



We're on Twitter:
[@SCCdemocracy](https://twitter.com/SCCdemocracy)



Agenda and Reports
for the Budget meeting of
THE COUNTY COUNCIL
to be held on
7 FEBRUARY 2023

Woodhatch Place
Reigate
Surrey

Monday, 30 January 2023

TO THE MEMBERS OF SURREY COUNTY COUNCIL

SUMMONS TO MEETING

You are hereby summoned to attend the meeting of the Council to be held at Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF, on Tuesday, 7 February 2023, beginning at 10.00 am, for the purpose of transacting the business specified in the Agenda set out overleaf.

JOANNA KILLIAN
Chief Executive

***Note 1:** For those Members wishing to participate, Prayers will be said at 9.50am (officiant to be confirmed). If any Members wish to take time for reflection, meditation, alternative worship or other such practice prior to the start of the meeting, alternative space can be arranged on request by contacting Democratic Services.*

There will be a very short interval between the conclusion of Prayers and the start of the meeting to enable those Members and Officers who do not wish to take part in Prayers to enter the Council Chamber and join the meeting.

***Note 2:** This meeting may be filmed for live or subsequent broadcast via the Council's internet site - at the start of the meeting the Chair will confirm if all or part of the meeting is being filmed. The images and sound recording may be used for training purposes within the Council.*

Generally the public seating areas are not filmed. However by entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.

If you have any queries regarding this, please contact the representative of Legal and Democratic Services at the meeting.

If you would like a copy of this agenda or the attached papers in another format, e.g. large print or braille, or another language please either call Democratic Services on 020 8541 9122, or write to Democratic Services, Surrey County Council at Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF, Minicom 020 8541 9698, fax 020 8541 9009, or email amelia.christopher@surreycc.gov.uk

This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Amelia Christopher on 07929 725663 or via the email address above.

1 APOLOGIES FOR ABSENCE

The Chair to report apologies for absence.

2 MINUTES

(Pages 7
- 36)

To confirm the minutes of the meeting of the Council held on 13 December 2022.

3 DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter

- (i) Any disclosable pecuniary interests and / or
- (ii) Other interests arising under the Code of Conduct in respect of any item(s) of business being considered at this meeting

NOTES:

- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest
- As well as an interest of the Member, this includes any interest, of which the Member is aware, that relates to the Member's spouse or civil partner (or any person with whom the Member is living as a spouse or civil partner)
- Members with a significant personal interest may participate in the discussion and vote on that matter unless that interest could be reasonably regarded as prejudicial.

4 CHAIR'S ANNOUNCEMENTS

(Pages
37 - 38)

Welcome

Welcome everyone to today's Council meeting - our first formal meeting of 2023. It is wonderful to be back here with you all. I hope you enjoyed the Christmas break and that 2023 is off to a good start for you all.

King's New Year Honours

I would like to offer a huge 'thank you' and 'very well done' to all Surrey residents who were honoured in His Majesty The King's New Year Honours.

Extraordinary and exceptional work has been carried out across our county in a vast range of sectors, which has really made an immeasurable difference to so many peoples' lives.

I would like to say a particular 'congratulations' to Surrey County Councillor Robert Evans, Labour & Labour Co-operative Group Leader, who has received an OBE for Political and Public Service. Very well done Robert - thoroughly well deserved.

Please find the list of Surrey New Year Honours 2023 attached to the agenda (Annex 1).

Holocaust Memorial Day 2023

On 27 January we marked Holocaust Memorial Day and remembered all those who perished so horrifically at the hands of Nazi Germany.

Surrey History Centre showcased a devastating and thought-provoking exhibition based on the theme 'Ordinary People, Extraordinary Lives'.

The display features:

- Alice Goldberger and Weir Courtney Hostel, Lingfield
- Rowledge House Hostel, near Farnham
- Dr Hilde Lion and Stroatley Rough School
- Jewish refugees in Guildford
- Sudeten refugees 'in a remote corner of Surrey'

For more information, visit: Holocaust Memorial Day 2023 – Ordinary people, extraordinary lives (exploringsurreypast.org.uk)

Cllr Alison Todd (née Griffiths) - Tree Planting Ceremony

Following the tragic death of Cllr Alison Todd last year, we are hosting a tree-planting ceremony in Alison's name today. Following the close of this meeting, please join me in the Memorial Garden to remember Alison, pay your respects and plant a tree in her honour.

A wonderful councillor – we are so pleased that Alison's memory and a tribute to her will live on here at Woodhatch Place.

Thank You

As always, I would like to extend my gratitude and thanks to the Members and officers for your continued hard work to support our residents, particularly in these very difficult times. Unfortunately, circumstances are likely to get even harder for some time yet. I know, however, that you will continue to do your absolute best to deliver for our residents. Thank you - and keep up the excellent work.

5 2023/24 FINAL BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY TO 2027/28

(Pages 39 - 210)

Council is asked to approve the 2023/24 Final Budget and Medium-Term Financial Strategy to 2027/28.

- Leader's Statement (Budget) - *to be appended to the minutes.*

There will be an opportunity for Members to ask questions and/or make comments.

6 MEMBERS' QUESTION TIME

The Leader of the Council or the appropriate Member of the Cabinet or the Chairman of a Committee to answer any questions on any matter relating to the powers and duties of the County Council, or which affects the county.

(Note: Notice of questions in respect of the above item on the agenda must be given in writing, preferably by e-mail, to Democratic Services by 12 noon on Wednesday 1 February 2023).

7 STATEMENTS BY MEMBERS

Any Member may make a statement at the meeting on a local issue of current or future concern.

(Note: Notice of statements must be given in writing, preferably by e-mail, to Democratic Services by 12 noon on Monday 6 February 2023).

8 REPORT OF THE CABINET

To receive the report of the meetings of the Cabinet held on 20 December 2022 and 31 January 2023.

(Note: To follow)

9 MINUTES OF CABINET MEETINGS

(Pages
211 -
220)

Any matters within the minutes of the Cabinet's meetings, and not otherwise brought to the Council's attention in the Cabinet's report, may be the subject of questions and statements by Members upon notice being given to Democratic Services by 12 noon on Monday 6 February 2023.

(Note: To follow. Minutes, Cabinet - 31 January 2023)

MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE

Those attending for the purpose of reporting on the meeting may use social media or mobile devices in silent mode to send electronic messages about the progress of the public parts of the meeting. To support this, Woodhatch Place has wifi available for visitors – please ask at reception for details.

Anyone is permitted to film, record or take photographs at council meetings. Please liaise with the council officer listed in the agenda prior to the start of the meeting so that those attending the meeting can be made aware of any filming taking place.

Use of mobile devices, including for the purpose of recording or filming a meeting, is subject to no interruptions, distractions or interference being caused to the PA or Induction Loop systems, or any general disturbance to proceedings. The Chair may ask for mobile devices to be switched off in these circumstances.

It is requested that if you are not using your mobile device for any of the activities outlined above, it be switched off or placed in silent mode during the meeting to prevent interruptions and interference with PA and Induction Loop systems.

Thank you for your co-operation

**MINUTES OF THE MEETING OF THE COUNTY COUNCIL HELD AT
WOODHATCH PLACE, 11 COCKSHOT HILL, REIGATE, SURREY, RH2 8EF, ON
13 DECEMBER 2022 COMMENCING AT 10.00 AM, THE COUNCIL BEING
CONSTITUTED AS FOLLOWS:**

Helyn Clack (Chair)
Saj Hussain (Vice-Chair)

Maureen Attewell	Eber Kington
Ayesha Azad	* Rachael Lake
Catherine Baart	Victor Lewanski
Steve Bax	David Lewis (Cobham)
* John Beckett	* David Lewis (Camberley West)
Jordan Beech	Scott Lewis
Luke Bennett	r Andy Lynch
Amanda Boote	Andy MacLeod
Harry Boparai	Ernest Mallett MBE
Liz Bowes	r Michaela Martin
Natalie Bramhall	* Jan Mason
Stephen Cooksey	* Steven McCormick
Colin Cross	Cameron McIntosh
Clare Curran	* Julia McShane
Nick Darby	Sinead Mooney
Fiona Davidson	Carla Morson
Paul Deach	Bernie Muir
Kevin Deanus	Mark Nuti
Jonathan Essex	John O'Reilly
Robert Evans	Tim Oliver
r Chris Farr	Rebecca Paul
Paul Follows	* George Potter
Will Forster	Catherine Powell
r John Furey	Penny Rivers
* Matt Furniss	John Robini
* Angela Goodwin	* Becky Rush
Jeffrey Gray	Tony Samuels
Tim Hall	Joanne Sexton
David Harmer	Lance Spencer
Nick Harrison	r Lesley Steeds
Edward Hawkins	Mark Sugden
Marisa Heath	Richard Tear
Trefor Hogg	Chris Townsend
Robert Hughes	Liz Townsend
Jonathan Hulley	Denise Turner-Stewart
r Rebecca Jennings-Evans	Hazel Watson
Frank Kelly	Jeremy Webster
Riasat Khan	Buddhi Weerasinghe
Robert King	Fiona White
	Keith Witham

*absent

r = Remote Attendance

75/22 APOLOGIES FOR ABSENCE [Item 1]

Apologies for absence were received from John Beckett, Matt Furniss, Angela Goodwin, Jan Mason, Steven McCormick, Julia McShane, George Potter, Becky Rush.

Members who attended remotely and had no voting rights were Chris Farr, John Furey, Rebecca Jennings-Evans, Andy Lynch, Michaela Martin, Lesley Steeds.

76/22 MINUTES [Item 2]

The minutes of the meeting of the County Council held on 11 October 2022 were submitted, confirmed and signed.

77/22 DECLARATIONS OF INTEREST [Item 3]

There were none.

78/22 CHAIR'S ANNOUNCEMENTS [Item 4]

The Chair:

- Led the Council in a moment of silence for the families affected by the terrible events that occurred in the last few days in Solihull.
- Congratulated the Chief Executive of the Council and her amazing staff on the recent Stars in Surrey award ceremony, she congratulated the winners and nominees of the Awards and hoped that they would carry on in the future.
- Noted that her full announcements could be found in the Council agenda front sheet.

79/22 LEADER'S STATEMENT [Item 5]

Colin Cross arrived at 10.10 am.

Buddhi Weerasinghe arrived at 10.15 am.

The Leader of the Council made a detailed statement.

A copy of the statement is attached as Appendix A. Members raised the following topics:

- Agreed that Members should be proud of the Council's staff.
- Highlighted the continuing issues in Home to School Transport; the number of appeals had increased and parents should not have to deal with the stress of unnecessary appeals.
- Hoped that Members on the Appeals Panels would now be listened to and the fifty recommendations from the internal review would be actioned; noted that a new board had been set up to oversee the progress however it lacked cross-party membership.
- Noted that the budget to be debated at February's Council meeting should cover an increased mileage allowance for staff who drive as part of their duties and saw no evidence of the Cabinet applying pressure on Surrey's MPs to achieve that.

- Noted that once in receipt of the final settlement figures for Surrey from the Government, the Council must decide how to close the current £14 million budget gap ensuring that services are preserved particularly for the most vulnerable; noting perhaps a total 4% Council tax increase, the balance was between making efficiencies and being efficient.
- Noted that the latest version of the Ultra Low Emission Zone (ULEZ) scheme was controversial for many Surrey residents and strongly encouraged cross-party working across the Council and the borough and district councils most affected, and close liaison with the Mayor of London.
- Wished all a Merry Christmas and best wishes for 2023 for all in the county; and collaboration between Members to face the challenges ahead.
- Welcomed a new Member of the Council, Harry Boparai who was elected at the recent by-election and noted that the Liberal Democrat Group was at its largest since 1997.
- Thanked the administration for listening to the concerns raised about the affordability of the Your Fund Surrey project, with the budget now reduced from £100 million to £60 million.
- Noted that the Council was spending £500,000 on Community Link Officers (CLOs) to engage with local communities and Members as a replacement of the Local and Joint Committees; asked how the Leader could justify that level of spending.
- Noted disappointment that the relationship between the borough and district councils and the Council appeared to have soured; welcomed that in the new year the Leader would listen to and work with the borough and district councils further.
- Asked the Leader to commit to expand the Council's use of community hubs that were warm and free so that there was one within walking distance of all neighbourhoods in Surrey; and for the Leader to commit to the Council to undertake an energy makeover of the community spaces before next winter.
- Noted thanks for the recent excellent sustainable transport learning event and examples provided of areas doubling their bus patronage due to the introduction of bus priority lanes at a bigger scale than being proposed in Surrey.
- Welcomed the current bus consultation as a chance to expand bus routes to meet Surrey's far less ambitious plan for a 15% increase but was shocked that the consultation proposed cuts to three local bus routes.
- Welcomed that the Children, Families, Lifelong Learning and Culture (CFLLC) Select Committee had secured an internal review of Home to School Transport; noted surprise that the internal review sought to improve internal processes, as opposed to addressing the causes of the increased appeals.
- Noted that the Council's review heard the views of three parent carers compared to the number of recommendations and views of 290 residents heard by Family Voice Surrey; asked the Leader to commit to listen to what comes back to the CFLLC Select Committee and the suggestions from both reviews.
- Noted that there were people in the county being left behind, noting the increasing number of people reliant on food banks and people concerned about their heating bills, their mortgages and the general cost of living crisis.
- Highlighted the recent floods in their division, there were many people who spent three days unable to get out of their houses because of flood water outside; they felt left behind.
- Noted serious reservations about the money for Your Fund Surrey which was being distributed disproportionately to wealthier areas in the county, there were many who felt left behind.

- Applauded the contribution that the Council along with the borough and district councils and charities, had made to support the Ukrainian crisis; but asked what the Council was doing to support Afghan and other refugees.
- Asked whether the Leader could provide hope and optimism when looking forward to the new year, so that far fewer people feel left behind.
- Asked whether the Leader agreed that far from offering support to local government or providing empowerment, the financial settlement to local government provided one year at a time was to the detriment of all political parties and a long-term solution to local government funding was required.
- Referred to the Leader talking about working in partnership, however noted outrage at the lack of democracy concerning an email sent to local Members from Surrey Heartlands which requested a decision to be made in the absence of data or an impact statement; a follow up letter was sent noting that the Leader and Chief Executive of the Council agreed to the proposal; asked the Leader what data and impact statement the decision was based on.
- Asked the Leader whether he would agree that the £500,000 to £750,000 cost of the CLOs might had been better spent on recruiting more people to help Surrey's young people that needed support.

80/22 ELECTION OF COUNTY COUNCILLOR [Item 6]

The Chief Executive formally reported that Harry Boparai was duly elected as the new County Councillor for the Sunbury Common and Ashford Common division following the by-election held on 30 November 2022.

The Chair welcomed the new Member and looked forward to working with him, she invited him to meet with her to discuss how the Council operates.

81/22 CHANGES TO CABINET PORTFOLIOS AND APPOINTMENT OF COMMITTEES [Item 7]

The Leader introduced the report and noted that it reflected the appointment of David Lewis (Cobham) as the Cabinet Member for Finance and Resources and the changes resulting from this.

RESOLVED:

1. Noted the changes to Cabinet appointments and portfolios set out in Annex 1 and 2 to this report.
2. Appointed Victor Lewanski as Chairman of the Audit & Governance Committee for the remainder of the 2022/23 Council Year.
3. Appointed Richard Tear as Vice-Chairman of the Audit & Governance Committee for the remainder of the 2022/23 Council Year.
4. Noted the following committee appointments:
 - Saj Hussain to the Audit & Governance Committee
 - Edward Hawkins to the Planning & Regulatory Committee
 - Robert Hughes to the Children, Families, Lifelong Learning and Culture Select Committee

82/22 REVIEW OF POLITICAL PROPORTIONALITY [Item 8]

The Leader introduced the report and noted that it was brought about due to the by-election result on 30 November 2022 referred to in item 6 on the agenda.

RESOLVED:

That Council adopted the revised scheme of proportionality as set out in Annex 1 to the report.

83/22 MEMBERS' QUESTION TIME [Item 9]

Questions:

Notice of twenty-three questions had been received. The questions and replies were published in the second supplementary agenda (item 9) on 12 December 2022.

A number of supplementary questions were asked and a summary of the main points is set out below:

(Q1) Joanne Sexton asked whether the Cabinet Member would agree that it was disappointing that the Council had chosen not to engage with the borough and district councils. She hoped that the questions would initiate a change of approach, ensuring that those Cabinet Members who are twin-hatters will communicate any changes in advance, a more inclusive process was needed which would benefit all residents.

In response, the Leader in the Cabinet Member for Transport, Infrastructure and Growth's absence would follow that up with the Member, he acknowledged that the more such matters can be discussed and agreed the better.

(Q2) Catherine Powell noted that at a recent select committee meeting the statement was made that using Surrey Deciles improved granularity; she asked the Deputy Leader and Cabinet Member to explain how it improved granularity at the lower end of the deciles.

In response, the Deputy Leader and Cabinet Member for Communities and Community Safety explained that the Surrey Deciles were a useful tool that had been developed by the Public Health Intelligence and Insight team with a particular focus on the deprivation in Surrey to understand its granular nature, alongside other considerations such as public value and deprivation of isolation and transport. She noted that it was difficult to identify pockets of deprivation using a national measurement. She highlighted the large amount of analysis undertaken to inform processes such as Your Fund Surrey, providing a fuller understanding of where those deprived communities existed.

(Q4) Eber Kington noted that the response from the Leader continued to justify intervention in the functions reserved for the borough and district councils and ignored the concerns expressed to him by Surrey's leaders. Due to the Government's imminent change to the law on the matter and given the Leader's position as the Chairman of the County Councils Network, he asked that if the change in the law did not apply to the Council, which county councils it was aimed at.

In response, the Leader noted that he set out why it was important that the Council had a county-wide view of housing issues and noted a recent positive conversation with the leaders of the borough and district councils; the focus and lobbying of the Government would be on issues that affected the whole county.

(Q5) Robert Evans asked whether the Leader would agree that Surrey's food banks provided an invaluable service to many needy families in the county and asked whether he would join him in thanking all those staff and volunteers at the food banks.

He asked whether he would agree that the need for food banks in Surrey - a wealthy county - was a sad indictment for twelve years of Conservative Party Government.

In response, the Leader noted the fantastic work carried out by the staff and volunteers at food banks and that he had witnessed the generosity of residents first hand at the East Surrey Food Bank in terms of donations. He commended the generosity, both in terms of money and time that people give to food banks enabling support to those families that need it, particularly around the current time of the year.

(Q6) Will Forster had no supplementary question.

Jonathan Essex noted that the response said that the Covid-19 impact on face-to-face frontline services had been successfully addressed, he asked whether the Deputy Leader and Cabinet Member could confirm whether or when the Reigate Registration Office had or would be reopened and whether it would be relocated to Woodhatch Place.

In response, the Deputy Leader and Cabinet Member for Communities and Community Safety confirmed that the Reigate Registration Office would reopen in February 2023 at its existing location.

(Q7) Liz Townsend welcomed the remuneration review for Surrey's foster carers, however regarding the second part of her question about a plan B she asked whether there was an emergency plan in place if foster carer numbers continued to fall. If the Council's recruitment measures were not successful, she asked whether there were clear thresholds in place to ensure that the Council did not end up in a crisis position.

Catherine Powell noted that she had raised some time ago the change that the Council made in terms of transport to family time affecting foster carers and their desire to stay with the Council, she asked whether the Cabinet Member would agree that the matter would be reviewed.

In response, the Cabinet Member for Children and Families noted that it was a priority area for the directorate and for the Council, foster carers were invaluable to the work the Council did to prioritise the safety and wellbeing of its children and young people. She provided her assurance that the areas highlighted in the questions would be reviewed and followed up. She noted that the Council would continue to invest resources into the development of care leaver accommodation within the county and the fostering strategy; staff had also been trained to undertake Merton Compliant Assessments. She acknowledged that working with unaccompanied asylum-seeking children required specific knowledge and skills and so a specialist team had been developed; that team had won an award at the Stars in Surrey Awards. Due to the increasing demand children could not always be allocated with the specialist team and arrangements were in place to support the quadrant teams.

(Q8) Hazel Watson noted that on the basis that the County Deal for Surrey included the provision for the Council to run adult education, she asked how the Leader intended to do that if he has no control over the east of the county; if the matter had been resolved, she asked why it could not be brought forward so that the issues raised in her question could be implemented now.

In response, the Leader noted that he received comments from the leaders of the borough and district councils yesterday on what they would like to see in a potential County Deal for Surrey; those comments would be included in the Council's submission to the Government. He noted that the question was speculative as there

was no guarantee that Surrey would get a Level 2 county deal, however he too had asked why the Council delivered the services for the west of the county whilst the services to the east of the county were delivered through East Surrey College. He noted that there were historical reasons for the current structure but hoped to combine the delivery of the services across the county as part of the skills agenda; negotiations were currently underway between the Cabinet Member for Transport, Infrastructure and Growth, and East Surrey College.

