

## **CABINET MEMBER OF THE MONTH: Becky Rush, Deputy Leader and Cabinet Member for Finance and Resources**

### **Overview**

The Finance and Resources portfolio at the Council comprises: Finance (including all Financial Management, Financial Reporting, Budget setting, oversight of the capital programme, Internal Audit), Risk Management, Legal and Governance, all aspects of HR and people management, IT and Digital. Whilst these are all “back office” functions for the Council in reality it is the careful and efficient management of these processes and operations that enables the Council to deliver value for money services for our residents.

I am pleased to have the opportunity through this report to shine a spotlight on the thorough, professional and collaborative work carried out by our officers within Finance and Resources and on the positives they bring to residents in Surrey. Residents are the direct beneficiaries of having a Council that is financially resilient, enabling us to invest in quality services that meet the demands of residents today and in the future.

### **Finance**

On February 9<sup>th</sup> 2022 the County Council approved a balanced budget for 2023/2024; the fourth successive balanced budget set (with no use of our reserves) since the commencement of our Finance Improvement Programme in 2018. Later in this Cabinet meeting I will present the Financial Report for Month 10 including the forecast to the year end, and we are on track to deliver the balanced budget set in 2021, as we have done for the preceding three years. Living within our means is vital as a Council and we must make sure through our decision making processes that we secure value for money and deliver our Statutory duties along side our Council priority objectives to ensure *no one is left behind*.

Implementing a strong ethos of Financial Management and Accountability across all levels of the Council has been key to improving our financial resilience. We operate a “Finance Business Partners” model whereby Finance officers sit alongside Service delivery officers to ensure Financial impact is a key criteria in every decision taken. As recognition of our work on the Finance Academy in 2021 Surrey County Council won the award for Finance Learning and Development Initiative at the Public Finance Awards.

As part of the finance transformation Surrey County Council has undertaken a wholesale Transformation Programme over the past 5 years. This was a ground up review of how our services could be delivered more effectively and efficiently, resulting in budget efficiencies annually of c£80m. This is what residents in Surrey would expect of us, as they would of any large business, it is vital that we continue to evolve as a Council, continuously reviewing and improving the way we interact with residents and the way we deliver our services. We have a further far-reaching programme to be delivered over the next 5 years as we continue to look to the future, at digital solutions and new ways of working. As we move forward and the expectations and needs of residents change it is right that we continue to reflect, learn and adapt our services and delivery mechanisms.

Over the past 5 years we have grown our reserves position in order to improve our financial resilience. Our “useable” reserves now stand at c£150m within the guidelines of 10-15% of the revenue budget. As a Council we not permitted to allow spend to exceed available resources and as such are required to maintain an adequate level of reserves to deal with future unexpected pressures. We have a strong set of principles that set out the circumstances in which reserves can be utilised, and it is the establishment of a good reserves position, and these rules around its use, that set us in such good financial stead when weathering the Covid pandemic. We were able to respond swiftly to the pandemic, maintain our business as usual services, and not put the Council in financial jeopardy.

### ***Why is such a robust financial position so important to residents?***

Financial stability is of huge benefit to residents of Surrey:

- We have been able to set a balanced budget for 2022/2023 that has **no service cuts** for residents. Our budget for the next financial year to spend on services is £1,042m which is an increase of £37m from the previous year, with 92% of the budget being spent on delivery of front line services. There

has been no reduction of service budget; within the budget Adult Social Care budget has increased by £25m (7%), Children's Social Services by £5m (2.5%), and Special Education Needs and Disabilities budget by £3m (10% of the Council's contribution to the Direct Schools Grant).

