress in planning the following year's budget. This year, Members were presented with information on efficiencies in the week that Cabinet Draft Budget papers were published. Efficiencies were not finalised until very close to the publication date, particularly due to increased demand pressures seen over the course of the summer, requiring additional work throughout the budget process.

We will also continue to engage Select Committees on the context that shapes our budget, such as the planning assumptions we make on the Council's strategic environment, funding projections and other relevant information.

The recent trend of single-year funding settlements from Government and the commitment to a fundamental review of funding is likely to mean continued uncertainty in how much support we get from Government and through the business rates system. This will make early definition efficiency requirements problematic, however we will continue to share with Select Committees as soon as the Cabinet have reached agreed proposals.

As we develop our new approach to financial sustainability – the Twin Track programme – all Members, including Select Committees, will be engaged as opportunities are shaped and developed. The proposals will form the foundation of the next phase of the Council's transformation and programmes of work to realise efficiencies, deliver priorities, and maintain the organisation's financial resilience.

- d) Commentary and comparison of corporate costs of the Council with similar Local Authorities.

Response: Finance and Performance Insights are looking to develop a benchmarking network with closest comparator local authorities in order to enhance cost comparison information for corporate services to provide insight and inform decisions.

Consideration will be given to external organisations who provide commentary and data. Historic experience of using such materials is that further intelligence on specific authorities is required to enable like for like comparisons to be made. It is therefore considered more appropriate to develop networks, where relationships can be built, robust comparisons made and inconsistencies investigated and understood.

Tim Oliver
Leader of the Council
25 January 2022

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