(Q9) Lance Spencer noted that there were 1,000 families waiting for Education, Health and Care Plans (EHCPs) across Surrey - equivalent to twelve for each of the Council's divisional Members - and a third of those had been waiting over the legal limit of twenty weeks. He asked what steps the was Council taking to reduce these excessive delays, which were the result of efficiencies made in previous budgets.

In response, the Cabinet Member for Education and Learning acknowledged that there were delays in the system, particularly around the completion of EHCPs for 998 young people. She noted that nationwide only 60% of all young people being assessed for an EHCP were being assessed within the twenty-week period; that was inadequate. She noted that the delays happened due to a workforce shortage in Surrey's Special Educational Needs and Disabilities (SEND) system, including caseworkers and staff in the Educational Psychology Service; there was a mandatory input on every assessment in the statutory process by an educational psychologist. To address the shortages, recruitment was underway, and staff were being trained as caseworkers; one quadrant was fully staffed and across the county staffing was at 80%. Also, by doing a more risk-based assessment of work with young people, the aim was to increase the timeliness in the completion of EHCPs by the end of 2022.

(Q10) Fiona White welcomed the bid made for additional SEND places within the county. She noted that the response stated that the schools would not be provided by the Council and asked the Cabinet Member whether she would use her influence to ensure that the schools would be as close to good transport access as possible to help parents and children get to school and to avoid further difficulties with the Home to School Transport scheme.

In response, the Cabinet Member for Education and Learning noted that she would use her influence and explained that one of the reasons why the Council wanted to have maintained schools built within the county was to ensure that children could go to school closer to home, closer to their families, communities and social networks.

(Q11) Jonathan Essex asked whether the Cabinet Member would agree that whilst the Surrey Developer's Forum was hosted by a group of private developers that as public bodies including the Council, it would be appropriate to at least publish what was presented at these meetings and who was in attendance.

In response, the Cabinet Member for Children and Families noted that she was happy to follow up the matter with the Member and whilst it would not be her decision to make, she agreed that it would be useful for the minutes to be made public.

Robert King asked the Cabinet Member whether the Council had a policy offering land to the borough and district councils.

In response, the Cabinet Member for Property and Waste confirmed that the borough and district councils in their local plans had allocated many sites for residential, office and retail use following joint work between the Council's and the borough and district councils' officers. She noted that in many cases the purpose of the land had been

decided and the public were consulted through the local planning process. She noted the regular liaison between the Council and the borough and district councils; whilst much was done to bring forward developments, under Section 123 of the Local Government Act 1972, the Council must obtain best value for money for its land and assets.

(Q13) Mark Sugden asked that if the Mayor of London and Transport for London (TfL) did pursue the expansion of the ULEZ and did not introduce any measures to mitigate the potential adverse impacts on the county, whether the Council would consider what it could do to help mitigate those impacts on Surrey's residents, communities and businesses.

In response, the Chair in the Cabinet Member for Transport, Infrastructure and Growth's absence asked for officers to ensure that the Cabinet Member would provide a written response.

(Q14) Catherine Powell noted that in his statement the Leader said that the root causes of inequality needed to be addressed. She asked the Cabinet Member therefore to advise how all sixteen of the Lower Layer Super Output Areas (LSOAs) in Surrey that were in the bottom 10% nationally in terms of attainment and skills for young people that were not included in the Key Neighbourhoods, would be supported to address that source of inequality.

In response, the Deputy Leader and Cabinet Member for Communities and Community Safety referred to the response to Part A of the question which looked at Income Deprivation Affecting Children and Education, Skills and Training Deprivation, noting that those measures sat alongside universal statutory services which were delivering for children and young people daily; therefore every measure listed in part A would not be included within the Key Neighbourhoods which had been agreed by the Health and Wellbeing Board. She explained that the Index of Multiple Deprivation (IMD) was made-up of seven sub-domains and took many elements into account. She noted that the Key Neighbourhoods had the most deprivation across the IMD and the Public Health Intelligence and Insight team advised their use as a single best way of predicting health outcomes and to provide targeted support to reduce health inequalities and improve health outcomes. Beneath the IMD, insights on the ground from health colleagues and from Members were also relied upon.

(Q15) Eber Kington thanked the Cabinet Member for offering a review of the policy, albeit when LED conversion was complete; he asked when that would be the case and whether he would commit to start the review before that date so that any change could be implemented immediately. He asked whether he would consult residents on the policy as part of the review, including women's groups campaigning for safer streets.

In response, the Cabinet Member for Highways and Community Resilience anticipated that the review would take place early next year around February, the LED rollout was nearly complete. He noted that there had been delays due to the Ukrainian crisis, for example. He noted that the criteria for the current streetlight night-time switch-off policy were areas where Surrey Police advised switching the lights off may have an adverse impact on crime, and roads with a significant road traffic collision record during the proposed switching off period.

(Q16) Robert Evans thanked the Cabinet Member for his help during the recent local flooding crisis in his division. He asked whether he was aware how deeply distressing the whole situation was for many residents to be knee deep in water and raw sewage

outside their homes for several days, whilst the various authorities concerned failed to understand who was responsible for or was able to address the situation. He asked whether he would agree that the Council must do more to increase the cooperation between all the various agencies and Members, to ensure that in future there would be a quicker response, ensuring that residents are supported.

In response, the Cabinet Member for Highways and Community Resilience agreed that the Council should, and it would continue to work closely together with the other agencies, however he noted that each agency had different statutory powers. He noted a positive example of collaborative working during the recent bad weather in Haslemere where the divisional Member went out several times and whilst it was not the Council's role, the Highways team used its equipment to pump out the water.

(Q18) Lance Spencer noted that 2,850 people were waiting to have a diagnosis of Autism and currently the Surrey and Borders Partnership (SABP) was dealing with cases from November 2019 and the volume was 1,200 whilst the capacity was 400. He asked whether the Council would put pressure on SABP to resolve the matter.

In response, the Cabinet Member for Adults and Health noted that the Council was in constant contact with SABP about what they provide and what the Council provides. He noted that there was a meeting next week to discuss the matter and he would update the Member in due course about what would happen going forward.

(Q19) Jonathan Essex welcomed the response confirming that low cost, affordable housing was a key issue. He asked the Cabinet Member whether the Council on its owned land might have a restrictive covenant or similar to ensure that all housing builds regardless of whether the land was sold off or continues to be owned by the Council, would be for social housing with at least 50% for social rent.

Robert King asked whether the Cabinet Member was aware that the Local Government Act 1972 referred to by the Cabinet Member for Property and Waste in a previous response, included the criteria of social value within affordability and that would be a key indicator; he suggested that Members should go on a training course to understand what the legislation sets down.

In response to Robert King, the Cabinet Member for Children and Families noted that she would be happy to go on a training course alongside him. Responding to Jonathan Essex, she agreed that the need for low-cost housing was incredibly important and that was highlighted at the recent Surrey Housing Summit. She noted that it was difficult to commit to a percentage as it would be subject to individual developments and funding circumstances and was largely a matter for local determination by the borough and district councils. It was a complex issue and she noted that the Council needed to do all it could with its partners to ensure that low-cost key worker and affordable social housing were a priority.

(Q20) Catherine Baart asked the Cabinet Member what the target was - as a percentage - of EHCPs to be reviewed on time for next year and beyond.

In response, the Cabinet Member for Education and Learning noted that she did not know what the service target was for next year and she would look to find that out and would update the Member; she hoped that it would be closer to 100% of EHCPs reviewed within the time scale. She noted that many of the points that she raised in answer to an earlier question about the completion of EHCPs were pertinent here, for example that the recruitment of new caseworkers was key. She added that the service did prioritise the review of cases for children who were in a vulnerable

category who are Looked After Children or on child protection plans, those children who were missing education and those who were coming up to a key stage transfer.

(Q21) Catherine Powell thanked the Leader for highlighting the importance of the Local Area Co-ordinators (LACs) during his statement. She asked the Deputy Leader and Cabinet Member whether partnership funding from SABP and Frimley had yet been secured to expand beyond the four current LACs, and if not what the timing of that was envisaged to be.

In response, the Deputy Leader and Cabinet Member for Communities and Community Safety noted that the Council had a successful bid for funding from Surrey Heartlands: £175,000 for 2023/24 and 2024/25; the figures from the other agencies were unconfirmed. She noted that the next areas to implement LACs were yet to be agreed so she welcomed the Member's contribution to that conversation. She noted that there was a focus on the communities with the poorest health outcomes, and the approach was implemented in partnership with local communities, the borough and district councils, and health; a cross-system leadership group supported that implementation. She noted the exciting prospect of potentially funding three further LACs in partnership with the Council's health colleagues.

(Q22) Will Forster asked the Cabinet Member to confirm that the Surrey Schools Forum was happy with the approach.

In response, the Cabinet Member for Education and Learning noted that the Surrey Schools Forum met last week, and she would seek an update from officers as to the outcome of that meeting. She reiterated that the Cabinet agreed to the transfer of the 1% at its November meeting and it was waiting for the Secretary of State's approval.

(Q23) Jonathan Essex asked in terms of grant payments, how much were still being withheld by the Department for Environment Food and Rural Affairs (Defra), how much the Council currently anticipated receiving back from the Government and when that might be.

Nick Harrison noted that the Eco Park had been working for a while and that was the reason for the suspension of grant payments. He noted that the agreements setting out the reason for suspension had finished, therefore he asked whether there was any valid reason why the Council should not be receiving the extra grant payments.

In response to Jonathan Essex, the Cabinet Member for Property and Waste noted that the payments were subject to commercial confidentiality, and she would report that information to the Council as soon as she was able to. Responding to Nick Harrison, she noted that he was correct that the digester and gasifier were working, she noted that the strategic director was having ongoing discussions with Defra to come to a solution and once obtained she would report that back to the Member.

Cabinet Member Briefings:

These were also published in the second supplementary agenda (item 9) on 12 December 2022.

Members made the following comments:

Deputy Cabinet Member for Levelling Up: on the Council's levelling up bid of transport for Sheerwater, **Will Forster** asked whether she had heard back from the

Government or whether she was aware when that decision would be made and for Members to be informed.

In response, the Deputy Cabinet Member explained that the Council was delighted to have put in a transport bid for levelling up Woking, and it was awaiting a response from the Government. She noted that she would speak to officers to understand whether they had heard anything in recent weeks and would update the Member.

Cabinet Member for Highways and Community Resilience: on the Ravenscote Junior School crossing, **Edward Hawkins** asked whether the Cabinet Member was aware of how well received it was by the residents in that area and the feedback was that there had been more children walking to school. He noted that through his Members' Allowance he was assisting the school in the Feet First: Walking Training programme. He noted that it had been a success and provided his thanks.

On the 30% factor added on as a contingency when a divisional Member was asked to commit to a budget for a highways scheme, **Nick Harrison** asked the Cabinet Member whether Members could be informed on whether that contingency was used or not and if not, could it be available for further schemes in the Member's division. He noted that it would be useful to have a report on contingency levels and whether they were used. A difficulty faced by Members in selecting schemes for the coming years was that there was a long list of items in the Horizon budget, of which dates had not been fixed. He noted that it would be useful to have guidance on whether by committing to a scheme in a Member's own £100,000 budget, that would otherwise be factored into the Horizon budget.

On the work of Surrey's local Flood Forums, **Keith Witham** asked the Cabinet Member to thank them for their work and the parish councils that hosted them, he noted the work done by the three Flood Forums in his division looking at over 100 locations where there were persistent flooding problems affecting either the highways or people's homes. He noted two advantages of the forums, that they brought together all of the statutory agencies and the forums were chaired by the respective local MP.

In response to Edward Hawkins, the Cabinet Member noted that he was aware of the positive feedback, he knew the area well and welcomed the thanks. Responding to Nick Harrison, the Cabinet Member explained that if a contingency was not used, then that money was still available, and Members could ask about their contingency money. He noted that additional guidance could be circulated, however he noted the issue of guidance overload and he suggested to the Member to have a discussion after the meeting on what specific guidance he would like issued. Responding to Keith Witham, the Cabinet Member recognised the tremendous commitment from the staff; highlighting that engagement and partnership working was key.

Cabinet Member for Finance and Resources: on the impact assessments regarding efficiencies which came out very late last year, **Catherine Powell** noted that there were several issues raised subsequently regarding the changes around Home to School Transport and their impact on vulnerable groups. She asked the Cabinet Member when the impact assessments were likely to be released this year.

On the accounts for 2021/22, **Nick Harrison** asked the Cabinet Member when he expected those to be signed off, he noted that one of the issues causing the delay might be due to the valuation of investments for which the auditors were awaiting guidance and he asked whether that could be confirmed with a date and whether it was the reason for the delay.

In response to Catherine Powell, the Cabinet Member for Finance and Resources noted that the topic had been thoroughly covered in the recent select committee hearings which he had attended, and he noted that the impact assessments would be made available when the budget was finalised. A commitment had been made for next year that the impact assessments would be available with the draft budget when issued. Responding to Nick Harrison, the Cabinet Member noted that he was unable to give an answer at present but would respond to the Member after the meeting.

Cabinet Member for Education and Learning: on SEND support, **Chris Townsend** noted that he spoke to a head teacher a few days ago about that support in their school, noting that she had no reply to her email to officers on the matter and she said that the SEND support she was receiving was rubbish. He was concerned that if the Council was trying to ensure such inclusion within the schools, those schools needed the support staff to deliver and that was not currently the case.

In response, the Cabinet Member for Education and Learning noted that she was happy to speak to the Member on the matter as it was not nice to hear that feedback, she would ensure that the issue would be brought to the attention of officers and would ask the quadrant lead to contact the school in question as soon as possible.

84/22 STATEMENTS BY MEMBERS [Item 10]

Tim Hall (Leatherhead and Fetcham East) made a statement on the Tree Giveaway at the Leatherhead Library. He thanked several people involved including the librarians, the library service, the Fetcham Tree Wardens and the team in the Environment, Transport and Infrastructure directorate. It was a successful community event with 150 trees given away to residents. He commended the giveaway to others.

Mark Sugden (Hinchley Wood, Claygate and Oxshott) made a statement noting that on 27 November 2022 the iron lantern connected to street lighting on Claygate Green had fallen off the monument exposing live electric cables. He thanked the Council's emergency lighting team who had someone on site within twenty minutes to make the lantern safe. He also thanked the manager of the Hare and Hounds pub who stored the lantern safely so that it could be then collected and repaired by Elmbridge Borough Council.

Fiona Davidson (Guildford South-East) made a statement querying what the Council meant by resident engagement, which on the one hand was so important that the Council committed to over £500,000 a year for CLOs and on the other hand it was not important when it came to the London Road, Burpham - Active Travel Scheme in Guildford phase one; which she was not consulted on. The closure of the northbound section of the A3100 for five months would lead to gridlock, economic damage and it would increase pollution. Residents were angry with the scheme; the only consultation process was a general market research study in 2020 involving less than 200 people - one third did not live or work in Guildford - and the questions were not specific.

85/22 ORIGINAL MOTIONS [Item 11]

Item 11 (i)

Under Standing Order 12.3 the Council agreed to debate this motion.

Under Standing Order 12.1 Robert Evans moved:

This Council notes that:

- The number of pupils entitled to free school meals in Surrey is rising steadily and that more families than ever are becoming reliant on food banks.
- The cost-of-living crisis will lead to a general deepening of health inequalities among children and 'being hungry' in the school day will have a detrimental impact on their education.
- Research by the Child Poverty Action Group has shown that the cohort most vulnerable to food poverty is families who are on very low incomes, but who do not qualify for free school meals because their annual household earnings (excluding benefits) exceed £7,400.
- The Government previously rejected the recommendation of its own independently commissioned National Food Strategy, published in 2021 that it should increase the threshold for free school meals up to £20,000, this being the minimum income required for people to afford to feed a family.
- The Government's Food Strategy (June 2022) states it "will continue to keep free school meal eligibility under review, to ensure that these meals are supporting those who most need them."

The Council further notes that:

- The Council has used £2.27m of its Household Support Grant to continue providing food vouchers to eligible children over October, December and February school holidays, as well as other measures to help the most vulnerable families.

This Council believes that:

- Free school meals should be a basic right for all children who need them and therefore supports the expansion of free school meals provision to every child whose family is in receipt of Universal Credit or equivalent, or with a low-income.
- Provision be made for food vouchers to cover school holidays for all families in receipt of Universal Credit or with low-income.

This Council resolves to call upon the Cabinet to:

- I. Look at every possible way in which the Council can do more to assist children in need and to extend the provision of free school meals.
- II. Write to the Chancellor the Exchequer, Rt Hon Jeremy Hunt MP, Surrey's ten other MPs and the Secretary of State for Education Rt Hon Gillian Keegan MP, seeking their support for this aim.

Robert Evans made the following points:

- Stressed that it was a timely and important motion at the stage in the year which often highlighted the differences in our unequal society.

- Noted that the motion recognised that many children and families in Surrey were seriously affected by the current cost of living crisis, the price of some essential food products had doubled and consequently, more children were now claiming free school meals in Surrey, one of the country's wealthiest counties.
- Explained that each of the four different devolved nations of the UK had the responsibility for their own free school meals policies, meaning that there were anomalies about geographic location and entitlement.
- Noted the example of Northern Ireland where any child of a family on household earnings of less than £14,000 a year was entitled to free school meals, but in England that figure was as low as £7,400.
- Noted that in Surrey's schools the cost of a school meal is £2.60 a day or £13 a week which was costly when totalled and for families with several children.
- Noted that for many children the school meal might be their only substantial meal of the day.
- Noted feedback from residents and schools in his division and across Surrey that many children miss out because of the overly restrictive eligibility criteria for free school meals, which in turn affected additional school funding and support which accompanied the free school meals eligibility.
- Noted that recent research by the Child Poverty Action Group found that one third of children in poverty across the country - 800,000 - did not qualify for free school meals; there would be many in Surrey that fell into that category.
- Noted that Members should be pleased that the county had allocated over £2 million worth of food vouchers to help children over the school holidays.
- Noted that there was substantial evidence to show that children who were hungry were less able to learn and to thrive at school.
- Noted that there were many breakfast clubs in Surrey and more families were going to food banks.
- Noted that the motion asked the Council to accept that free school meals should be a basic right for children who need them and that the criteria should be those on low incomes, in receipt of Universal Credit, and that the current arbitrary loophole needed to be eliminated.
- Noted that by agreeing the motion, the Council could set a good example for other authorities around the country.
- Highlighted that the Leader and other Members had a hotline to the Chancellor and leading cabinet members in Government, so was sure that they would put pressure on senior figures to ensure that there would be a fairer, better and more equal distribution of free school meals in the future.

The motion was formally seconded by Will Forster, who made the following comments:

- Reflected that the motion was personal as he was on free school meals as a child at a time when there were not many in receipt of those, compared to now where sadly there were far too many children on free school meals.
- Noted that the Council had done a good job on free school meals, using the £2 million Household Support Grant to make sure food vouchers were given out over the school holidays.
- Emphasised that children were still going hungry, Surrey did not have a fair deal for its children from the Government and it needed one. Surrey's children were penalised compared to elsewhere in the country.
- Stressed that it was vital to agree to the motion for the Council to work with the Government to expand and roll out free school meals so that hopefully next year no child goes without food and that they could enjoy their education.

Two Members made the following comments:

- The Cabinet Member for Education and Learning thanked the motion's proposer for tabling the motion, which was in support of the national campaign called Feed the Future and she noted that there was a Ten Minute Rule Bill being introduced in the House of Commons pressing for universal free school meals for all children at primary school.
- The Cabinet Member for Education and Learning noted that unprompted by the motion she had already written to the Government's Children's Minister expressing concern about the issue and asked for the extension of free school meals provisions; she had also raised the issue last week at a meeting with six of Surrey's MPs to ask for the provision to be extended.
- The Cabinet Member for Education and Learning noted her personal ambition that no children are left behind and noted that last November she introduced the Council's Child Poverty Action Plan for Surrey, which underpinned the work being done on levelling up across the Council's directorates, in partnership with the borough and district councils.
- The Cabinet Member for Education and Learning noted that eligibility for free school meals was a passport to other benefits such as holiday school vouchers and schools could receive the pupil premium for those children to try to close the attainment gap which was disproportionate in Surrey.
- The Cabinet Member for Education and Learning noted that there was a gap between children's eligibility for those free school meals and the actual take up of the of those meals by the families concerned, she had asked the service to work with schools in the new year to address that.
- The Cabinet Member for Education and Learning noted that she would gladly write to the Chancellor, the Secretary of State and the other Surrey MPs again and noted that the Conservative Group supported the motion.
- Noted their role as a founder of a charity that runs a food bank and cooked each week to provide a hot meal for those in the queue, along with providing food education and was often assisted by local young people.
- Noted that the focus for the aforementioned food bank was to support the local free school meals families, of which there were many and all was done to ensure that the children did not go hungry; that support was there weekly regardless of holidays and without any assessments.
- Noted that every family in the UK had felt the impact of recent world events, but for those with low incomes the policy was devastating to children whose development and education then suffered as a direct result; and knew that first-hand having grown up in a low-income family.
- Stressed that it was vital that children were supported, to keep them healthy, able to learn, and to not go hungry because they were Surrey's future.