- Through our very large and ambitious Capital Programme of £1.9bn over 5 years we are **investing in our future services**. £200m for highways maintenance, £139m in School Places, £124m in Special Education Need and Disability places, £34m on Looked After Children, £51m on Bridge and Structures maintenance, £105m on our infrastructure, £80m on Extra Care facilities for the elderly, £34m on libraries transformation, £46m on Independent living for people with learning disabilities or autism, £65m on Greener Futures. Through our financial stability we have access to low-cost Government borrowing and are spending it at a level that is affordable for the Council.
- We have put money aside into reserves to grow our financial resilience that **enables us to manage future uncertainties** such as a pandemic, changes to government funding etc – you never know what is around the corner but importantly we will retain the ability to continue to deliver our services and support our vulnerable residents.
- We were able to **manage the pressures of Covid-19**; at a time of great uncertainty we were able to support our care market, access PPE, establish helplines, lead on the county wide support for vulnerable residents, support the District and Boroughs, and keep all our services running. It's been a challenging time for everyone and some Local Councils have not been able to deliver.

### ***IT and Digital***

As I mentioned above IT and Digital is a business critical operation within the Council with a key role to play in readying ourselves for the future.

At the advent of the Covid-19 pandemic the IT team at Surrey County Council worked tirelessly to enable the workforce of c7,000 staff to seamlessly adapt to online working that has since become the Business As Usual approach to life. With Covid-19 as the catalyst we have seized this new online way of working and made sure we have the hardware, connectivity, and necessary cyber protections to enable our workforce to carry out their roles wherever they are. The use of Teams meetings has revolutionised even a simple highways site meeting, and we are now truly connected across our work force.

The Digital team has the most business critical role to play in the ongoing evolution of how we connect to and deliver services to residents and our "Digital Business Partner" model (expansion of the successful Finance Business Partner model) is embedding itself within the services to take a central role in the solving of challenges.

### ***HR and people management***

The key workstream in this area is the Workforce of the Future; a business critical programme looking at the establishment of Surrey County Council as an employer of choice and the levers to deliver this ambition that range far beyond simply pay.

Recruitment and retention of talented staff, that reflects the enormously talented pool of residents we have within our County, remains increasingly challenging. We must make sure, as a substantial employer in the local area, that our pay and reward is competitive, but also that our development and promotional route map is clearly set out so all employees can see how they can strive to reach their career goals within our organisation.

Equality, diversity and inclusion remains a top focus, with appropriate importance of this business critical agenda being clearly driven at all levels of the organisation.

### ***This report***

The rest of this report includes more detail about the specific activities Finance and Resources have been involved in within the Council, and I've pulled out areas that I thought residents would find interesting, including some initial detail on the financial challenges we are facing in the future. Before reading on I'd like to thank all of the officers in Finance and Resources for their never failing support, commitment and

professionalism in enabling the Council to deliver on its strategic objectives and work towards the 2030 vision that *no one is left behind* – your contribution is invaluable.

## Financial Challenges of the Future

The Council faces a number of sector-wide financial challenges over the coming years, particularly:

- **Funding reform:** The Government plans to overhaul the system of funding for local authorities with an expectation that, over time, councils like Surrey will become more reliant on locally raised income (predominantly Council Tax) with a consequent reduction in Central Government funding. Our Medium-Term Financial Strategy anticipates a reduction in Government funding in the region of £160m over 5 years, however the timing and impact is far from certain. This uncertainty in itself represents a key challenge to accurate financial planning.
- **Demand Growth and inflation:** The demand for and cost of delivering services to our residents grows considerably each year as a result of social and economic factors including inflation, an ageing population and the ongoing impact of Covid-19. This puts a significant pressure on our services and, particularly in light of reduced national funding, means that we must identify new and innovative ways of delivering our priorities in a financially sustainable way. We expect cost pressures of over £200m over the next five years, equivalent to a 20% increase in our budget requirement.
- **Adult Social Care reform:** The Council will incur additional costs from the Government's social care reform proposals in two ways:
  - o Firstly, the implementation of a cap of £86,000, which is the maximum that individuals will pay towards their care (excluding accommodation costs). Capital limits will also increase from £23,250 to £100,000. The net effect is that Councils will need to fund a greater share of the care costs that are currently paid for by self-funders; and
  - o Secondly, in the form of market equalisation on care costs. Self-funders in future will be able to “ask their local authority to arrange their care for them so that they can find better value care.” At the moment self-funders usually pay higher rates than their local authority and so there could be market equalisation of costs, whereby care costs in general rise to meet the change.
- **Greener Futures:** Significant investment will be needed in order to deliver the commitment to a being a carbon-neutral county by 2050. The Council will work with partners, residents and businesses to leverage the funding and enable the behavioural change needed in order to achieve its targets. Attracting an appropriate level of external investment will represent a key part of the overall Greener Futures finance strategy.