The Chair asked Robert Evans, as proposer of the motion to conclude the debate, he made the following comments:

- Stressed that the motion made it clear that the current criteria were flawed and confusing, there were many needy families and children who fell outside the current eligibility criteria and the system was so confusing that children entitled to free school meals did not receive those.
- Hoped that not just the Cabinet but all Members would write to all those listed in the second resolution, putting their words of support into deeds, and writing twelve letters each equating to 972 letters; ensuring that progress would be made.

The motion was put to the vote and received unanimous support.

Therefore, it was **RESOLVED** that:

This Council notes that:

- The number of pupils entitled to free school meals in Surrey is rising steadily and that more families than ever are becoming reliant on food banks.
- The cost-of-living crisis will lead to a general deepening of health inequalities among children and 'being hungry' in the school day will have a detrimental impact on their education.
- Research by the Child Poverty Action Group has shown that the cohort most vulnerable to food poverty is families who are on very low incomes, but who do not qualify for free school meals because their annual household earnings (excluding benefits) exceed £7,400.
- The Government previously rejected the recommendation of its own independently commissioned National Food Strategy, published in 2021 that it should increase the threshold for free school meals up to £20,000, this being the minimum income required for people to afford to feed a family.
- The Government's Food Strategy (June 2022) states it "will continue to keep free school meal eligibility under review, to ensure that these meals are supporting those who most need them."

The Council further notes that:

- The Council has used £2.27m of its Household Support Grant to continue providing food vouchers to eligible children over October, December and February school holidays, as well as other measures to help the most vulnerable families.

This Council believes that:

- Free school meals should be a basic right for all children who need them and therefore supports the expansion of free school meals provision to every child whose family is in receipt of Universal Credit or equivalent, or with a low-income.
- Provision be made for food vouchers to cover school holidays for all families in receipt of Universal Credit or with low-income.

This Council resolves to call upon the Cabinet to:

- I. Look at every possible way in which the Council can do more to assist children in need and to extend the provision of free school meals.
- II. Write to the Chancellor the Exchequer, Rt Hon Jeremy Hunt MP, Surrey's ten other MPs and the Secretary of State for Education Rt Hon Gillian Keegan MP, seeking their support for this aim.

86/22 SELECT COMMITTEES' REPORT TO COUNCIL [Item 12]

The Chairman of the Select Committee Chairs and Vice-Chairs' Group introduced the report and noted that scrutiny within the Council had come a long way. He noted that the select committees were working cross-party to hold the Cabinet to account and to question officers; the robust committee system was a tribute to the select committee chairmen, Task Group Leads, Members and officers. He noted that scrutiny was on a journey of improvement and highlighted three things to continue to improve on: firstly, earlier scrutiny on the budget however inflation and the uncertainty in Government had not helped the budget setting process; secondly, more recommendations from the select committees were needed, particularly targeted recommendations and that varied between the select committees and support was being provided; lastly, more public engagement in the select committees was needed, there was something remote about the building and the select committees that needed to be overcome.

A Member noted feedback from other Members of the Children, Families, Lifelong Learning and Culture (CFLLC) Select Committee who visited a quadrant speaking to the social workers in that area, that there was one social worker team missing out of the four teams which was a deep concern and was something the CFLLC Select Committee would investigate. Referring back to his previous comment to the Leader about the CLOs costing between £500,000 to £750,000, he noted that the money could be better spent on that missing team for example.

RESOLVED:

1. That Council reviewed the work summarised in this report providing feedback to Scrutiny Chairs as appropriate.
2. That the Select Committees would report to Council three times again next calendar year.

87/22 SURREY COUNTY COUNCIL - ELECTORAL REVIEW COUNCIL SIZE SUBMISSION [Item 13]

The Leader introduced the report and reminded Members that the Council was required to have a review by the Local Government Boundary Commission for England (LGBCE), since its last in 2010. He noted that since 2010 there had been a small increase in the overall population of the county and that would be considered. He noted that the submission needed to be sent to the LGBCE shortly and that needed to indicate whether the current number of 81 Members should increase, decrease or be maintained; and the second phase would look at the detailed implications of that in terms of the boundaries of the existing divisions. He thanked the chair and Members of the cross-party Member Task Group - SCC Electoral Review.

Three Members made the following comments:

- The Chair of the cross-party Member Task Group - SCC Electoral Review explained that the proposals set out in the report were unanimously adopted by the Task Group and a lot of work from officers had gone into the report.
- The Chair of the cross-party Member Task Group - SCC Electoral Review noted that the recommendation was that the Council size remains at 81 Members; in the next phase it was possible that it could increase or decrease by one or two as had happened at the last review.
- The Chair of the cross-party Member Task Group - SCC Electoral Review noted that there would be a Member seminar in January on the Electoral Review, he

commended Members to attend that as in early March phase two would be underway looking at the detail of each of the suggested divisional boundaries, Members would be invited to attend a workshop.

- Queried why population size was used as a measure as opposed to the electorate size as the relationship between population and electorate varied depending on the demographic pattern of counties.
- Thought that the geographic pattern or relative geographic size of counties might be relevant when determining a sensible size of divisions, for example Surrey had a large amount of woodland.
- Noted that Members served all their residents in their division and not only the electorate, and therefore population size was the correct measure.

The Chair noted that the queries raised could be addressed at the Member seminar and workshops.

RESOLVED:

That the Council approved the Electoral Review Council Size Submission, ahead of it being sent to the Local Government Boundary Commission for England (LGBCE).

88/22 FEEDBACK FROM THE RESOURCES AND PERFORMANCE SELECT COMMITTEE ON A REFERRAL FROM COUNCIL - 'MOTION ON PROCUREMENT POLICY, TAX AVOIDANCE AND THE FAIR TAX MARK' [Item 14]

The Chairman of the Resources and Performance Select Committee introduced the report noting that the original motion had been tabled at July's Council meeting by Jonathan Essex and was referred to the Resources and Performance Select Committee for consideration due to its technical and complex nature. He thanked the motion's proposer for his invaluable input and the select committee's Task Group Lead; and he thanked the Head of Policy and Improvement for her work in compiling the report and recommendations.

The motion's proposer thanked the Chairman of the Resources and Performance Select Committee and the expertise provided by the officers in reviewing the original motion and identifying best practice and looking at how the Council could strengthen its existing position in that area. He looked forward to the Council being recognised as a Fair Tax council.

RESOLVED:

That Council supported Jonathan Essex's motion to accept the Fair Tax Declaration with the following exceptions:

1. Alternative wording to be agreed with the Fair Tax Foundation regarding the following items:
 - a. Undertake due diligence to ensure that not-for-profit structures are not being used inappropriately by suppliers to reduce the payment of tax and business rates.
 - b. Demand clarity on the ultimate beneficial ownership of suppliers and their consolidated profit & loss position.
2. The following item be removed:
 - a. Include tax conduct in social value scoring for assessing contracts.

89/22 APPOINTMENT OF AN INDEPENDENT REMUNERATION PANEL [Item 15]

The Leader introduced the report and noted that there was a requirement to have an Independent Remuneration Panel (IRP), two of the current Members did not wish to continue for a further term so there was a requirement to advertise for replacements.

RESOLVED:

1. Approved the proposed timetable for the appointment of an IRP and the completion of its subsequent review of Allowances Scheme as set out in paragraph 4.
2. Approved an Appointments Panel consisting of the membership set out in paragraph 5.

90/22 AMENDMENTS TO THE CONSTITUTION [Item 16]

The Leader introduced the report and noted that there were two suggested amendments to the Constitution. The first amendment to Standing Orders related to the transfer of Public Rights of Way (PRoW) applications, endorsed by the Planning and Regulatory Committee. The second amendment was a revised Officer Code of Conduct which updated the previous 2017 edition and it had been through several parts of the Council for consideration including the People, Performance and Development Committee in November; he thanked Eber Kington for his input.

A Member raised concerns regarding the advice on recorded voting provided in the Chair's housekeeping note sent to Members prior to this Council meeting; these were noted and the Chair suggested that these be considered by the Member Development Steering Group.

RESOLVED:

1. Approved the amendments to Standing Orders set out in Annex 1.
2. Approved the revised Officer Code of Conduct set out in Annex 3.

91/22 REPORT OF THE CABINET [Item 17]

The Leader presented the report of the Cabinet meetings held on 25 October 2022 and 29 November 2022.

Recommendations on Policy Framework Documents:

- A. Coordinated Admissions Scheme for September 2024 (*as set out in the Cabinet paper from 29 November 2022*)

A Member asked the Cabinet Member for Education and Learning whether she planned to take a more proactive approach next year so that the coordinated school admissions process could play its part in addressing climate change. She could do so by working with local schools to move to more children attending their local school, and that being higher in the admissions criteria in all areas of Surrey as part of tackling climate change, reducing the carbon footprint of travel associated with school travel, and increasing opportunities for active travel and public transport.

In response, the Cabinet Member explained that school admissions were regulated by admissions legislation including the Department for Education's School Admissions Code; that set out how local authorities must determine admissions criteria and the

process by which school places must be offered. Whereas the item under consideration was the procedures manual for the way in which individual school admissions criteria were coordinated, and admissions applications were then judged and allocated. The Member's question was around changing school admissions criteria, however out of approximately 400 maintained schools the Council was the admissions authority for only 85 schools across the county. Other types of school were their own admissions authorities and so determine their admissions criteria. A judgement by the Schools Adjudicator earlier in the year meant that the criterion of nearest school had been removed as an admissible admissions criterion and the Council was adhering to that. She noted that the admissions legislation was founded on the premise of parental preference; the Council could not influence that. She concluded that whilst the Council could not do what the Member was suggesting, the Council published guidance for school admissions on its website; and she encouraged Members to attend the quadrant Member development seminars.

RESOLVED:

Approved the coordinated admissions scheme that will apply to all schools for 2024.

Reports for Information/Discussion:

25 October 2022:

- B. A County Deal for Surrey
- C. A Skills Plan for Surrey
- D. Healthy Streets for Surrey Design Guide

29 November 2022:

- E. Responding to the Rising Cost of Living in Surrey
- F. Adult Social Care Strategy for People with Physical Disability and Sensory Impairment 2022 - 2027
- G. Traffic Regulation Order Policy
- H. Quarterly Report on Decisions Taken Under Special Urgency Arrangements: 1 October 2022 – 2 December 2022

RESOLVED:

1. Noted that there had been no urgent decisions in the last three months.
2. Adopted the report of the meetings of the Cabinet held on 25 October 2022 and 29 November 2022.

92/22 MINUTES OF CABINET MEETINGS [Item 18]

No notification had been received by the deadline from Members wishing to raise a question or make a statement on any matters in the minutes.

The Chair noted that the draft Cabinet minutes concerning the meeting on 29 November 2022 had been re-published since the first Council supplementary agenda (items 8 and 18) was published on 9 December 2022, to include David Lewis (Cobham) in the attendance list and present at the meeting.

The Chair wished all a Merry Christmas and a Happy New Year.

[Meeting ended at: 12.31 pm]

Chair

This page is intentionally left blank

Leader's Statement – County Council, 13 December 2022

Good morning Madam Chair, Members.

We come together for the final time of 2022, with the weather colder, Christmas just around the corner and many people looking forward to a festive break with friends and family.

It is an important time of year to take stock, reflect on the past year and look forward with a sense of renewed energy and fresh perspective to what 2023 can bring.

However, for some this can be an emotional time of year, reflecting on those who they can't be with, or feeling an increased sense of isolation and loneliness.

This year those feelings may well be exacerbated by the very real struggles we are facing as a society, and indeed as a global population.

We know that for many, Christmas brings pressure to spend money they don't have, and those financial pressures will be even more acute this year as inflation has eaten away at the money in people's pockets.

For some, this has pushed them into real financial hardship with serious implications for their mental and physical health and wellbeing.

It is that group of people that our efforts as a council has been directed towards this year.

By now you are all well aware of our ambition in Surrey – that no one is left behind – and that ambition has never been more relevant or important as it has been over the last few months.

We have really focused all our resource, all our skill and determination, all our power locally in making sure that those in real difficulty are supported in every way possible.

While I wish that it were not needed, I am very proud of the work we have undertaken to provide financial support, a listening ear, essential advice, warm places to be, companionship, and reassurance.

Much of that is offered by our dedicated staff, by you as local Members, and by our partners who we bring together and work closely with as part of the Surrey system.

We know that we can't offer a silver bullet and fix things in an instant, and that the support on offer is often a crutch to help people through a difficult time rather than a long-term solution. But we have worked tirelessly to step up and step in when really needed and I thank all our staff and partners for those efforts.

A proper solution must be achieved though. Our society is unequal, and it is not right that some people here don't see the benefits of all that Surrey has to offer.

We recognise this and are determined to address the root causes of that inequality.

That is what our No One Left Behind ambition is all about – getting the right structures and support in place to fundamentally tackle inequality, so that in the longer-term crisis support is not needed and everyone in Surrey can access the advantages and opportunities to give them a better quality of life.

We are not there yet – we don't pretend to be – but we have made some good progress over the last year.

Our Children's Service are out of intervention and recognised as making progress by Ofsted, in order to give children and young people the best start in life, whatever their background. But that progress remains fragile in some areas as we saw with the recent issues surrounding the Home to School Travel Assistance Programme, which reinforces the need to continually review our processes in terms of effectiveness, consistency, and fairness.

We have launched Surrey's Skills Plan, bringing together businesses and education providers to make sure Surrey people have the skills to get good jobs and power a strong local economy.

Surrey's Health and Wellbeing strategy is in place, and our public service reform agenda is making progress, already beginning to tackle the root causes of ill-health, with closer integration between the NHS, Public Health, and Social Care to achieve more joined up solutions.

Surrey Fire and Rescue Service has also improved and judged by HM Inspectorate to be 'much more effective and efficient at keeping people safe'.

We have progressed our green agenda, with Surrey County Council recognised as a leader in the sector in delivering our net-zero ambitions.

We are protecting and enhancing our natural environment – carrying out important conservation and restoration work, increasing biodiversity, planting trees, educating the next generation, working with farmers, other councils, and partners like the Surrey Wildlife Trust to make sure more people can access Surrey's wonderful countryside and the benefits that go with it.

We've invested £13m in Active Travel Schemes – more cycle lanes and safer walking routes – with much more to come next year.

We've built two new, modern Children's Homes.

We've delivered 280 additional school places for children with special educational needs and disabilities.

We've approved plans and will soon be building 368 modern homes for elderly people, enabling them to live independently for longer.

We're the first council in the UK to tackle period poverty, in partnership with Binti.

40,000 free places at holiday camps for young people in need.

Millions in grants to local charities.

Nearly £3m invested to directly help people suffering multiple disadvantages through our Changing Futures programme.

Madam Chair, Members, there is much more to do, but we **are** changing futures – changing the future life chances and opportunities of people across Surrey, all through that driving ambition that no one here should be left behind.

Just last week I had the opportunity to hear some incredibly uplifting stories about the work of the wonderful people we have here at Surrey County Council, sharing that ambition, and dedicating their working lives to public service.

Surrey's workforce is fundamental in making the county such a great place to live and work.

The services we deliver as an organisation are relied upon by very many people, from all walks of life, at all ages and in every corner of Surrey.

I'm incredibly proud of our staff, who work every day to serve the public and make people's lives better. We are bonded by that idea of public service, and however challenging our roles can be we are united in that mission.

That commitment to help those in need is shared across our communities in Surrey.

We are without doubt one of the most welcoming and compassionate places in the country and nothing demonstrates that more than the many stories of Ukrainians hosted here by generous residents. It is good that we have been able to top up the payments to those host families and indeed I must also pay tribute to the Surrey Fire and Rescue Team who have made a number of trips to Ukraine to provide equipment, training, and support. Real practical things that are making a genuine difference.

We have welcomed nearly 3,000 Ukrainian nationals fleeing Putin's horrific war, across 1,500 Surrey homes, the second highest in the 152 areas of the UK.

Whether it's the Covid pandemic, a war in Europe, or helping each other keep warm – our communities step up to the plate time after time.

And we are proud of being an active partner with them.

When we come together across Surrey, and within our towns and villages, we really can make things happen.

You see Members, that is one of our most important roles as an organisation – bringing people, groups, and organisations together, bringing the right skills and influence to the table, to learn from each other, to react quickly and to drive positive change.

As an upper tier local authority, we are in a position of privilege and great responsibility in Surrey, and we are clear in our determination to use that for the benefit of all.

That is never more important than in the face of severe systemic and societal challenges, as we have faced over recent years, and we continue to face as we go into a new year.

Inflation and the cost of living will undoubtedly continue to be a very real issue for us and our residents and business throughout 2023, with potentially longer-term impacts.

There remains global uncertainty around the war in Ukraine, supply chains, inflation, and wider geo-politics.

While our influence on those issues is limited to say the least, our influence at home is great, and we must continue to face these challenges head on, on behalf of Surrey.

We have local challenges too – ones that we have discussed in depth as a full council and through our robust Select Committee system.

As I have said many times, we do not shirk these challenges. We do not stick our head in the sand.

We redouble our efforts, we learn lessons and we grow stronger.

We will continue to work proactively and collaboratively with our District and Borough partners, on everything from waste management to community engagement, from refugees to warm hubs. I recognise that we need to do more together as local government and I will make every effort in 2023 to work even more closely with the Leaders of the District and Boroughs for the benefit of our residents.

We will continue to play a strong role within the Local Resilience Forum, keeping Surrey resilient and ready to step up in any emergency, like the recent water outages, with our teams out on the ground supporting vulnerable people.

We will continue to work hand in hand with our voluntary sector partners, with financial support to fantastic organisations like Community Foundation for Surrey and Citizens Advice Bureau, and valuable insight and collaboration with groups like Surrey Ethnic Minority Forum and Surrey Coalition of Disabled People. We can not deliver our ambitions without the help and support of the VCSE, and we must recognise the enormous contribution they make to the lives of our residents.

We will continue the progress we're making with health integration with our NHS partners, tackling health inequality, and joining up health and social care as best we can to relieve pressures on hospital beds and ensure people can be cared for at home.

On this issue in particular, the government is listening.

I have spoken with the Chancellor of the Exchequer and am working closely with Patricia Hewitt in her review of the Health and Social Care system, ensuring that not just Surrey's voice is heard, but also that of the whole of local government.

The Chancellor's Autumn Statement also demonstrated the government's understanding of local government issues, pausing the Adult Social Care reforms and offering additional funding that undoubtedly will at least help councils short term financial position.

Moving into the new year, it's essential that influence of local government is strengthened further and here in Surrey we will continue to work with government, and other councils, in finding solutions for those longer-term challenges we face as a sector.

I remain confident in the government's devolution agenda and continue to discuss with partners our collective ambition for a county deal for Surrey – giving local government more powers and autonomy to benefit the whole of Surrey.

As I said earlier, we have a huge responsibility as the County Council and it's something we take very seriously. With further devolution – that I expect would be welcomed by all Members here – we can really deliver faster on those ambitions of a stronger local economy, a greener future, thriving communities and reduced health inequality.

Madam Chair, yes, we have huge challenges to face, and a great responsibility to our people, but Surrey has so much going for it.

We must harness that and ensure everyone can benefit.

There is a great Surrey Story waiting to be unleashed and I'm confident that we can keep momentum in 2023 in making our county an even better place for everyone.

Members as we enter the Christmas break, and in the festive spirit, I want to thank you all for your constructive and productive dialogue over the last year.

We will continue to seek to work collaboratively, across the political spectrum as much as possible, and although there have been many challenges in 2022, your input and dedication to your local communities has been invaluable.

Addressing the cost of living, showing our support for Ukraine, dealing with the pandemic – we are strong when we work together towards those common goals.

I know we share a desire to serve the people of Surrey and work for what we genuinely think is best for the County.

Armed with the right funding, the right powers and genuine local flexibility, our great county of Surrey will continue to rise to the challenge and continue to deliver for our communities.

Merry Christmas.

This page is intentionally left blank

Annex 1

Surrey New Year Honours 2023

Awards for Surrey residents

New Year Honours 2023

Order of the Companions of Honour (CH)

Dame Mary Quant DBE of Guildford

Dame Commander of the British Empire (DBE)

Virginia Mckenna OBE of Dorking

Knight Bachelor

Dr Brian May CBE of Windlesham

Commanders of the Order of the British Empire (CBE)

Professor Rebecca Francis FBA of Esher

Tessa Griffiths of Thames Ditton

Veronica Povey of Woking

Officers of the Order of the British Empire (OBE)

Fiona Boulton of Woking

Andrew Colborne- Baber of East Horsley

Carolyn Dawson of Knaphill

Robert Evans of Weybridge

Ravinder Gill of Weybridge

Mark Harbord of Windlesham

Sophie Ingle of Epsom

Alison Lyons of Ashford

Angela Noon of Puttenham

Anthony Poulter of East Molesey

Carolyn Stidston of Farnham

Annex 1

Members of the Order of the British Empire (MBE)

John Alpass of Claygate

Vivian Bairstow of Englefield Green

Steven Baker of Thames Ditton

Phillip Collins of Banstead

Peter Crawshaw of Reigate

Janine Cryer of East Molesey

Angela Foley of Camberley

Paula Matthews of Wooton

Helen McAleavy of Woking

George Nixon of Headley

Nicola Percival of Banstead

Julianne Ponan of Walton- on –Thames

Sally Schupke of Guildford

Anthony Smyth of Godalming

Anthony Willis of Esher

Medallists of the Order of the British Empire (BEM)

Richard Fox of Walton- on- Thames

Michael Heath of Tongham

Julia Hopkins of Knaphill

Jack Summers of Caterham

Ian Swinney of Bookham

Source: <https://www.surreylieutenancy.org/the-honours-system/>



OFFICER REPORT TO COUNCIL

2023/24 FINAL BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY TO 2027/28

KEY ISSUE/DECISION:

The Council has worked hard over recent years to improve its financial resilience and the financial management capabilities across the organisation. This has strengthened our position, compared with where we were in 2018.

Through hard work and diligent financial management, we have built a stronger financial base from which to deliver services. We have reduced our financial risk, delivered service improvement, ambitious investment and built back depleted reserves. We have continued to be responsible with taxpayer's money; minimising increases in Council Tax and delivering services in a more effective and efficient way, providing a stable platform to invest in the county's future, as well as enabling us to manage challenges and uncertainties, as evidenced throughout the pandemic.

However, the increased cost of living, global financial uncertainty and government policy changes, mean we will continue to face challenges to our financial position in the coming years. Our focus will continue to be on protecting service delivery, a continuation of the need to be forward looking in the medium term, as well as the delivery of the efficiencies required to achieve a balanced budget position each year. We are confident that our improved financial position and focus on budget accountability, provides a solid foundation for us to achieve this. We will concentrate on protecting our services to ensure our objective that no one in Surrey is left behind, can be fulfilled.

The Provisional Local Government Finance Settlement (LGFS) was released on 19 December, with a final settlement due in January 2023. The funding announced was better than anticipated for Local Authorities, specifically in relation to additional funding for Adults Social Care, but demand and inflation pressures remain significant and while the additional funding is welcomed there remain difficult financial challenges for many local authorities.

To achieve a balanced budget, the final budget proposals include a recommendation to increase the Council Tax by 0.99% and raise an Adult Social Care Precept of 2%. Decisions to increase Council Tax are not made lightly and balance the need to provide sustainable services for the most vulnerable with a recognition of the pressures on household finances,

particularly during the current inflationary period. The budget restricts the increase to 2.99%, less than the 4.99% permitted by Government without recourse to a referendum.

It is paramount that we continue to ensure that the County Council is in a resilient financial position, so that there is no risk of us failing to deliver the crucial services for which we have responsibility in both the short and medium term.

Our continuing ambition to deliver for Surrey residents is most evident in our £1.9bn, 5-year capital programme to invest in the assets and infrastructure of the county, and our commitment to delivering the Community Vision for Surrey in 2030.

The budget gap is expected to continue to grow over the medium term financial strategy period. The Council recognised that tackling this gap will require a medium-term focus and a fundamentally different approach. We are focusing on the short term pressures in 2023/24, as well as looking to address the medium-term horizon. Cross-cutting Directorate transformation opportunities contribute to the efficiencies already identified in this proposed budget and work continues to identify additional areas of focus, including a planned organisational review.

We remain an ambitious and forward-looking organisation and we are optimistic about our ability to overcome these financial challenges. In recent years, the Council has established a strong track record of delivering efficiencies and transformation whilst maintaining a total focus on our financial management responsibilities.

While we will continue to have conversations with Government around what we feel is fair and necessary for Surrey, we must look to the future and prepare properly for these anticipated budget impacts. A key component of our recent successes has been a determination to develop our own solutions and drive improvements and efficiency, rather than accept unchallenged the impact of external factors. The Council's Transformation Programme is ongoing and continually refreshed, to maximise every opportunity to deliver better services to our residents, in the most effective and efficient way possible.

BACKGROUND:

The production of the 2023/24 budget has been developed through an integrated approach across Corporate Strategy, Transformation and Finance, aligning revenue budgets, capital investment and transformation plans with each Directorate's service plans and the corporate priorities of the organisation. These are:

- Growing a sustainable economy so everyone can benefit
- Tackling health inequality

- Enabling a greener future
- Empowering communities

Ensuring that each aspect of planning for 2023/24 and the medium term are completely aligned provides a stable foundation for delivering services to Surrey residents in the face of challenges presented by the increased cost of living, the medium term ongoing impacts of the Covid-19 pandemic and wider local government policy pressures.

The overall outlook for 2023/24 is undoubtedly challenging, with budget envelopes in the key service areas increasing by 5.9% (£61.4m) in the face of substantially higher increases in the cost of maintaining current service provision. Despite an increase in projected funding, there remain challenges in managing growth in demand (particularly in Adult Social Care and Children's Services), inflationary pressures and the ongoing impact of Covid-19 within those envelopes.

RECOMMENDATIONS:

Following the Cabinet Meeting on 31 January 2023, the recommendations to Council on 7 February 2023 are:

To note the following features of the revenue and capital budget, and in line with Section 25 of the Local Government Act 2003:

1. The Deputy Chief Executive & Executive Director of Resources' (Section 151 Officer) conclusion that estimates included in the Final Budget Report and Medium-Term Financial Strategy are sufficiently robust in setting the budget for 2023/24; and
2. That it is the view of the Deputy Chief Executive & Executive Director of Resources (Section 151 Officer), that the level of reserves is adequate to meet the Council's needs for 2023/24. These reserves and contingencies include the following amounts, (totalling £106.0m) set aside specifically to provide financial resilience:
 - the General Fund (£48m).
 - Specific contingencies built into the 2023/24 budget (£20m); and
 - Unused contingency brought forward from previous years (at least £38m depending on 2022/23 outturn).

Proposed budget: Cabinet recommends that County Council approve the following Revenue and Capital budget decisions:

3. The net revenue budget requirement be set at £1,101.5 million (net cost of services after service specific government grants) for 2023/24 (Annex B), subject to confirmation of the Final Local Government Financial Settlement.
4. The total Council Tax Funding Requirement be set at £866.0 million for 2023/24. This is based on a council tax increase of 0.99% and an

increase of 2% in the precept proposed by Central Government to cover the growing cost of Adult Social Care (Annex E).

5. For the purpose of section 52ZB of the Local Government Finance Act 1992, the Council formally determines that the increase in core council tax is not such as to trigger a referendum (i.e. not greater than 3%).
6. Sets the Surrey County Council precept for Band D Council Tax at £1,675.08, which represents a 2.99% uplift. This is a rise of £0.94 a week from the 2022/23 precept of £1,626.39. This includes £217.94 for the Adult Social Care precept, which has increased by £32.46. A full list of bands is as follows:

**Council tax by valuation band
2023/24**

Valuation band	Core precept	ASC precept	Overall precept
A	£971.43	£145.29	£1,116.72
B	£1,133.33	£169.51	£1,302.84
C	£1,295.24	£193.72	£1,488.96
D	£1,457.14	£217.94	£1,675.08
E	£1,780.95	£266.37	£2,047.32
F	£2,104.76	£314.80	£2,419.56
G	£2,428.57	£363.23	£2,791.80
H	£2,914.28	£435.88	£3,350.16

7. Delegate powers to the Leader and Deputy Chief Executive & Director of Resources (Section 151 Officer) to finalise budget proposals and recommendations to County Council, updated to take into account new information in the Final Local Government Finance Settlement;
8. The Total Schools Budget of £599.3 million to meet the Council's statutory requirement on schools funding (as set out in Section 9 of the 2023/24 Final Budget and Medium-Term Financial Strategy to 2027/28).
9. The overall indicative Budget Envelopes for Executive Directorates and individual services for the 2023/24 budget (Annex B).
10. The total £1,950.4 million proposed five-year Capital Programme (comprising £1,202.4 million of budget and £748.0 million pipeline) and approves the £308.7 million Capital Budget in 2023/24 (Annex C).
11. The Council's refreshed Transformation Programme (as set out in section 3 of 2023/24 Final Budget Report and Medium-Term Financial Strategy to 2027/28):

Note that the investment in Transformation required to deliver improved outcomes and financial benefits is built into the proposed Medium-Term Financial Strategy (as set out in section 3 of 2023/24 Final Budget Report and Medium-Term Financial Strategy to 2027/28).

Capital and Investment Strategies: Cabinet recommends Council to approve the following:

12. Approves the Capital, Investment and Treasury Management Strategy which provides an overview of how risks associated with capital expenditure, financing and treasury will be managed as well as how they contribute towards the delivery of services (Annex F).
13. Approves the policy for making a prudent level of revenue provision for the repayment of debt (the Minimum Revenue Provision (MRP) Policy) (Annex G).

SECTION 151 OFFICER COMMENTARY:
--

S25 Report – Risks and Robustness of Reserves

1. The Council has a legal requirement to set a balanced budget. We are not permitted to allow spend to exceed available resources which would result in an overall deficit. Sections 32 and 43 of the Local Government Finance Act 1992 also require authorities to have regard to the level of Reserves to meet estimated future spend when calculating the budget requirement. The Budget report has been drafted on the basis of this legislation.
2. The enclosed report sets out a balanced budget for 2023/24. Given the level of risk and uncertainty inherent in both the local authority environment and the national economic and political environment, coupled with ongoing uncertainty over future funding levels, retention of the Council's reserves will be essential, in order to provide financial resilience.
3. Section 25 of the Local Government Act 2003 requires the Section 151 Officer to report on:
 - a. the robustness of the estimates made for the purposes of the [budget] calculations; and
 - b. the adequacy of the proposed financial reserves.
4. The Section 151 Officer confirms that the Final Budget has been based on reasonable assumptions, taking into account all material, financial and business issues and risks at the time of preparation.
5. Section 5.33 of the 2023/24 Final Budget and Medium-Term Financial Strategy to 2027/28 sets out the level of key reserves and contingencies, **totalling £106m**:
 - General Fund (£48m).
 - Specific contingencies built into the 2023/24 budget (£20m); and
 - Unused contingency brought forward from previous years (c£38m depending on 2022/23 outturn).

6. The following principles for the overall management of reserves are proposed:
- Reserves should only be used to fund one-off or time-limited investment that will drive out efficiencies, deliver the capital programme or improve the delivery of services and council priorities;
 - Reserves cannot be used as a substitute for permanent efficiencies to meet permanent spending pressures;
 - Budgets such as the Transformation Fund (£8m) and Capital Feasibility Fund (£5m) should be seen as contributions to reserves, with any use drawn-down from the reserve when needed;
 - Reserve contributions should be reviewed annually to ensure contributions are equal to planned use over the medium-term;
 - Over the medium-term, reserves should stay flat or ideally increase – as financial uncertainty, the efficiency requirement and the investment ambition will remain high across the MTF5 period;
 - Currently, General Fund and earmarked reserves (excluding technical balances such as PFI sinking funds and other reserves earmarked for specific purposes) stand at approximately £150m / 14% of the net budget.
 - Reserves should not drop below 10% of the net budget.
 - It is proposed to implement a 2% buffer over the 10% threshold, with remedial action taken if reserves are used for unforeseen financial shocks. This would establish the following three levels:
 - **Minimum** – reserves do not drop below 10% and, if they do, are rebuilt as soon as possible in the following years' budget
 - **Basic** – reserves do not drop below 12% (10% + 2% buffer) and, if they do, are rebuilt to at least 12% over medium-term
 - **Enhanced** – reserves stay flat or grow from the current c15%, dependent on analysis of the risk environment.
 - To avoid a programmed reduction in reserves, the use of reserves to support Transformation or other investment should be less in any given year than the planned budget contingency.
 - Unutilised risk contingency budget should first be used to ensure reserve levels are sustained, thereafter there is opportunity to invest in future years in strategic priorities, further transformation and/or service improvements (one-off costs). Any such investment should result in strengthening of the financial position, ie reducing risk or generating revenue efficiencies.

Lead/Contact Officers:

Leigh Whitehouse, Deputy Chief Executive and Executive Director of Resources

Joanna Killian, Chief Executive

Sources/background papers:

- [2023/24 Budget & Medium Term Financial Strategy to 2027/28](#), Report to Cabinet 31 January 2023
- [Organisation Strategy 2021 - 2026](#), Report to Council 8 December 2020
- [A Community Vision for Surrey in 2030](#), Report to Council 9 October 2018
- [Provisional Local Government Finance Settlement 19 December 2022](#)

Annexes:

2023/24 Final Budget and Medium-Term Financial Strategy to 2027/28

Annex A – Pressures & Efficiencies

Annex B – Detailed Directorate Revenue Budgets

Annex C – Capital Budget 2023/24 – 2027/28

Annex D – Projected Earmarked Reserves & Balances

Annex E – Council Tax Requirement

Annex F – Capital, Investment & Treasury Management Strategy

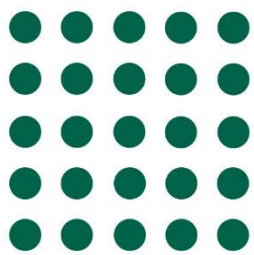
Annex G – MRP Policy 2023/24

Annex H – Consultation Summary 2023/24

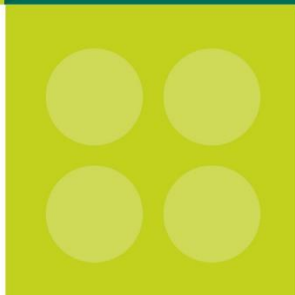
Annex I – EIAs for 23/24

Annex J – FM Code of Practice

This page is intentionally left blank



**Final Budget
Report 2023/24,
and Medium-Term
Financial Strategy
to 2027/28**



1. EXECUTIVE SUMMARY

Delivering priorities, ensuring *no one is left behind*

- 1.1 This Council is determined that the Community Vision for Surrey 2030 continues to be delivered to ensure the county is a uniquely special place where everyone has a great start to life, people live healthy and fulfilling lives, are enabled to achieve their full potential and contribute to their community, and where no one is left behind.
- 1.2 Our Organisation Strategy sets out our contribution to the 2030 Vision. Within it, the Council's four priority objectives and guiding principal that *no one is left behind* remain the central areas of focus as we deliver high-quality and sustainable services for all.



- 1.3 The purpose of the Budget and Medium-Term Financial Strategy is to set out how the Council will use its funding to deliver its priority objectives and core services. These priority objectives sit at the core of the budget process, leading our approach to allocating resources and developing investment plans.
- 1.4 The Council's purpose and approach to improving the lives of residents across the four priority objectives, as well as ensuring that no one is left behind, is set out in The Surrey Way (section 2) and reflected throughout this budget report.



- 1.5 The period covered in the report, represents a challenging time for the Council's finances with inherent uncertainty in the planning process and significant pressures identified in relation to both the high levels of inflation being experienced nationally and ongoing forecast increases in demand for key services. The Local Government Finance Settlement provided some much needed additional funding for local authorities, specifically in relation to social care, however the medium term outlook for public finances remains extremely challenging. It is therefore even more important that the Council continues to direct its resources using the most efficient means possible towards achieving its purpose and priorities, while ensuring that core services are delivered to residents.

Developing the Draft Budget and Medium-Term Financial Strategy

- 1.6 The 2023/24 Budget Report and Medium-Term Financial Strategy to 2027/28 delivers a balanced budget for 2023/24 and outlines the continuation of ambitious, sustainable and resilient medium-term financial plans, balanced alongside an uncertain political and economic national environment.
- 1.7 The Council has worked hard over recent years to improve its financial resilience and the financial management capabilities across the organisation. From this strengthened position we have been able to be ambitious in our outlook and look to continue to drive improvements and investment in our services, as well as enabling us to manage challenges and uncertainties, as evidenced throughout the pandemic. This stability will not necessarily allow us to avoid difficult decisions, but it will allow us the time and space to make them in a considered and measured way, underpinned by an earned confidence in our ability to deliver.
- 1.8 However, we recognise that this financial year and the next 2-3 are likely to represent an extremely challenging period and our focus will need to be on protecting service delivery in the first instance, not retreating, but being realistic about our ambitions whilst we manage the challenges ahead. We need to focus on the medium term as well as the delivery of significant efficiencies required each year in order to deliver a balanced budget position. We are however confident that our improved financial position and focus on budget accountability provides a solid foundation for us to achieve this and that we will be able to continue to deliver the Council's priorities.
- 1.9 As in previous years, the production of the 2023/24 budget has been developed through an integrated approach across Strategy, Transformation and Finance, based around 'Core Planning Assumptions' which set out likely changes to the environment in which we deliver our services. The integrated approach ensures that revenue budgets, capital investment and transformation plans are aligned with each Directorate's service plans and the Corporate Priorities of the organisation. Ensuring that each aspect of planning for 2023/24 and the medium-term are completely aligned provides a stable foundation for delivering services to Surrey residents in the face of challenges presented by the cost of living crisis, the medium term ongoing impacts of the Covid-19 pandemic and wider local government policy pressures.

The financial outlook

- 1.10 The Provisional Local Government Finance Settlement (LGFS) was released on the 19th December, with a final settlement due in January 2023. The funding announced was better than previously

anticipated for Local Authorities, specifically in relation to additional funding for Adults Social Care, but demand and inflation pressures remain significant and while the additional funding is welcomed it does not mitigate the significant financial challenges which local authorities continue to face. Local Government funding over the medium term remains highly uncertain, with a number of factors likely to result in significant changes to our funding position (the key factors are set out in section 5 and 8 of this report).

- 1.11 The LGFS was published on a one-year basis, with some indications of methodology for 2024/25 but little certainty of funding beyond that. The additional funding announced as part of the LGFS represents a c8.3% increase in Surrey's core spending power (although it is important to note that this assumes full utilisation of the council tax and adults social care precept levels). Whilst the wider inflation rate has been c10% throughout 2022/23 and is estimated to be c7% in 2023/24.
- 1.12 The overall outlook for 2023/24 is one of significant challenge, in the face of substantial increases in the cost of maintaining current service provision and increased demand. Despite an increase in the projected levels of funding, pressures anticipated for 2023/24 are significantly higher than in recent financial years. These pressures relate to a number of factors occurring simultaneously, namely high levels of inflation, Europe's energy crisis, workforce and labour shortages, high interest rates and the ongoing impact of the pandemic. The Council continues to see large increase in demand for services, particularly within Adults and Childrens' social care and the impact of the cost of living crisis on residents is expected to further increase demand for key services. In addition, the projected cost of implementing the Government's Adult Social Care Reform proposals is anticipated to put significant financial pressures of the Council over the medium term, well in excess of the funding being made available. The recent announcement to delay the implementation of these reforms reduced the immediate pressures, but material uncertainty remains over the medium term.
- 1.13 While the financial environment is very challenging, the Council has established a strong track record in recent years of delivering efficiencies and transformation and taking our financial management responsibilities very seriously. The Finance Improvement Programme, implemented in 2018, enabled the Council to strengthen its financial resilience and financial management capabilities before the impact of Covid was felt. This enabled the Council to approach the pandemic in a way that prioritised our residents.
- 1.14 The final budget for 2023/24 proposes total funding of £1,101.5m; an increase of £61.4m from 2022/23. In order to achieve a balanced position, the budget includes the following recommendations to full Council on Council Tax and the Adults Social Care Precept:
- 0.99% increase in Council Tax
 - 2% increase in the Adults Social Care Precept
- The increase in the total bill for a Band D property will equate to £0.94p per week. Decisions to increase Council Tax are not made lightly and balance the need to provide sustainable services for the most vulnerable with a recognition of the pressures on household finances, particularly during the current cost of living crisis. The budget avoids raising the core Council Tax level by the maximum 3% assumed by Government.