The Council is proactively addressing these challenges through its approach to Medium-Term Financial Planning, particularly in new and cross-cutting initiatives to deliver priorities within available funding, maximising opportunities to work with partners for sector-wide solutions. We will engage wherever possible with the Government's developing plans for funding and reform, to ensure that the impact on Surrey residents and business is clearly represented and well understood. We also chair a group of County Council finance officers, collaborating on ASC reforms and other key issues to share intelligence and prepare information for lobbying.

In order to continue delivering ambitious transformation programmes and to keep us on a sustainable footing to meet these challenges, we must retain a resilient level of reserves. Over the last four years, we have recovered from a perilously low level of reserves to one that complies with external audit guidance and leaves us confident to deliver the changes needed. Maintaining this resilience is key to our financial stability.

## Treasury Management and Interest Rates

In short, Treasury Management refers to the activities required to sustainably fund our £1.9bn capital programme and maintain adequate cash balances to meet the Council's daily operations. Council

approved the 2022/23 Treasury Management Strategy on the 8<sup>th</sup> February 2022, which sets out our approach. Our overall strategy is one of prudence – we minimise our external borrowing and ensure that any short-term cash surpluses are invested with financially sustainable counterparties, reviewed on a continual basis.

A key factor in the strategy is the extent to which our borrowing requirement of c.£1.1bn over 5 years is funded by long-term fixed rate borrowing or short-term variable rate borrowing. Fixed rate borrowing tends to be more expensive (at c.2%) than short-term borrowing (at c.0.5%), but does offer certainty over the longer term. We aim to maintain a balanced portfolio which offers value for money and holds risk at an acceptable level.

We liaise regularly with our expert Treasury Management Advisors, Arlingclose, who update us on a daily basis if our approach needs to be amended. To illustrate this, we have recently added £50m to our long-term portfolio to lock-in rates which briefly fell below 2%, reacting to a market which often changes throughout the day. Our medium-term financial plans factor in resilience against interest rate rises, and we hold a reserve of £1.6m to manage fluctuations, if needed.

Our Treasury Management Strategy also serves to ensure that we make prudent arrangements to repay our existing debt, through minimum revenue provision. We have developed our approach to this over the past two years to protect the long-term financial sustainability of the Council. This year, we have adopted recommendations in a recent Government consultation, a year ahead of the proposed implementation.

## **Internal Audit**

Delivery of the remainder of the annual audit plan continues as year-end approaches. Advice and support is ongoing for the DB&I Programme. Three Partial Assurance opinions have been issued in respect of a follow-up review of Officer Code of Conduct, Public Accessibility, and a review of consultant use and contract management in Land & Property. Significant time has been spent in consultation with senior management and members of the Audit & Governance Committee to develop the 2022-23 Strategy and Annual Plan, due at Committee for approval on 28 March.

## **Procurement**

The central policy team is developing material to ensure that third party spend goes beyond the core council operations, ensuring the Authority procures in an ethical and responsible way. The draft Environmentally Responsible Procurement Policy and Modern Slavery Statements are due to be approved and launched in Q2 FY 2022/23. We now have a baseline of SCC's scope 3 emissions, from which we are exploring carbon accounting methodology and developing category specific approaches. We are on track to meet Modern Slavery Act changes requirements coming into force this year, are rolling out supply chain specific Modern Slavery Training, and are developing networks across Sussex and Surrey. The Social Value (SV) Policy is in place, and SV champions and tailored SV Charter is supporting the delivery of SV specific to the needs of Surrey residents, which will be enhanced by the SV Marketplace refresh currently underway. In reviewing tender materials in respect of policy risks and opportunities we are also seeking to enhance consideration of Equality, Diversity and Inclusion factors when procuring from third parties.