1.15 The gap is expected to continue to grow over the medium term, based on current projections, to the order of £224m. The Council recognises that tackling this gap will require a medium-term focus and a fundamentally different approach. We are focusing not only on 2023/24, but simultaneously looking to address the medium-term horizon. Cross-cutting Directorate transformation opportunities contribute to the efficiencies already identified in this Budget and work continues to identify additional areas of focus, including a planned organisational review.

Engagement

1.16 In 2021, we carried out in-depth research with residents to understand their priorities for how the council should spend its money. Residents indicated that they were willing to accept increases in Council Tax and the Adult Social Care Precept if it was for the purpose of protecting services that work with some of the most vulnerable people in Surrey. These views were largely in line with the results of the 2022 budget consultation. The engagement demonstrated that resident priorities align with those of the council, with top priorities for residents including Social Care for people of all ages, Waste services and Fire and Rescue. There was also support for more investment in preventative services and for placing those residents most at risk of being left behind in Surrey at the heart of decision-making. Residents wanted a more active role in what happens in their localities.

1.17 These results continue to provide a robust foundation from which to shape budget decision-making and, in 2022, have been complemented by a lighter touch approach to engagement. In May 2022, we held three virtual focus groups exploring themes including factors that make a good place to live and what local area improvements residents would like to see irrespective of who is responsible for their delivery. The groups also discussed services particularly important to resident households and in need of more support from Surrey County Council. They highlighted:

- Making sure people get access to the services they need
- Helping people cope with the rising cost of living
- Community safety / managing crime / anti-social behaviour

1.18 Additionally, in August 2022, a cost of living survey was asked of the Surrey Health and Wellbeing Panel which looked at areas including the challenges they have faced in the previous three months (1 May – 31 July) and if they had had to alter their behaviours. A strong theme of cost of living worries also came through in the budget consultation launched in November 2022 and this, combined with the results of the cost of living survey being repeated in early 2023, will help inform the councils approach to supporting residents, business and the voluntary sector through the rising cost of living.

1.19 The key findings from the August 2022 survey show that while the majority of Surrey residents are not in crisis situations, they are beginning to make cutbacks. It is important to note that some residents are in crisis already and that circumstances are likely to change through the winter.

1.20 To build on the engagement exercise done in 2021, and the ongoing research taking place through 2022, an open budget consultation survey was launched in November 2022 seeking views from residents and partners across Surrey on the Draft Budget. Although the response rate was low, the consultation allowed residents and stakeholders to comment on the proposed budget and findings were largely in line with the outcomes of the 2021 engagement exercise.

1.21 Impacts of budget proposals, both positive and negative, are considered by services in a variety of ways, including through services' own consultation and engagement exercises and the use of Equality Impact Assessments (EIAs). EIAs are used to guide budget decisions and are outlined below in Section 11.

Key Elements of this Report and next steps

1.22 The key elements of this report include:

- The Council's Strategic Framework (Section 2);
- An update on our Cross Cutting Transformation approach (Section 3);
- Directorate Service Strategies aligned to both of the above (Section 4);
- The Financial Strategy for 2023/24 (Section 5);
- The five-year Capital Programme, setting out the Council's ambitious plans to invest in Surrey's infrastructure, economy and create a greener future (Section 6);
- 2022/23 Financial Performance – revenue and capital (Section 7);
- The Medium-Term financial outlook to 2027/28 (Section 8);
- The Schools Budget (Section 9)
- Our approach to engagement and consultation (Section 10); and
- Budget Equality Impact Assessment (Section 11) summarising key messages from an equality analysis for the budget, including commentary on the impact of Council Tax increases.

1.23 The final 2023/24 Budget and Medium-Term Financial Strategy to 2027/28 will be presented to Council for approval on the 7th February 2023.

2. THE SURREY WAY: A HIGH PERFORMING COUNCIL, ENSURING THAT NO ONE IS LEFT BEHIND



OUR PURPOSE



OUR ORGANISATION



OUR PEOPLE

2.1 The Community Vision for Surrey 2030, which was created with residents, communities and partners on behalf of the whole county, sets out how we all want Surrey to be by 2030. Together, we are all working to deliver a uniquely special place where everyone has a great start to life, people live healthy and fulfilling lives, are enabled to achieve their full potential and contribute to their community, and where *no one is left behind*. The Council plays a big part in the joint effort to realise this vision.



- 2.2 Our purpose as a council is to tackle inequality and make sure that no one is left behind; reinforcing the aims of the Community Vision for Surrey 2030. It is our responsibility as a council to support those in need and deliver everyday improvements to residents in all walks of life.
- 2.3 We focus on a small number of organisational priorities that will let us create the conditions for Surrey to thrive. Our Organisation Strategy (2023-28), sets out four priority objectives which reflect where we think we can have the greatest impact on tackling inequality and improving outcomes for people living and working in the county:
- 2.4 Providing excellent services is the bedrock of what we do as a council; underpinning our success in delivering against the four priority objectives. Core services aim to support people to live independently and well in their communities, ensure children and families reach their full potential, protect Surrey’s residents and businesses, and take care of Surrey’s environment and highways.
- 2.5 We also want to go beyond what we’re required to do, to be a truly outstanding council. We are playing a wider strategic role in ensuring Surrey is ready to engage the big challenges and opportunities now and in the future. By working collaboratively across the county to mobilise around these key emergent issues, the lives of Surrey residents are improved, demand on services is reduced, and better outcomes and opportunities for Surrey residents are achieved.
- 2.6 To achieve excellence in services and ensure Surrey can meet our priority objectives, we are transforming how our organisation operates and the culture and behaviours our people embody. Outcomes within this transformation will enable us to plan our activities and measure progress in each of the four priority objectives. Progress here will help the council become more resilient, add more value, make greater impact, and reduce demand on services as residents become more empowered and resilient.

2.7 In order to achieve our purpose, this transformation around how **Our Organisation** operates has four principles which guide us:



OUR ORGANISATION

- We organise ourselves around outcomes and make it easy for others across Surrey to collaborate with us.
- We help people and communities to help themselves and devolve decisions and service design as close to them as we can.
- We maximise the potential of digital and data to transform the way we work and improve accessibility.
- We seek out preventative, commercial and efficient approaches to help us be financially sustainable.

2.8 To support our purpose, the transformation around the culture and behaviours **Our People** embody also has four commitments about how we work:



OUR PEOPLE

- An inclusive and compassionate place where we value diversity and can be ourselves at work.
- A collaborative and inviting place where we are open, trust each other, and work as one.
- An ambitious and outcomes-focused place where we are passionate about our purpose and take accountability for delivering great results.
- An inventive and dynamic place where we promote a learning mindset and adapt to new insights and opportunities.

2.9 Key to this new strategic framework and contributing to the 2030 Vision will be a commitment to monitor how we make decisions, operate, and perform against these principles and commitments. This will include measurement of performance on priority objectives, core service delivery, and organisational effectiveness, and will directly inform primary council functions like the budget process.

2.10 As part of our efforts to be transparent in our performance, the Organisation Strategy has been updated for the period 2023-2028 to accurately represent our approach for the five years ahead. This update includes refreshed analysis of our operating context, the inclusion of language around newly adopted 'The Surrey Way', and a progress update with recent highlighted achievements. Going forward, all other council strategies will more obviously link into the objectives set through the four priority objectives, service excellence, and ensuring an effective organisation.

3. CROSS CUTTING TRANSFORMATION

3.1 In 2021, we recognised there was a need for a new approach to delivering financial efficiencies and ways of working to support a balanced Medium-Term Financial Strategy. This approach needed to be rooted in the outcomes we were seeking for Surrey's residents and businesses and enable a financially sustainable footing over the medium-term.

- 3.2 This approach focuses on embracing cross-cutting transformation (previously referred to as the ‘Twin Track’ approach to 22/23 budget setting) and emphasised the need for services across the organisation to work together on the design and development of initiatives to improve outcomes and reduce costs. It aims to move beyond the limitations of Directorates developing efficiencies in isolation, with a focus on medium-long term financial sustainability.
- 3.3 Collaboration across Directorates, and with residents, businesses and other partners is essential to supporting council priorities and facilitating greater innovation and challenging existing ways of delivering services and budget setting.
- 3.4 £21m of cross-cutting efficiencies have been identified to help close the budget gap in 2023/24, with a total of £55m across the MTFs period (plus an additional £7.5m of cost containment). A number of these initiatives will transition into the council’s transformation programme as they enter the delivery phase. These efficiencies look differently at, and stretch our ambitions for, how we make use of our collective financial resources. Strategies for identifying these efficiencies include:
- Focusing on improving and streamlining demand-led services and externally facing delivery, products and processes whether wholly by us or with partners and other stakeholders.
 - Implementing better ways of managing our budgets for commissioning, contracts, procurement, and grants.
 - Optimising our income and funding levels through being a more commercial organisation and working more closely with our Districts and Boroughs.
 - Identifying and exploiting successful operating models for support services, co-production and multi-disciplinary teams to fulfil the potential of our workforce strategy.
- 3.5 Executive Directors have led the shaping of these opportunities through a new leadership model, embracing a thematic approach to change. This model removes the directorate silos to change and provides strategic support and challenge to officers leading on cross-cutting projects and programmes in a collaborative space. It enables peer expertise to help shape the scope and ambition of work and supports unblocking and connections to be made with other organisations and partners to make the work go further.
- 3.6 In addition to designing projects and programmes to help inform the future shape of transformation work at the council, work has also been delivered to generate insight to identify further opportunities for efficiencies. These include building a comprehensive view of our spend to determine whether the right proportion of our budget is invested in preventing health and wellbeing issues for residents and avoiding the need for them to access statutory services, and modelling future demand for Adult and Children’s Social Care and identifying interventions that could make the largest impact in reducing this demand.
- 3.7 We are already looking ahead to opportunities to inform efficiencies for 2024/25 and beyond. Aligned to the focus areas set out in paragraph 3.4, further business cases will be developed and, where needed, other insight work will be commissioned to identify further opportunities. Where there is scope to do so, we will also seek to deliver additional efficiencies in-year for 2023/24 over

and above the £30m already identified.

- 3.8 The programme is implementing a learning framework as part of this approach to cross-cutting efficiencies that gathers and analyses information from teams on what is supporting and what is hindering change while developing their proposals and business cases. The leadership model for example is piloting an independent peer review mechanism during early design stages and business case development in cultivating innovative thinking and solutions. The programme, and its findings identified through the learning framework, will support, and ultimately make up, part of the future model for design and change across the council.

Transformation Programme

- 3.9 The progress the Council has made in recent years has been underpinned by an ambitious and effective approach to transformation. Since its inception in 2018/19 the Transformation Programme has improved vital services for residents, introduced innovative new service models, built capacity and competency, and made a significant contribution to stabilising the Council's finances. This will include achieving c£90m of ongoing efficiencies by the end of 2022/23 and containing costs in areas of growing demand.
- 3.10 Governance and reporting arrangements are well established with visibility and ownership at senior levels including Cabinet Members and Corporate Leadership Team (CLT); this includes the Transformation Assurance Board which is chaired by the Leader and has several Cabinet Portfolio Holders as standing members of the board.
- 3.11 Moving forward the transformation programme will be integrated with the cross-cutting transformation agenda, set out above, and the governance and reporting arrangements in place will support the delivery of this integrated programme. In addition to the cross-cutting efficiencies set out above, the continuation of existing transformation programmes will also deliver a range of financial benefits, with a total of £3.3m efficiencies included in the draft budget for 2023/24 and a total of £8.1m¹ identified through to 2027/28.
- 3.12 The transformation programme is not just about delivering financial benefits. The broad range of initiatives in 2023/24 will continue to drive service quality and performance benefits that will directly contribute to better outcomes for our residents, services users and businesses in the County.
- 3.13 Any large scale and dynamic change programme must continue to flex and adapt if it is to meet strategic objectives in an ever-changing operating environment. We therefore review and refresh the Transformation Programme regularly, ensuring we continue to build on and improve what we do for our residents.
- 3.14 The transformation programme for 2023/24 is evolving and will look significantly different from previous years. This is due to the completion, or transition to business as usual of twenty existing programmes. This will lead to a more strategic and focussed portfolio of change for next year. In addition to existing programmes there are also a number of pipeline (or emerging) initiatives that are expected to become future transformation programmes when the business cases have been developed and approved.

¹ This figure is expected to rise as opportunities are further developed and business cases approved

3.15 The Transformation Support Unit (TSU) works closely with key stakeholders across the organisation to develop and refine requests for investment, ensuring business cases are developed, benefits defined and therefore investment is made in programmes that will enable us to continue to focus on our strategic priorities, improve service quality and performance. The cost of the internal transformation capacity is included in the revenue budget on an ongoing basis. In addition, there is £8m available annually to contribute to one off transformation investment.

3.16 Categorisation of change programmes has been further developed through the Transformation Assurance Board in conjunction with the Leader, and has led to a revised categorisation approach which recognises that not all change programmes have the same level of complexity and risk:

- True Transformation Programmes - Big strategic initiatives, with senior and political support. Driving fundamental change to operating models and/or service delivery that lead to significant measurable outcomes and benefits in the medium term.
- Service Improvement & Change - Continuous improvement and the implementation or embedding of new service models that lead to tangible performance and quality impacts that will be noticeable to service users.
- Strategic Priorities - linked to the Council’s overarching organisational priorities.

The proposed portfolio of change for 2023/24 is set out below with the programmes listed under the three categories:

True Transformation Programmes	Service Improvement Programmes	Corporate Priorities
<ol style="list-style-type: none"> 1. Children Social Care Transformation 2. People Strategy (workforce of the Future) 3. Hospital Discharge (ASC) 4. Data Strategy programme 5. Health & Care integration - Integrated commissioning 6. Enabling you with Technology (ASC) 7. Libraries & Cultural Services Transformation 8. Property Technology 	<ol style="list-style-type: none"> 1. Health & Care integration – palliative end of life care 2. Preparation for Adulthood 3. Placement Value & Outcomes 4. Business Operations transformation 5. Resources Directorate Improvement Programme 6. Indigo (Facilities Management) 7. Single view of a child 	<ol style="list-style-type: none"> 1. Economic Growth 2. Empowered & Thriving Communities 3. Public Service Reform (PSR) 4. Greener Futures

3.17 Funding will be invested in initiatives that clearly demonstrate the achievement of improved outcomes, this may entail the use of funding on programmes that do not have financial efficiencies associated with them and therefore the return on investment will be based on non-financial benefits for example, improved independence, faster response times and better coordinated and joined up service provision.

4. SERVICE STRATEGIES

ADULT SOCIAL CARE

Context

4.1 Adult Social Care’s (ASC) vision is to **promote people’s independence and wellbeing**, through personalised care and support that focuses upon their strengths, the outcomes they want to achieve and enables choice and control.

- 4.2 ASC provides advice and information, assessment, care and support services for people aged 18+ with Physical and Sensory Disabilities, Learning Disabilities and Autism, Mental Health needs and for frail Older People.
- 4.3 ASC operates in an incredibly challenging environment with reductions in government funding; an ageing population with increasing acuity of care needs and growing numbers of young people moving into adulthood who need services; an increasingly fragile care market; and radical changes in national policy. This is in all the context of the ongoing impacts of the Covid-19 pandemic and the cost of living crisis which are having profound effects on Surrey's residents who have ASC needs, along with their families and carers, social care providers, third sector support organisations, the health system and other key partners.
- 4.4 ASC has **four strategic priorities**:
- Improving mental health services across the whole system.
 - Delivering new accommodation with care and support models.
 - Implementing ASC charging and fair cost of care reforms and CQC assurance framework.
 - Integrating commissioning and delivery across health and care at place.
- 4.5 These priorities are underpinned by **four system enablers**:
- Culture change including embedding strengths-based practice across the whole health & social care system.
 - Maximising the benefits of digital and technology, both in managing interactions with residents and operational processes, as well as in supporting the delivery of care and support services.
 - Managing expenditure within available budget resources.
 - Ensuring there is a sustainable ASC workforce, recognising that SCC will need to increase its workforce to effectively manage the ASC charging reforms.
- 4.6 The Council is committed to integrating health and social care in Surrey to improve outcomes for residents. A key focus of this is enhancing preventative services in the community. This is challenging to achieve though in the context of the NHS' relentless national focus on reactive services in the acute hospital system and the pressures facing social care providers and community based voluntary sector organisations, all set against a backdrop increasing demand and growing acuity and complexity of care needs. Collective investment across all of these components is required – fixing one component is not enough.

Current 2022/23 budget position

- 4.7 At month 8 ASC is forecasting an overspend of £3.9m against a budget of £403.3m so equivalent to a pressure of 1.0%.
- 4.8 Care package spending has risen considerably above the planned budget for 2022/23, driven by the ongoing impacts of the Covid-19 pandemic, the unwinding of national funding for Discharge to Assess (D2A) from hospitals, market pricing pressures accentuated by the wider economic turmoil, increased demand for care and rising ASC assessed charging debt driven in part by the cost of living crisis. An overspend of £15.8m is currently forecast against the 2022/23 care package budget across all client groups.

- 4.9 The significant pressure in 2022/23 on care package spending is being partially mitigated by a range of largely one-off factors including temporary staffing budget underspends, additional one-off income or funding and some accrued liabilities that it is considered likely will not now need to be paid. These one-off in-year mitigations cannot however be sustained on an ongoing basis.
- 4.10 At month 8, the full year net care package commitments are £20.4m higher than the 2022/23 budget assumption. The 2023/24 Final Budget assumes that this pressure can be reduced to £18.2m on a full year basis through delivery of efficiencies and other mitigations in the remainder of the year. Achieving this reduction in spending commitments will be challenging.

Financial pressures

- 4.11 ASC's Final Budget position includes £56.9m of pressures in 2023/24 and £216.5m across the MTFS period. These pressures relate to:
- Price inflation for care packages, wider contracts and grants of £29.8m in 2023/24 and £111.2m across the MTFS. This is the biggest budgeted pressure for ASC. Budgeted inflationary uplifts in 2023/24 take account of the expected increase to the National Living Wage and wider inflationary pressures. It is assumed that inflation will reduce to lower levels from 2024/25.
 - The latest estimated mid-point funding gap for the ASC charging reforms of £14m in 2025/26 rising to £33m in 2026/27 based on the delayed implementation date of October 2025. (see paragraphs 4.18 – 4.20 below).
 - Increased demand for care packages across all client groups of £6.5m in 2023/24 and £35.6m across the MTFS, including young people who will transition from children's services.
 - A budgeted carry forward care package pressure from 2022/23 of £18.2m. As set out above, this is reliant on the achievement of planned actions to reduce the full year impact.
 - Pressures of £5.2m in 2023/24 related to the impact on SCC of pressures related to Surrey's Discharge to Assess (D2A) model from Surrey's hospitals. Hospital discharge has also contributed to the 2022/23 care package pressure above. It is important to note that were D2A to cease, cost pressures would likely increase as the system would revert to assessing people in hospital beds which often leads to over-prescribing of long-term care services.
 - Pay inflation and other staffing related pressures of £8.7m in 2023/24 and £18.5m across the MTFS.
 - Expected additional costs associated with the planned implementation of Liberty Protection Safeguards (LPS) regulations by government, replacing the current Deprivation of Liberty Safeguards regulations. The timing of the new regulations is currently unclear. The Final Budget assumptions are pressures of £7.2m from 2024/25 – 2025/26.
 - ASC's share of the cost of estimated increased demand for community equipment of £1m in 2023/24 and £2.6m across the MTFS period.
 - Budgeted increased Better Care Fund income for ASC of £3.1m in 2023/24.
 - New ASC Market Sustainability and Improvement Fund grant funding of £9.4m in 2023/24 and a further £4.7m in 2024/25 which will help towards price and demand pressures in future years.

- New ASC Discharge grant funding of £1.6m in 2023/24 support hospital discharge. This funding has to be pooled in Surrey's Better Care Fund alongside discharge funding allocated to Surrey's Integrated Care Boards.
- The end of Surrey's £1.6m former Independent Living Fund grant in ASC's budget as this funding stream is being incorporated into SCC's Social Care grant funding which is held centrally in SCC's budget.

Financial efficiencies

4.12 ASC's Final Budget position includes efficiencies of £19.2m in 2023/24 and £51.2m over the MTFS. This covers a challenging set of efficiency plans designed to mitigate cost pressures or increase income without adversely affecting service delivery to residents. Efficiencies include:

- Strength based practice and demand management efficiencies of £3.1m in 2023/24 and £15.3m across the MTFS, including redesigning ASC's "front door," maximising digital opportunities, enhancing strength based across Surrey's D2A model and strength based reviews of people's existing care packages.
- £1.3m in 2023/24 and £5m across the MTFS driven by moving away from institutionalised models of care to promote people's independence. This includes remodelling learning disability and autism day support services and associated transport, supporting people with a learning disability and/or autism to move from residential care to supported independent living and the expansion of extra care housing, primarily for older people.
- Efficiencies of £2.7m in 2023/24 and £9.6m across the MTFS, relating to the effective purchasing of older people nursing and residential placements, home based services across all client groups, maximising occupancy of block contract residential care beds and ensuring costs of care for people with learning disability and/or autism who are over 65 are appropriate in line with changes to their behaviours and needs.
- Efficiencies of £9.5m in 2023/24 and £13.5m across the MTFS associated with changes to ASC in-house services, including the decision taken by Cabinet in February 2022 to close 8 older people residential care homes and planned efficiencies relating to in-house provided learning disability and reablement services.
- Ensuring ASC receives appropriate funding from the NHS under the Continuing Health Care (CHC) and Section 117 (S117) Aftercare policy frameworks. Continued work in this area is expected to generate efficiencies above the current baselines of £2.1m in 2023/24 and £5.5m across the MTFS.
- Contract management and maximising income efficiencies of £0.6m in 2023/24 and £2.4m across the MTFS.

Capital programme

4.13 ASC has a small capital budget of £1.6m per year managed directly by the service. This largely relates to the capitalisation of community equipment.

4.14 ASC's Accommodation with Care & Support programme is developed alongside the Land & Property Service and involves capital investment across the following areas:

- The development by 2028 of 725 new units of affordable Extra Care Housing (ECH), primarily to support older people with care needs. It is expected that ECH schemes will generally be

developed on existing sites and developed on a Design, Build, Finance and Operate basis with tender processes undertaken to secure strategic housing partners to develop and manage the sites, limiting the requirement for direct capital investment by the council. To date expenditure of up £20.8m for the first six DBFO sites has been approved in the capital budget along with £3m of feasibility funding to confirm which further SCC owned sites would be suitable for ECH developments so these business cases can be brought forward for Cabinet approval.

- The creation of 500 new units of Supported Independent Living (SIL) for people with a learning disability and/or autism by 2030. These units will be secured through a combination of de-registration and conversion of existing residential care homes operated by independent sector providers, providers developing new SIL services and the development of new SIL accommodation on existing sites. The capital budget includes £31m relating to 3 specific developments and a multi-use community hub including SIL accommodation, which have already been approved.
- The potential development of specialist short breaks respite accommodation for people with LD&A needs to fill a significant gap in provision.
- The potential development of specialist accommodation for people with mental health needs, which would be focused on either supporting people to recover from a mental health episode or a place to call home to enable people to manage their mental health and develop greater independence in the long term.

Horizon scanning

4.15 The ASC system both nationally and in Surrey is under incredible strain. The pandemic added to the already huge demand and cost pressures facing the sector and its increasingly fragile care markets. There is a workforce crisis with an estimated 165,000 social work vacancies nationally² and while the ASC charging reforms, due to come into effect from October 2023, will benefit individuals, primarily those people who currently self-fund their own care, they will not address the acute challenges already facing the sector.

4.16 Since 2018, ASC has embarked on an ambitious transformation programme, focused on enhancing and embedding strength-based practice, promoting people's independence and wellbeing and shifting away from institutionalised models of care. As well as improving service delivery, this has delivered clear financial benefits and enabled significant cost containment with the Council's spending on ASC increasing at a lower rate than other comparable authorities.

4.17 There remain opportunities to improve service delivery and achieve further efficiencies which are reflected above. However, the scale of efficiencies and cost control measures that are achievable without reducing the service offer to residents is diminishing. Increases in ASC expenditure are required year on year to meet demand and cost pressures and maintain market sustainability, as well as to enable effective implementation of the ASC charging reforms. The Council will continue to robustly engage with government about the funding required for ASC, but if adequate funding is not provided by government, then then this will require very difficult decisions to be made about how to sustainably fund ASC going forwards.

² [Skills for Care's 2022 report](#)

Adult Social Care (ASC) Reforms

- 4.18 The 2023-28 Medium Term Financial Strategy is being prepared against the backdrop of the most significant reforms to the ASC system in decades. The financial implications of these reforms are significant and the inadequacy and allocation mechanism of funding available to local authorities to support these changes remains unresolved.
- 4.19 The planned reforms included far reaching changes to the ASC charging system from October 2023. However, the Chancellor announced on 17th December 2022 that implementation would be delayed by two years to October 2025. The reforms include the introduction of a lifetime cap on the amount people are eligible to contribute to their costs, an increase in the upper and lower capital threshold limits that determine when people qualify for local authority funding, changes to the rules for “top-ups” and an extension of the criteria which enables people to request local authorities to commission services on their behalf. In addition, the fair cost of care policy agenda seeks to ensure fees paid by local authorities are sufficient to maintain market sustainability in the context of these reforms and a new assurance framework is also due to come into effect, against which the Care Quality Commission will inspect performance. The Final Budget contains pressures of £14m in 2025/26, rising to £33m in 2026/27, based on the mid-point of the latest estimated funding gap between anticipated cost increases to the council and indications of available funding and mechanisms for distribution.
- 4.20 While the Council supports the reforms overall and the benefits it will provide in terms of limiting the cost to individuals of funding their own care, these reforms do not address the underlying problems and underfunding of the current ASC system. The announcement to delay the implementation of these reforms and target the available funding at existing service pressures is therefore welcome.

PUBLIC SERVICE REFORM AND PUBLIC HEALTH

Context

- 4.21 The Public Health (PH) service improves and protects the health and wellbeing of people living and working in Surrey. It achieves this by:
- Providing public health intelligence and evidence to enable decisions based on people’s need and what is effective.
 - Providing specialist public health expertise and advice to NHS commissioners to support them in improving the health of their population through prevention and through effective commissioning
 - Improving health through partnership working, policy development, behaviour change and the commissioning of health improvement services for all ages which are targeted to those at risk of health inequalities
 - Working with partners to protect Surrey residents from communicable diseases and environmental hazards
 - Providing oversight and support in the review, development and delivery of the Surrey Health and Wellbeing (HWB) Strategy
- 4.22 The PH service commissions a range of services centred on key PH priorities including:
- Healthy lifestyle services including stop smoking, weight management and mental health;
 - 0-19 services including health visitors and school nurses;
 - Substance misuse services relating to drugs and alcohol;

- Sexual health services including contraception and genitourinary medicine (GUM).
- NHS health checks.

4.23 The services commissioned by PH are all preventative in approach and targeted at reducing health inequalities. This is one of the Council's key strategic aims and an overall ambition of Surrey's Health and Wellbeing strategy.

4.24 The PH service has continued to focus on supporting Surrey's recovery from the Covid-19 pandemic as well as remaining vigilant for other potential threats such as monkey pox or avian flu. PH uses its expertise to ensure that accurate and up-to-date information is provided to decision makers.

4.25 The wider Public Service Reform (PSR) directorate includes a range of jointly funded services that are accountable to both Surrey County Council and Surrey Heartlands Integrated Care System and focus on driving the continuous improvement of a public service model that supports the delivery of our integrated health and social care strategies.

4.26 This includes the Insights and Analytics unit which is bringing together research & analytics across a range of functions within SCC (PH, population insight and surveys and research) and Surrey Heartlands Integrated Care Board (business analytics and population health management PHM) to:

- develop shared health and care analytics, by understanding the needs of the population and how that can be delivered efficiently and effectively
- incorporate the bigger picture of the drivers of health and care, and the wider determinants of those drivers such as economy, transport, community networks
- design the move from reactive to preventative interventions care by moving from descriptive analytics to more predictive and prescriptive driven by evidence and insight
- develop new and collaborative ways of working among our teams as well as with our partners.

4.27 Key responsibilities to deliver this vision will include:

- Facilitating innovative decision-making at all levels of Surrey's Integrated Care Systems and the County Council.
- Driving cross-system priorities, helping to reach across traditional organisational boundaries.
- Steering a Population Health Management (PHM) approach to care planning and delivery.
- Helping to drive transformation of all services delivered as part of the ICS and SCC through evidence and insight driven operational decision making.
- Understand the lived experience of people in Surrey in order to demonstrate the human aspects of the data.
- Working closely with stakeholders across the whole system to ensure understanding of population needs at local and system level.

Current 2022/23 budget position

4.28 The current directorate budget is £35.4m, £34.5m of which relates to Public Health and the remaining £0.9m to Public Service Reform functions. A balanced budget outturn is expected for 2022/23.

4.29 In addition to its core budget, the PH service has continued to manage deployment of the remaining £10.6m Contain Management Outbreak Fund (COMF) monies carried forward from

2021/22. This funding is expected to be fully spent on activities to support the recovery from the Covid-19 pandemic and to manage additional costs that are still being experienced due to the pandemic.

Financial pressures

- 4.30 Surrey's PH service continues to operate in a very challenging financial environment. Surrey continues to receive a very low level of PH funding – the third lowest allocation per head of population in the country and more than 40% below the national average allocation. Although Surrey's PH grant has increased by £4.1m in the last three years, this has come with new responsibilities and has failed to make-up for cuts to PH funding that the government mandated in earlier years after the responsibility for PH transferred to SCC in 2013/14.
- 4.31 SCC's PH grant in 2022/23 is £39.6m. £34.5m of this is allocated to fund preventative services commissioned by the PH service and the remaining £5.1m is allocated to services delivered or commissioned by other parts of SCC that contribute to meeting PH outcomes with the remit of the grant criteria. This has required the PH service to make reductions to the preventative services it directly commissions, although of course if the funding was allocated instead to the PH service this would require reductions in other SCC services.
- 4.32 The combination of the above factors has meant Surrey's PH service has had to significantly reduce expenditure on the services it directly commissions in recent years.
- 4.33 PH's latest MTFS proposals include pressures of £1.2m in 2023/24 and £4.7m across the whole 2023-28 MTFS period. These pressures relate to pay and non-pay inflation. Pressures are offset by the assumed increases in the ringfenced PH grant in future years. It is assumed that inflationary pressures can be contained within increases to PH grant funding, but there are risks that this may not be the case for all service areas, most notably in relation to NHS Agenda for Change pay rises which impact on several services that PH commission. Given the wider economic situation, it is also possible that there will be no increase to, or a reduction in, the public health grant funding.
- 4.34 The wider PSR directorate currently employs £1.4m of posts working on data insights and supporting broader integration across Surrey's health & social care system. These posts are currently funded on a temporary basis outside of PSR's budget and the Final Budget assumes that they will continue to be funded on a temporary basis out a combination of SCC corporate finding and funding from health partners pending a decision about the permanent requirement for these roles.

Financial efficiencies

- 4.35 There is no efficiency requirement for the PSR directorate in the Final Budget position as the PH service's budget is fully funded by the ringfenced PH grant. It is assumed for planning purposes that service pressures can be contained within future year increases to PH grant.

Horizon scanning

- 4.36 At present the future of the PH grant remains unclear. It was expected that the PH grant ringfence would be removed as part of wider local government funding reform, but this remains uncertain. PH will need to remain responsive to any changes in grant funding. In the meantime, they will

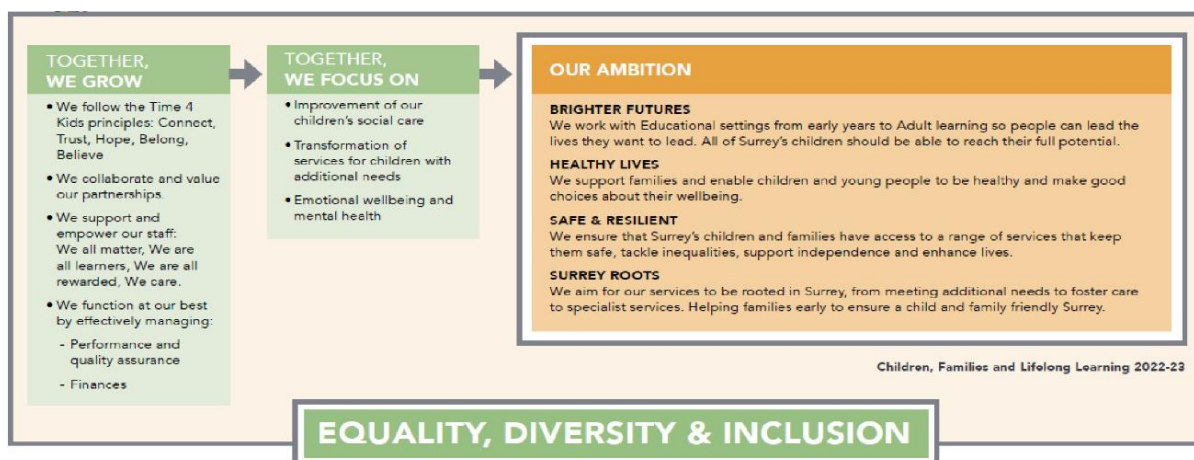
continue to lobby for increased PH funding to support the delivery of the health and wellbeing priorities for Surrey residents.

- 4.37 Most of PH’s major service contracts are coming up for renewal in the next few years. A key focus of the service will therefore be ensuring new service specifications take account of the latest health status of Surrey’s population and targeting service provision to address health inequalities. The procurement processes will consider how refreshed services can be commissioned to maximise value for money for residents.
- 4.38 Through a focus on research, partnering with academia and industry, and data across the wider Public Service Reform directorate, the team will be looking at how we drive health and social care devolution to its full potential, lobbying and influencing government where appropriate on future models of public service that transforms peoples’ lives. Working effectively in this space, the council hopes to be able to influence future public policy, leading to a more sustainable public service model.
- 4.39 Part of this will be seeking to maximise investment in preventative services commissioned by PH, that deliver key long-term financial and non-financial benefits. The PH service has been reviewing areas where additional investment is needed to address the priority of reducing health inequalities and fulfil the priorities of Surrey’s Health & Wellbeing Board strategy. Potential investments totalling £6.5m have been identified, which can be flexed depending on available resources. In response to the scale of the financial challenges facing SCC this investment has not been included in Final Budget. There does though remain an ambition to increase investment in PH services in the future.

CHILDREN, FAMILIES AND LIFELONG LEARNING

Context

- 4.40 The Children, Families and Lifelong Learning directorate’s strategic focus is set out in the graphic below. We root children and families in our hearts and minds because it is our purpose to ensure that every child is seen, heard, feels safe, and can grow



Current 2022/23 budget position

- 4.41 At the end of November, there is a forecast variance of £17.8m within CFLL driven by variances across a number of key areas.

- 4.42 The most significant is Home to School transport which is forecasting an end of year overspend of £13m against a budget of £41m. The overspend is driven by an increase in route costs of up to 20% since last year due to inflationary impacts on fuel prices. This is combined with managing the increase in SEND demand of 9% from September 2022 in line with Education, Health & Care Plan (EHCP) rate projections.
- 4.43 Children Looked After (CLA) placement costs are forecast to overspend by £4.4m. This pressure is a result of the lack of suitable placements being available within the provider market and continued demand for placements. This has resulted in a number of very high cost supported accommodation placements, with this category accounting for £2.4m of the £4.4m.
- 4.44 Staffing overspends within Family Resilience and Corporate Parenting of £2.5m are driven by the use of agency staff to cover vacancies and the double funding of some posts while newly trained social workers get up to speed. In order to secure permanent staff, appointments are also being made above the bottom step of the grade which reduces the impact of any permanent appointments compared to previous assumptions.
- 4.45 In addition to the staffing pressures, children with disability care budgets are also forecasting an overspend of £2.3m due to the levels of demand and pressures in direct payments and personal support. This level of demand is a continuation of pressures experienced during 21/22.

Financial pressures

- 4.46 The financial pressures forecast during 2022/23 are almost all ongoing pressures which are expected to continue into 2023/24. The two largest areas of pressure are Home to School Travel Assistance £18.1m and LAC placements £7.0m.
- 4.47 Both are being driven by a combination of demand and inflation increasing costs year on year. For Home to School Travel assistance, there is the need to address the significant in-year overspend in the 2023/24 base budget as set out in paragraph 4.42.
- 4.48 Another similarity between CLA placements and Home to School Travel Assistance, is the impact of a lack of sufficiency in their respective markets. The shortage of suitable placements for LAC is a national issue causing an increase in the use of 'unregulated' placements due to a lack of alternatives. These placements often come at particularly high costs and the situation means that authorities are competing with each other as places become available.
- 4.49 Whilst not such a nationally publicised issue, a lack of drivers is also impacting the Home to School Transport services and one of the reasons for the increase in costs over the last 12 to 18 months. A lack of providers in certain regions of Surrey mean that there are both difficulties in finding suitable provision, but also bids are not driven down through natural competition.
- 4.50 Improving recruitment and retention within the service is another pressure within the 23/24 position. In order to address the 22/23 overspend caused by the level of agency workers in roles, a number of proposals are being introduced to increase the number of permanent workers. These come with an upfront cost with the aim of longer-term efficiencies. In 23/24 £1.3m of costs are included associated with the trainee social worker scheme, apprenticeships and pay progression for existing staff.

Financial efficiencies

- 4.51 The largest efficiencies are within CLA placements through a combination of social work practice reducing escalation of needs and more specific programmes to target particular cohorts, such as the reunification programme (£0.4m).
- 4.52 The completed Children's Services Diagnostic undertaken alongside IMPOWER identified potential efficiencies based on reviewing past social work cases and considering alternative decisions that would have had a different outcome. This enforced existing assumptions about the impact of new practice models and, based on the high range scenarios, is estimated to be able to produce an efficiency of £2.6m in 23/24.
- 4.53 In addition to the diagnostic, other work is being considered to deliver efficiencies to mitigate growth in CLA costs. Stretch targets of a further £3.4m have been included to consider potential opportunities to further expand the Capital programme and sufficiency offer within the County, aligning the needs of children with the cost of service provision may also help to identify potential anomalies which may lead to cost efficiencies.
- 4.54 As well as the practice changes, increasing capacity for Social Care placements within Surrey is estimated to deliver further efficiencies. This is through both building additional bed spaces through the CLA Capital programme (£0.3m) and block purchasing beds from external providers for discounted rates (£0.3m).
- 4.55 Efficiencies within Home to School Travel Assistance are based around reducing the reliance on taxis and solo routes to more self-sufficient transport options such as bursaries, Independent Travel Allowances (ITA) and Independent Travel Training (ITT). These are estimated to build on efficiencies delivered in 23/24 to provide a further £3.0m in 23/24.
- 4.56 As well as the Children's Diagnostic work, there are two further efficiencies linked to the cross-cutting transformation programme. These are part of corporate wide projects focused on identifying contract efficiencies (£0.5m) and additional income from fees and charges (£0.3m) and a further reduction in staffing headcount (£0.2m).

Special Educational Needs & Disabilities (SEND) / Dedicated Schools Grant High Needs Block (HNB)

- 4.57 In the 2023/24 MTFs the previously required Dedicated Schools Grant (DSG) High Needs Block (HNB) offsetting reserve contribution budget is being reduced by £22m to leave a residual £5m budget. This is as a result of the 'safety valve' agreement which was signed in March 2022. This agreement sees the Council receive £100m of DSG funding in exchange for a contribution from its own general fund (from the existing HNB offsetting reserve) and schools through a 1% block transfer for five years, in order to eradicate the HNB cumulative deficit.
- 4.58 From this £5m budget, between £2-£2.5m has been earmarked to fund the cost of running the Additional Needs programme as it transitions from the Council's wider transformation programme into an ongoing Business As Usual (BAU) state within CFLL.

- 4.59 At the end of 2022/23 the council's HNB offsetting reserve will have sufficient balances to make the agreed contributions so, assuming the Council can remain on the current trajectory, there will be no requirement for further contributions.
- 4.60 To date, the Council has completed the first two quarterly monitoring reports to Department for Education (DfE) which are a requirement to continue receiving the additional grant funding. Whilst these identified that the Council remains currently on track, they highlighted the significant change in circumstances from March 2022 to the present time, in particular the impact of inflation on costs for schools and the Council, which has been logged with the DfE as a risk. The DfE also did not make the full requested capital contribution to the expansion of specialist places that the Safety Valve agreement relied upon and instead is requiring the Council to secure the capital through its Free School programme. Because a successful bid to this programme is not guaranteed, this is also a risk (see below).