## **Risk Management**

A number of improvements have taken place around Risk Management in the past year, including work on:

- Standardise Risks & Promote Risk thinking
- Risk Management Strategy/Framework
- Corporate Risk Register established
- Directorate Risk Registers

We are monitoring the Ukraine situation closely, liaising with both central government and local partners. Risk Management processes and up-to-date Business Continuity Plans take particular account of

eventualities arising from cyber-attack or power outage. We are also reviewing the impact on the cost of living from price increases, particularly around fuel, and will respond to the unfolding situation on refugees.

## Governance

A twelve month review has been concluded of the Council's new Code of Conduct and its first 12 months of operation.

The Council adopted a refreshed Code of Conduct issued by the LGA following the County Council elections in May 2021. The Code expanded on the previous principles-based Code and introduced specific obligations on councillors to treat others with respect, to not bully or harass or discriminate against any person, to not disclose confidential information, to not use their position inappropriately and to not bring their office in to disrepute.

The Council also introduced a new procedure for considering complaints made against councillors. It emphasised informal resolution as the preferred approach and introduced a criteria-based assessment for the Council's Independent Person and Monitoring officer to consider when determining what action was appropriate to either resolve a complaint or formally investigate. The criteria include any suitable alternative course of action, whether the issue touched on a member's democratic role, the timing of alleged conduct, whether there was a malicious or political motive to a complaint and the overarching public interest in any action being proportionate to the complaint.

A full member induction program was completed before members signed up to the Code on its obligations including the registration and declaration of interests.

Ongoing development and support for all members is planned for the coming year including regular reminders to consider if declaration of interest registers are up to date and social media training refreshers.

The Council's Internal Audit team have recently concluded a report on a sample of corporate governance policies which included the Code of Conduct. It included a small sample survey of members and found that 100% of respondents were aware of the Code of Conduct, understood the policy and it was considered fit for purpose.

## IT and Digital

**Digital Programme** - The main focus for Digital has been the successful day to day delivery of the programme. Working collaboratively with services to deliver a suite of digital capabilities and process optimisations that support their service delivery ambitions. Over the last few months this includes: the delivery of the new death registration chatbot; the live Single View of Transition Data (now live); the delivery of the 'discovery digithon' workshops for ASC, Your Fund Surrey and SFRS. The discovery digithon technique helps to frames opportunities and challenges using a digital lens and enables a cross-organisational approach to service and process re-design coupled with targeted technology enablement. The Digital programme has also been focussed on the planning, engagement and pipeline for Digital 22/23. This includes work to support the CRM initiative lead by Marie Snelling, initiating a project that will utilise Dell Boomi (the enterprise data management and integration platform) to replace our VPRS system and to support delivery of the Data Strategy. All of the above is providing learning and insight that is informing the planning for the transition of Digital from a programme to a business-as-usual capability within the IT and Digital service.

**Cyber Security** – IT and Digital continue monitor the national cyber threat level (which is currently at 'Substantial'; this means that an attack is likely) and continue to monitoring, and act upon the advice from National Cyber Security Centre (NCSC ). It can be confirmed that the council's approach to managing the risk of cyber-attack is adheres to the NCSC recommendations. The council's security posture and preparedness for a potential cyber-attack has been further enhanced through collaboration with the emergency management team.

## HR

The People & Change team are continuing to maintain important services to ensure that we recruit, retain and grow our talent and ensure we have a thriving workforce. We are progressing projects and initiatives

which are part of our workforce of the future programme including a programme of reward reform (the initial delivery of this is a simplified approach to out of hours working payments), workforce design to boost resilience and retention and improve employee experience. We continue to focus our energy on EDI across every aspect of our people agenda.