Capital budgets

- 4.61 The SEND and Alternative Provision (AP) Capital Strategy is the most significant lever being used to reduce costs within the DSG HNB. By creating more spaces within the County's maintained and special schools, this reduces the requirement to place children in the more high cost Non Maintained Independent (NMI) sector whilst also supporting the aim of inclusivity for those children. On average an NMI placement is c£30k more expensive so reducing the use of these is key to achieving financial stability within the HNB.
- 4.62 As mentioned above the impact of inflation has been significant over the past year and that is also the case within the Capital programme. Following a lower allocation from DfE of safety valve capital grants (£56m bid and £8m awarded) the Council is looking for ways to ensure the full SEND programme remains funded. This includes submitting bids for two new special free schools as part of the recent DfE bidding round.
- 4.63 In addition to the SEND Capital programme, a number of other capital projects impact directly within CFL. A number of these are managed through Land and Property (L&P) but the service benefits or costs would be seen within CFL budgets. As well as the SEND strategy referenced above, there is £101m for the Schools Basic Need programme (grant funded) and £71m for capital maintenance in schools across the MTF5 period.
- 4.64 In a similar way to SEND, the Council is also wanting to expand the in-house provision for CLA as a lack of sufficiency within the County means that securing good value placements is increasingly difficult. As well as refurbishing existing children's homes, the CLA Capital programme is focusing on creating additional capacity through new homes in the County. This programme is also looking to support Care Leavers through increased provision including Houses of Multiple Occupancy (HMOs).

Horizon scanning

- 4.65 The national pressures within Children's social care recruitment and placement sufficiency will continue to influence the operating environment for CFL for a number of years, as will the cost of home to school transport in those local authority areas with extensive rural communities such as Surrey.

- 4.66 In Surrey we anticipate being one of the likely early local authorities to be inspected under the new inspection framework (currently being piloted by Ofsted and CQC) for the area's SEND provision, which may take place as early as 2023. Within the timeframe of the Medium-Term Financial Strategy there is also likely to be a full children's social care Ofsted inspection (in addition to one or more focused visits) and HMIP Youth Justice inspection. These service areas are all actively engaged in improvement work which it is essential to maintain in order to secure reliably good services for our children and families and to work towards delivering outstanding services.
- 4.67 Any financial implications resulting from the ongoing legislation changes from the schools white paper (Opportunity for All) and SEND Green paper (SEND review: right support, right place, right time) will be monitored. To date there is no anticipated direct impact on the General Fund of the Council, but the potential move towards multi-academy trusts (MATs) is one area where this may occur.

ENVIRONMENT, TRANSPORT AND INFRASTRUCTURE (ETI)

Context

- 4.68 ETI is a future-focused Directorate which aims to shape places, improving the environment and reaching sustainability and climate change targets. ETI provides many "universal services" to residents, services which many or all residents access - including waste management and highways. Key service areas include:
- Waste management, including recycling or disposal of household waste and operation of community recycling centres;
 - Highway maintenance and street lighting;
 - Public transport;
 - Countryside;
 - Planning & Development; and
 - Supporting the county's and Council's response to climate change and carbon reduction
- 4.69 Over the period of the Medium Term Financial Strategy, ETI's key priorities are to:
- Continue to build upon the new Directorate organisation design - implementing and embedding the new Highways structure, coupled with further reviews of our Waste, Greener Futures and Planning functions;
 - Strengthen our financial sustainability to provide value for money to communities by leveraging available funding opportunities, identifying new commercial opportunities, opportunities for partnership working, innovating service delivery and developing our Greener Futures Finance Strategy;
 - Mobilise Ringway as the new Highways contract provider, improving quality of works across the county, continuing to identify opportunities to innovate and work more effectively, and delivering against carbon reduction outcomes including immediate adoption of a minimum 11% EV fleet with commitment to reach net zero by 2030;
 - Strengthen engagement with customers and communities through delivery of our Customer Enquiry Improvement Plan and establishing the cross cutting Greener Futures Engagement and Behaviour Change Working Group;
 - Working with key partners and members, finalise the design of our future waste services and conclude the waste contract dispute;

- Deliver the Council and county's carbon emission reduction targets in line with our Climate Change Delivery Plan. With 46% of Surrey's emissions resulting from Transport, a key part of delivering these targets will be supported by delivery of the Surrey Transport Plan, EV network rollout and Bus Back Better plans;
- Deliver the capital programme including the River Thames flood alleviation scheme in partnership with the Environment Agency, and £70m of capital schemes identified in phases 1-3 of the Surrey Infrastructure Programme and develop the pipeline for future schemes;
- Implement a new governance model to better support delivery of the Climate Change Delivery Plan and Surrey Infrastructure Plan; and
- Continue to maximise external funding toward revenue and capital activities, including grants, income and developer contributions

Current 2022/23 budget position

4.70 ETI's current annual revenue budget is £142m. Key areas of spend include managing the recycling and disposal of the county's domestic waste collected at the kerbside and deposited at community recycling centres, managing the county's 3,000 miles of highways including repairing and maintaining the county's roads, streetlights, bridges and other assets, passenger transport including contracting bus services and operating the concessionary travel scheme for elderly and the disabled, and management of the countryside including providing visitor services.

4.71 A significant proportion of the Directorate's budget is linked to contracts, and ETI therefore recognises the need to work in close partnership with providers and markets to explore opportunities for efficiencies.

4.72 At month 8 ETI forecasts no overall variation against its revenue budget, although a number of pressures and risks are being offset or managed and are recognised in future budget plans. Key issues include:

- Higher than budgeted waste contract inflation is offset by improved prices of dry mixed recycling (£2m), and both are reflected in the future MTFS assumptions
- Additional costs of bus services, reflecting increased operating and fuel costs, are offset by additional government bus recovery funding. The 22/23 budget includes £2.1m to offset the ongoing impacts of changes in travel behaviour post-covid, in addition to inflationary adjustments. Concessionary fares volumes are currently below the budgeted amount, and this benefit is expected to continue.
- Street lighting energy prices have increased and are creating a pressure (£0.7m), currently offset by other highways underspends and additional income in the current year.

Financial pressures

4.73 The ETI 2023/24 revenue budget includes pressures of £14.9m, £30.2m for the whole 2023-28 MTFS period; including:

- Inflation: significant spend within ETI is delivered through medium and long term contracts including bus services, highway maintenance, and waste management. Most contracts include provision for an annual inflationary uplift, e.g. to recognise that materials and labour costs are increasing. Inflation is currently high, with the need to reflect inflation in 2022/23 where higher than originally assumed in the budget, as well as additional inflation for future years, totalling £11.7m in 2023/24.

- Supporting and enhancing ETI services: other pressures in 2023/24 include the introduction of a young person's travel scheme, a new highway works management system, adjusting for changes to prior year plans, and addressing the impact of ash dieback. This follows investment in previous years to support the recovery of bus services following the Covid-19 pandemic, additional resources to deliver Council priorities including Greener Futures, and investment in managing the countryside including maintenance of public rights of way.

Financial Efficiencies

4.74 The ETI 2023/24 revenue budget includes efficiencies totalling £3.9m, including the following:

- Waste management: the cost of dealing with dry mixed recyclable materials has reduced this year. Waste materials (e.g. paper) are a commodity and prices are influenced by supply and demand within a global market. At least in the short term this trend is expected to continue, providing a net benefit of £2m.
- Other efficiencies include the expectation that reduced volumes of concessionary bus journeys will continue (£0.6m), efficiencies anticipated from cross-cutting reviews of contract management (£0.2m) and fees & charges (£0.2m), new arrangements for enforcement of on street parking restrictions (£0.5m), use of developer funding (£0.4m), and completion of the council's programme to convert streetlights to LED (£0.3m). These are partially offset by the reversal of one-off efficiencies delivered in 2022/23.

Capital budgets

4.75 ETI delivers infrastructure improvements through the Capital Programme, which includes the capital budget for projects which are in or approaching delivery, and the capital pipeline for schemes under development and subject to business cases. ETI's 5 year capital programme totals £1bn across the MTFS period. Key programmes and schemes include:

- Structural maintenance of roads, bridges and other highway assets
- The River Thames flood alleviation scheme and wider flood alleviation programme
- Highways and transport improvement schemes and programmes, such as the A320 Improvements, low emission buses, and the Surrey Infrastructure Plan
- Greener Futures, the Council's ambitious carbon reduction plan.

Horizon scanning

4.76 In future years further opportunities are anticipated in a number of areas, including:

- Following an extensive procurement process the Council's new highways maintenance and improvement contract, delivered by Ringway, started this year. The Council and its contractor will work in partnership to explore further efficiencies, for example innovations in working practices and use of improved materials.
- The Government is consulting on its Waste and Resources Strategy which could have implications for how the Council manages domestic waste, and the cost of doing so. The Strategy includes provision to improve the reuse of products, to make producers responsible for the cost of managing the disposal of products and packaging, and to change the way waste and recyclable materials are collected – all of which could provide opportunities for achieving efficiencies in ETI's budget over the MTFS period and beyond.

Context

4.77 The Surrey Fire and Rescue Service (SFRS) is a statutory service which aims to make Surrey a safer place to live, work, travel and do business. In recent years, in response to now His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HIMCFRS), SFRS has put in place a major improvement programme which is set out in the Making Surrey Safer Plan (MSSP) 2020-24. A big part of the MSSP is about improving how we deliver prevention and protection activities, helping to prevent emergencies from happening in the first place.

4.78 Partnership working is key to the success of the MSSP, starting within Surrey County Council with Adult Social Care and Integrated Commissioning, Children, Families and Lifelong Learning and Public Health services, to help prioritise support to our most vulnerable residents. SFRS also aim to work better with other emergency services, District and Borough Councils and closer working with businesses to support the Surrey economy.

Current 2022/23 budget position

4.79 SFRS currently has an annual revenue budget of £33m. At month 8 Fire forecasts an overspend of £2.5m on revenue budgets including:

- increased “logistics” costs including fuel, vehicle repairs, cross border support (where neighbouring fire authorities are closer and therefore respond to incidents), and communications, £0.8m
- recruitment, training and retention costs following London Fire Brigade transfers, £0.7m
- staffing pressures from increased usage of on-call staffing, inability to fully make operational staff vacancy factor and trainee back pay for additional hours worked, £0.6m
- a national requirement to compensate for annual leave on overtime, including backdated costs, £0.5m
- Ill health retirements and other, £0.2m
- The above pressures are mitigated by offsetting underspends and efficiencies of £0.3m

Financial pressures

4.80 The SFRS 2023/24 draft revenue budget includes pressures of £6.5m, £11m for the whole 2023-28 MTFS period; including:

- Expected growth through pay inflation, including anticipated growth from nationally agreed firefighter's pay awards in 2022/23 and 2023/24, totalling £2.6m next year.
- Existing cost pressures including vehicle repairs and maintenance, communications system costs, higher training costs due to staff turnover, increased costs of neighbouring fire authorities where they are nearer and respond to incidents in Surrey, totalling £1.5m in 2023/24.
- Recruitment and resilience measures designed to offset the ongoing impact of firefighters leaving the authority, including additional recruitment of both temporary and permanent operational staff, enhanced skills, incentives to retain firefighters and additional learning and development, totalling £1.4m in 2023/24.
- Other smaller pressures total £0.9m in 2023/24 and include general inflation and additional staffing pressures.

Financial Efficiencies

4.81 Following significant transformation and modernisation of the Fire service across 2019-21, which included re-alignment of resources into prevention and protection teams alongside a more efficient response operating model, efficiencies in future years (£0.9m in 2023/24) are focussed on optimising spend through continual improvement and consideration of alternative funding, including use of grants and capital funding, commercialisation of some services and assets, and anticipated reduction in overtime resulting from recruitment and resilience.

Capital budgets

4.82 SFRS currently has a Capital Programme of £23m across the MTFS period which includes replacement of fire appliances, other vehicles and equipment.

Horizon scanning

4.83 Efficiency measures subject to further development include a shared fleet maintenance facility, fleet rationalisation through use of telematics, more effective use of property such as co-location with other services, and a review of learning & development provision. The Community Risk Management Plan will be reviewed and updated for the end of 2024, and will include a wider review of the service, including efficiency and an opportunity to consult on any changes.

PROSPERITY, PARTNERSHIPS AND GROWTH

Context

4.84 The Directorate plays a key leadership role in convening and developing lasting and effective relationships and partnerships with key organisations locally, regionally and nationally and in driving forward the Council's ambitions and Economic Growth Strategy for Surrey through innovative, targeted delivery programmes.

4.85 Relationships and partnership work with Government departments and officials, national agencies, national and regional representative bodies, District and Borough Councils, other authorities, County organisations and local bodies contribute to the achievement of the Community Vision 2030 and all four of the Council's strategic priorities. This is most obviously manifested in the proactive planning, preparation, positioning and activity in relation to Government policy and programmes, such as Levelling Up White Paper and the potential to secure a County Deal for Surrey.

4.86 'Surrey's Economic Future: Our 2030 Strategy Statement' and the partnership delivery programme that supports it, directly contribute to the Council strategic priority of 'growing a sustainable economy so everyone can benefit'. They also contribute to the 'reducing health inequalities', 'enabling a greener future' and 'empowering communities' priorities.

4.87 They set out the path to economic recovery and prosperity, identifying four main themes/opportunities for the County's post Covid-19 resilience and growth, including:

- Delivery of Surrey's Inward Investment Programme and promotion of the Surrey Story;
- Convening and place leadership to reimagine Surrey's High Streets for the future;
- Skills for growth: maximising opportunities through skills development for the future; and
- Delivery of key Infrastructure across Surrey, including gigabit capability, highways and transport, and business networks and partnerships.

4.88 Specific interventions are already being taken forward to drive a more innovative, inclusive, and productive economy. These include the launch of a Surrey Skills Plan developed in partnership with business and providers, and a new Surrey-specific approach to inward investment, a strategic, community-led approach to placemaking, the development of a county-wide accommodation, housing and homes strategy and a programme of work to improve full fibre digital connectivity in Surrey.

Current 2022/23 budget position

4.89 The Prosperity, Partnership and Growth Directorate has a total budget of c£1.6m, which is materially targeted at the Economic Growth Team and associated costs. The directorate is forecasting a small underspend of £104k, due to recruitment delays and reductions on project spend.

Financial Pressures & Efficiencies

4.90 For 2023/24 there is a requirement to strengthen the team further by adding a role to deliver the Surrey Story. Pay and price inflation add a further cost, creating a total pressure of £0.2m. This pressure is offset by recognising the 2022/23 underspend due to recruitment delays and staff turnover plus ending the funding for LEPs.

CUSTOMER AND COMMUNITIES

Context

4.91 The Directorate includes the following services:

- Community Partnerships and Engagement
- Customer Services
- Libraries, Arts, and Heritage
- Registration and Nationality Services
- Coroners
- Trading Standards and Health & Safety

4.92 Customer and Communities delivers critical day-to-day services and operations, while also shaping and driving several connected key strategies and transformation programmes that are central to the successful achievement of the Surrey County Council (SCC) Organisation Strategy, 2030 Community Vision and Surrey Health and Wellbeing Strategy.

4.93 The Directorate is at the forefront of shaping and delivering the Council's priority ambition for empowered and thriving communities. Supporting the development of thriving communities is essential to delivering a greener future, driving a sustainable local economy, and tackling health inequalities - and strong and active communities are a crucial ingredient in enabling more people to live independently for longer.

4.94 The Directorate is delivering key transformation programmes that continue to adapt and improve services to meet the changing needs to our residents and ensure financial sustainability:

- **Customer Transformation** - making the experience of dealing with the council quicker, easier, and better by shaping a new relationship with our customers, managing their enquiries in a more efficient, proactive, and connected way and increasing our use of digital self-serve technologies and data insights;

- **Libraries and Culture Transformation** - delivering a modern and efficient set of services across Libraries, Arts and Heritage reducing net cost and increasing impact for communities in Surrey;
- **Enabling Empowered Communities** – designing and introducing new approaches to reinvigorate our relationship with residents, empowering communities to tackle local issues and support one another, while making it easier for everyone to play an active role in the decisions that will shape Surrey’s future.

Current 2022/23 budget position

- 4.95 The net budget for the Directorate for 2022/23 amounts to circa £17m. This includes significant income budgets in excess of £15m, primarily across Cultural Services (Libraries and Surrey Arts) and Registration and Nationality Services. Income comes primarily from weddings (from providing registrars services at both registry offices and licenced venues), music lessons provided by Surrey Arts in schools, archaeology services, and fines and reservation charges in libraries.
- 4.96 All areas have delivered significant service improvements and cost reductions over the last three years. For example, the Library Service net budget has reduced by 34% and the Customer Services budget has reduced 15% since 2019/20. The ambition is not only to ensure the sustainability and quality of services provided, but to also think creatively about how services are delivered efficiently and effectively.
- 4.97 The full year Directorate budget forecast for 2022/23 is a balanced position. This includes:
- A forecast overspend of £0.3m for the Coroners Service, due to staffing pressures and contractual costs required to ensure operational delivery;
 - An offset of £0.3m from additional income which is delivering part of the 2023/24 efficiencies early, and one-off staffing vacancies.
 - The overall balanced position also reflects the application of Covid-19 funding (£0.4m) to directly offset income lost in the Libraries and Cultural Services due to the pandemic.

Financial pressures

- 4.98 The Coroners, Trading Standards and Health & Safety functions transferred to Customer and Communities from the Community Protection Group this year with a net budget of circa £6m. The Coroners service moved with a budget pressure of £0.7m, in part due to staffing and a recently re-procured transport contract. This pressure is partly mitigated this year by the use of a one-off reserve for special inquest costs. Following the transfer in of these additional services and recognition of the breadth and depth of the recently formed Customer and Communities Directorate, there was also an identified need to meet the future strategic leadership requirements of the re-shaped directorate in order to deliver both its operational and wider cross organisational goals (£0.5m). These two specific pressures related to the composition of the Directorate have been met as corporate investments and are built into the base budget of the re-shaped Directorate from 2023/24.
- 4.99 The Directorate relies on significant income generation and continues to face challenging income targets which, for some services, have not yet returned to levels before the covid pandemic. Whilst 2022/23 has seen an increase in income since last year, Libraries and Surrey Arts income remains lower than in 2019/20, causing a budget pressure of £0.4m this year. Demand for services has changed, for example audio visual and PC rental has reduced. Meanwhile, Registrations income levels have returned well, particularly in relation to weddings.

4.100 Figures for most services are encouraging and there has been a budget planning assumption for 2023/24 that income levels return to pre-pandemic levels but this will require further close monitoring over coming months. Meeting this assumption requires significant activity to take place to ensure targets are achieved or that related expenditure reduces and that the Directorate can continue to manage emerging pressures from within the existing available budget envelope.

4.101 In addition to working to ensure that income levels return to pre-covid levels, the Directorate has identified additional budget pressures mainly relating to pay inflation (£1.5m) and also to reduced funding from the Police for the Coroners service.

Financial Efficiencies

4.102 The Directorate has had to identify a range of options to offset these pressures. Specifically:

- £0.4m additional income generation with a particular focus on additional service offers through Registrations plus inflationary uplifts to fees and charges
- £0.5m service and cross service efficiencies that can be made while largely maintaining the current agreed strategic direction and service delivery expectations – this includes:
 - Reducing staffing costs through digitalisation and scheduling optimisation of Registration services;
 - Reducing staffing costs in Trading Standards;
 - Reducing staffing costs in Customer Services through digitisation and prioritisation (including no longer mediating non urgent highways calls through the Customer Contact Centre for those who can engage digitally);
 - Reducing business support costs following the introduction of the MySurrey platform;
 - Reducing total spend on the libraries book fund.

Capital

4.103 The Directorate has significant pipeline capital investment plans in development to transform the libraries estate and to provide improved mortuary provision. The Directorate also oversees the corporate Your Fund Surrey capital investment programme

4.104 The Capital Pipeline contains investment to enable the libraries transformation programme. This is a five-year programme of work to modernise library settings across Surrey to;

- Enable libraries to meet the changing needs of communities;
- Support wider strategic priorities; and
- Ensure library assets are fit and sustainable for the future.

Horizon Scanning

4.105 Further efficiencies would materially reduce or slow aspects of agreed strategic priorities and direction.

RESOURCES

Context

4.106 As the Council continues to drive forward its ambitious transformation programme to improve the services we provide to residents and its commitment to the Community Vision for Surrey 2030, the Directorate is focused on ensuring that corporate support and enabling services are of the highest calibre, at the right cost.

4.107 The pandemic and the latest financial volatility have shown how teams are responsive, adaptable and collaborative in tackling extreme challenges. The Resources Directorate wants to build on this, to provide the Council with a more joined up approach to support from back-office functions, generating opportunities to realise better customer experience and efficiency through digital innovation and creating 'teams around a service/project.' This is intended to help deliver a step change in the effectiveness of our services, and to meet aspirations to be best in class with regard to the support we provide to our service directorates. The skills and behaviours that this demands of Resources colleagues will be consistent with, and reflective of, those required from front line services that are more focused on place, communities and individual choice.

4.108 The Resources Directorate improvement programme aims to ensure the consistent delivery of high quality, trusted advice and services, performing to their full potential and in a collaborative way, as a key enabler for the County Council to achieve the best outcomes for local residents. In addition to a number of individual service improvement plans, there are the following cross cutting areas of focus within the programme:

- Business Partnering;
- Performance Management;
- Leadership Development;
- Value Tracking;
- Agile Organisation; and
- Digital Business Insights and Digital Transformation

4.109 Through this improvement programme, the Directorate are looking to provide efficient services without reducing the service offer. 2023/24 continues the process of identifying efficiencies following progress in stabilising and raising the quality of services provided. These efficiencies are driven through a number of areas and initiatives.

Current 2022/23 budget position

4.110 The Directorate is seeing a number of financial pressures emerging, the largest being high energy and food inflation. In addition, there is an identified need to strengthen the capacity in some services in order to meet the organisational ambitions. There are also delays to delivering some of the planned efficiencies to the running cost of buildings. This is leading to a likely overspend of £0.5m this year, after mitigations.

Financial pressures

4.111 The pressures in 2022/23 continue into 2023/24, these plus new pressures require budget growth of £9.2m. The inflation pressures for next year are estimated as £7.8m. The high level of demand for Legal services continues and additional capacity is required to support the council's corporate strategies, this adds a further £0.9m. Additional pressures of £0.3m relate to loss of income.

Financial Efficiencies

4.112 Efficiencies of £6.4m have been identified to offset the pressures. These efficiencies relate to:

- £2.7m of Land & Property (L&P) efficiencies, such as office rationalisation, resources, containing energy inflation by reducing usage. This is in addition to £9.4m of L&P efficiencies delivered since 2018;

- £0.3m additional income from the schools meals service, including increasing the price of school meals in April by 10% compared to September 2021 prices.
- £0.8m of IT&D efficiencies, such as additional income and mobile phone contract savings;
- Savings from the disaggregation of Orbis services will deliver £0.6m;
- £2m efficiencies from a variety of services including Business Operations transformation and improvements following implementation of MySurrey, additional income in Finance and contact cost savings.

4.113 The Directorate contains the Transformation Support Unit, which drives further financial efficiencies across the organisation through the ambitious and forward-looking transformation programme whilst ensuring a uniform and consistent approach to transformation and therefore making a significant contribution to achieving the financial sustainability required, so that the Council can deliver priorities, resulting in better outcomes for Surrey residents.

Capital

4.114 The Directorate has significant capital investment and delivery plans relating to the Council's Land and Property (£813m) and IT&D (£41m) services, over the MTFS period. These investment plans are developed in close consultation with front line services to ensure that the Council's assets are used effectively and are fit to support the efficient delivery of services to our residents and to support our staff to carry out their responsibilities.

COMMUNICATIONS, ENGAGEMENT AND PUBLIC AFFAIRS

Context

4.115 The Communications, Engagement and Public Affairs service is responsible for developing a Communications Strategy for Surrey County Council, mapping out a high-level narrative based on organisational priorities, underpinned by 'super campaigns' and ongoing resident and stakeholder communications.

4.116 The Directorate:

- Through a clear and consistent narrative, ensures residents understand the Council's challenges and its transformation achievements;
- Delivers a public affairs strategy which focuses the Council's political activities and makes clear the Surrey offer to key national Government stakeholders;
- Is responsible for developing an internal engagement plan that cultivates a culture of inclusion, nurtures talent, promotes diversity and creates connected employee communities;
- Ensures the organisation is prepared to respond to high profile media interest, protecting the Council's reputation, particularly in the areas where we are making critical service improvements; and
- Ensures the Council is prepared to deal with reputational challenges by being able to provide crisis management and support, ensuring that the bigger picture and a clear direction is connecting with stakeholders and partners.

4.117 There is an ongoing requirement for the service to maintain good, clear, consistent communication in support of the County's recovery from the pandemic including providing enhanced communications relating to the medium-term impacts of the pandemic, such as mental health, domestic abuse and financial hardship.

Current 2022/23 budget position

4.118 The Directorate operates within an overall budget of £2m, managing demand pressures within existing financial resources wherever possible. The latest forecast is a balanced position.

Financial Pressures & Efficiencies

4.119 For 2023/24 pay and price inflation creates a total pressure of £0.1m. This pressure is offset by recognising reduced staffing costs due to staff turnover.

5. FINANCIAL STRATEGY AND DRAFT BUDGET 2023/24

5.1 This section sets out our approach to developing a Budget and Medium-Term Financial Strategy. We committed, as part of our Finance Improvement Programme, to assessing future budget setting processes against a best practice framework. This process began for 2020/21's budget and has continued in successive years. The following six hallmarks are used as a self-assessment tool, with current progress set out alongside.

Table 1 – Self-assessment against the Hallmarks of building the Budget

Hallmark	Self-Assessment
The budget has a Medium-Term focus which supports the Strategic Plan	<ul style="list-style-type: none"> • The budget process has been coordinated across Directorate Leadership Teams, Strategy, Transformation and Finance; the integrated approach ensures that the budget is focussed on delivering Corporate priorities and linked to the core planning assumptions • Despite significant uncertainty in the financial planning environment, our approach continues to focus on a five-year Medium-Term period, which bears the hallmarks of sustainability and avoids short-term measures or depletion of reserves • The Council launched a cross-cutting approach to budget setting for 2023/24 onwards to ensure that dedicated focus, resource, and adequate time is dedicated to solving the medium-term budget gap
Resources are focused on our vision and our priority outcomes	<ul style="list-style-type: none"> • The budget is based on clear integration with the Organisation Strategy, the Transformation programme and corporate priorities; developed in partnership across the organisation through the Strategic and Integrated Planning Group • The draft budget has been subject to numerous iterations through Cabinet and CLT over the last five months to narrow the gap and clarify and update assumptions • The comprehensive application of a recognised PESTLE+ framework to review the likely environment for budget setting and service delivery • The assessment led to the development of Core Planning Assumptions, by representatives from across the Council's services, to provide a consistent framework for planning purposes
Budget not driven by short-term fixes and maintains	<ul style="list-style-type: none"> • The cross cutting approach, integrated with transformation and with a focus on opportunities required over the medium-term ensures that we are acting now to secure a sustainable budget over the next five years

<p>financial stability</p>	<ul style="list-style-type: none"> • Business cases are built around corporate priorities; focussing on benefits realisation and deliverability across transformation, invest to save and capital • For the past four years, we have not used General Fund reserves to support the budget – the planning assumptions are for a continuation of this strategy over the medium-term • We aim to continue to hold general fund reserves appropriate to meet the assessed risk environment and specific pressures to ensure our continued financial resilience despite an increasingly volatile and uncertain external environment • Our reserves exceed the 5%-10% range recommended by Grant Thornton in their document '<u>Lessons from recent Public Interest Reports.</u>' This is deemed appropriate and reflects our risk assessment of the external local government environment in which we operate.
<p>The budget is transparent and well scrutinised</p>	<ul style="list-style-type: none"> • The Budget Task Group and Select Committees have been involved early in the budget process to set out the approach, covering the Core Planning Assumptions, cross cutting efficiencies and funding projections. They have been provided the opportunity to put forward suggestions to close the budget gap. In October, Directorate pressures and proposed efficiencies were shared in advance of finalising the draft budget proposals. These sessions will continue throughout the budget setting process. • Opposition Groups have been engaged earlier in the budget setting process for 2023/24. They have been consulted on the core planning assumptions, cross cutting efficiencies, funding projections and asked to contribute suggestions to close the budget gap.
<p>The budget is integrated with the Capital Programme</p>	<ul style="list-style-type: none"> • Section 6 sets out the Draft Capital Programme • The Capital Programme is developed alongside the revenue budget and is overseen by Capital Programme Panel. We continue to clearly demonstrate delivery of corporate and service priorities and set out the impact and linkages with the revenue budget • Where decisions on available funding have been required, prioritisation of capital bids have been reviewed by a sub-set of Cabinet and CLT, taking into account parameters such as alignment to corporate priorities and impact on the revenue budget • The full borrowing costs of proposed Capital Programme are reflected in the revenue budget and the trajectory for borrowing costs has been assessed over the long-term • The full lifecycle costs of new investment are assessed to establish the long-term financial impact
<p>The budget demonstrates how the Council has listened to consultation with local,</p>	<ul style="list-style-type: none"> • Section 9 sets out our approach to consultation, in summary: • We undertook in-depth engagement with residents in 2021 to understand their priorities for our spending and to gauge their reaction to a number of proposals. We have continued to validate the outcomes of that exercise in 2022 with other exercises, including focus groups with residents to look at services particularly important to households.

people, staff and partners	<p>We have also undertaken a cost-of-living survey with residents through the Surrey Health and Wellbeing Panel</p> <ul style="list-style-type: none"> • During November and December 2022, we will engage further with residents, businesses, districts and boroughs, other public service partners and the voluntary, community and faith sector to understand their views about the draft budget and whether we are prioritising our resources in the right places
-----------------------------------	--

Budget Principles

5.2 The MTFS for successive years has been built on a number of high-level principles which are used as a framework to set the budget. These have proven to be successful and have been reaffirmed for the 2023/24 budget.

5.3 The principles are:

- An integrated approach linking Organisation Strategy, Service and Transformation plans to the MTFS through cross-cutting business partnership;
- A balanced revenue budget with only targeted use of reserves and balances (i.e. using them for their intended purpose to cover one-off or time-limited costs);
- Regular review of reserves to ensure appropriate coverage for emerging risk;
- Budget envelopes set for each Directorate to deliver services within available resources;
- Budgets agreed and acknowledged by Accountable Budget Officers through Budget Accountability Statements;
- Cost and demand pressures contained within budget envelopes;
- Robust efficiency plans which are owned, tracked, and monitored;
- Managers accountable for their budgets;
- Scenario planning across pessimistic, optimistic, and likely assumptions to set realistic boundaries on the likely operating environment; and
- Working with partners to create best value for residents.

Principles more specifically related to setting sustainable Medium-Term budgets are:

- Developing and iterating five-year plans, integrated with transformation and capital investment across the Council;
- Continuing to adopt a budget envelope approach with a model to determine a consistent and transparent application of funding reductions to Directorate budget envelopes;
- Envelopes validated annually based on realistic assumptions and insight;
- Evidence bases used to underpin all efficiency proposals;
- Assurance that all efficiencies, pressures and growth are owned by Executive Directors with clear governance throughout the organisation;
- Pay and contract inflation allocated to Directorates to be managed within budget envelopes;
- A corporate transformation fund held centrally;
- A corporate risk provision/contingency held centrally; and
- A corporate redundancy provision held centrally.

Revenue Budget Headlines

5.4 As an organisation we are constantly affected by our external environment, which has implications for both what we want to achieve and how we will deliver for our residents and communities. Understanding this context is integral in helping inform and shape how we plan and respond as an organisation to possible future scenarios.

- 5.5 The revenue budget has been developed during a period of significant uncertainty; with the impact of inflation forecasts, Government leadership and policy changes, funding, the impact of the cost-of-living crisis and likely demand for services in 2023/24 all very unclear. This uncertainty has been managed through the development and costing of a range of Core Planning Assumptions, which set out assumptions about the council's most likely operating context.
- 5.6 The assumptions have been developed from emerging policy trends and predictions drawn from government messaging, strategies, policy think tanks and other influential institutions to build an expectation of future conditions. They are not intended to define a specific future, but list important factors that may affect the council's resources and services to inform strategic and financial planning in the short to medium term.
- 5.7 The creation of the Core Planning Assumptions drew from subject matter expertise from across the council, forming a set of likely scenarios against which the service strategies and the Final Budget and 5-year MTFs were developed.
- 5.8 Throughout the planning process, we have followed the budget envelope principle where Directorates are challenged with producing a budget that matches available funding. This entailed Directorates identifying efficiencies to offset pressures from demographic growth, inflation and new responsibilities.
- 5.9 Directorate growth pressures have been subject to a number of iterations and changing assumptions, particularly in relation to forecast inflation culminating in the final budget, with the following main changes from 2022/23:
- **An increase budget of £61.4m**
 - Total pressures of £130.7m, comprising
 - Staffing pressures of £28m
 - Contract & Price Inflation of £54.2m
 - Demand and other pressures of £41.7m
 - Capital; financing costs of £6.8m; and
 - Efficiencies of £69.3m
- 5.10 The level of pressures represents a significant increase in the average annual pressures identified, when compared to recent years, primarily due to the high inflation environment. This has necessitated the identification of a higher level of efficiencies than has been required in recent years.
- 5.11 In setting the budget, pay, contract and price inflation has been calculated by Directorates, informed by corporate assumptions. Pay inflation at 5% has been calculated and allocated to Directorates, in addition to other pay and recruitment pressures. This is a planning assumption only and does not represent the proposed pay award. The actual pay award for 2023/24 will be decided by the People, Performance and Development Committee after formal consultation. Any further pressure or reduction from the 5% will be dealt with in-year. Contract and price inflation has been set based on a blended assumption of annual average RPI and CPI of 7.3% for 2023/24, with variations for specific contracts and market variations where appropriate. In addition, there has been a need to increase base budgets to reflect the inflation experienced in 2022/23 above the 4% what was assumed in the budget position, an indicative 10.8% is used for these purposes,

again with variations for specific contract terms and market conditions where appropriate. Inflation has been included in Directorate envelopes.

5.12 The revenue budget envelopes for Directorates, Central Income and Expenditure and Funding are summarised in the table below. Overall, net expenditure has grown by £61.4m (5.9%):

- Pressures and Efficiencies are set out in further detail in **Annex A**
- A breakdown of the 2022/23 budget by Directorates and Services in **Annex B**.

Table 2: Summary Final Budget Position for 2023/24.

Directorate	Budget 22/23 £m	Pay Pressures £m	Contract & Price Inflation £m	Demand & Other Pressures £m	Efficiencies & Funding £m	Total Movement £m	Budget 2023/24 £m
Adult Social Care	402.0	8.7	29.8	18.5	(19.2)	37.8	439.7
Public Service Reform	35.4	0.2	1.0	0.0	0.0	1.2	36.6
Children, Families & Lifelong Learning	221.7	9.6	6.7	23.1	(11.3)	28.1	249.8
CFL - High Needs Block - DSG	27.2				(22.2)	(22.2)	5.0
Comms, Public Affairs & Engagement	2.2	0.1	0.0	0.0	(0.0)	0.1	2.2
Surrey Fire & Rescue Service	33.1	2.7	0.2	3.5	(0.9)	5.6	38.7
Customer & Communities	17.0	1.5	(0.1)	1.3	(0.8)	1.9	18.9
Environment, Transport & Infrastructure	141.7	1.5	11.7	1.7	(3.9)	11.0	152.8
Prosperity, Partnerships & Growth	1.6	0.1	0.0	0.1	(0.1)	0.0	1.6
Resources	76.4	3.6	4.5	1.1	(6.4)	2.9	79.3
Total Directorate Envelopes	958.2	28.0	54.0	49.2	(64.8)	66.3	1,024.5
Central Income & Expenditure	81.9	0.0	0.2	(0.7)	(4.5)	(5.0)	76.9
Total Net Expenditure	1,040.1	28.0	54.2	48.5	(69.3)	61.4	1,101.5
Business Rates (inc related grants)	(121.1)				(9.9)	(9.9)	(131.0)
Grants	(93.0)				(18.4)	(18.4)	(111.4)
General Council Tax	(735.1)				(18.2)	(18.2)	(753.3)
Adults Social Care Precept	(94.6)				(18.1)	(18.1)	(112.7)
Collection Fund (Surplus) / Deficit*	3.7				3.1	3.1	6.8
Total Funding	(1,040.1)	0.0	0.0	0.0	(61.4)	(61.4)	(1,101.5)

National Funding Context

Spending Review & Local Government Finance Settlement

5.13 On the 17th November 2022, the newly appointed Chancellor of the Exchequer, the Right Honourable Jeremy Hunt MP, announced the Autumn Statement, alongside the publication of updated economic forecasts for the UK by the Office for Budget Responsibility (OBR). The announcements were widely anticipated, given the economic, political and fiscal uncertainty of the previous few months since the fiscal announcements made by the previous Chancellor at the end of September.

5.14 The Autumn Statement announced plans to close a significant fiscal gap (estimated at £55bn) through equal measures of reduced spending and tax increases. The Chancellor needed to provide confidence to the markets and the wider economy and set out plans that were both politically and economically credible. The announcements set out clear plans for the short-term and guidelines for the medium-term beyond 2025/26.

5.15 The Chancellor made some significant spending decisions for local government over the next 2 years, with increases in funding for social care and schools. Some of the additional funding has

been found by postponing the implementation of the social care reforms from October 2023 to October 2025, using the resources available to manage existing service pressures.

5.16 The provisional Local Government Finance Settlement (LGFS) followed on the 19 December and provided more details for 2023/24 about the announcements made in the Autumn Statement. Details of spending plans for the medium term are not set out, these will depend on the speed and level of improvement and growth in the economy. This continues the trend of uncertainty and a real risk of reductions being required in public spending in the medium term.

5.17 The Autumn Statement and LGFS headlines for Surrey County Council are as follows:

Revenue:

- The Levelling Up Secretary Michael Gove confirmed a £29.5 billion funding package as part of the provisional LGFS. The settlement means councils across England will benefit from an additional £5 billion – a 9% increase on last year’s settlement.
- The agreement for next year includes a one-off Funding Guarantee that ensures every council in England will see at least a 3% increase in core spending power before any local decisions around council tax are taken.
- Health and social care were prioritised with additional grant of around £2 billion for 2023/24.
- The draft budget included an estimated £15m of additional funding, which was considered a prudent but not worse case assumption based on the Autumn Statement announcements and given the lack of clarity on distribution formulas. The final allocations resulted in additional grant allocations of £30.7m, consisting of:
 - £19.7m of additional Social Care Grant
 - £9.4m of additional Market Sustainability and Improvement funding for adults social care (shown in the budget within the ASC Directorate)
 - An additional £1.6m of Discharge funding also for adults social care (shown in the budget within the ASC Directorate)
- In addition, the LGFS confirmed the following in relation to existing grant funding:
 - New Homes Bonus allocation was confirmed at £1.6m (£1m was assumed in the Draft Budget)
 - The continuation of the Services Grant was confirmed, previously announced as one-off funding for 2022/23. Surrey County Council’s allocation is £4.5m (a decrease from the £7.9m assumed in the Draft Budget)
- The LGFS confirmed that the Fair Funding Review of the allocation of Government Grant will not commence within this Parliament.
- The core Council Tax referendum threshold has been increased to up to 3% for 2023/24 and 2024/25
- The Adults Social Care (ASC) Precept limit is set at 2% for 2023/24 and 2024/25.
- Each 1% increase in either the core Council Tax or ASC Precept generates c£8.3m. Of the potential 5% overall increase available, the final budget assumes that 2.99% will be raised.

Capital

- Capital grants were not confirmed as part of the LGFS.
- SEND capital investment announcements made in the previous year’s settlement span 3 financial years to 2023/24. Confirmation of specific annual allocations from 2024/25 are yet to be announced. The Capital Programme includes a comprehensive SEND

investment programme, so any additional grant will reduce our need to borrow to fund these requirements.

- Assumption on other capital grant funding have been made in the final capital programme, based on historic allocations. Changes between these assumptions and final grant announcements will be managed in year.

Final Funding for 2023/24

5.18 For some years, the most significant anticipated influence on the Council's funding has been the long-planned implementation of fundamental Government funding reform; the Review of Relative Needs and Resources, alternatively referred to as the Fair Funding Review. Our planning assumption is that reform would see Surrey County Council's funding drop significantly over the medium-term. Current indications are that reform will be implemented no earlier than 2025/26.

5.19 Total funding for 2023/24 for Surrey County Council is set out in the sections below.

Council Tax Funding £862.2m (Council Tax £866.0m less collection fund deficit £3.8m)

5.20 The Provisional Local Government Finance Settlement confirmed there will be an increased referendum principle of up to 3% for core council tax for 2023/24 and 2024/25. For the Adults Social Care (ASC) Precept, the Government is allowing an additional 2% on top of the core element.

5.21 In setting the budget the Council has built in a 0.99% increase in core council tax. A 2% increase in the ASC precept is also proposed. Taking these factors into account it is proposed to increase council tax by 2.99% in 2023/24. This equates to an increase of £0.94 pence per Band D Property per week (£48.69 per year).

5.22 In setting the tax base for future years the District and Borough councils make allowances for growth in new properties, increases to reliefs, irrecoverable amounts and appeals. Going into next year, anticipated growth in base equates to 1.34% increase to the tax base. This is significantly higher than in recent years and the draft budget assumptions of 0.55%.

5.23 **Full details of the Council Tax Requirement and breakdown of the tax base by District and Borough can be found in Annex E.**

5.24 The Council also needs to consider the potential surplus or deficit relating to actual collection of council tax when setting the budget. This is the difference between the estimated council tax collectable each year, and that collected. The Government announced that repayment of collection fund deficits arising in 2020/21 due to the pandemic, will be spread over the next three years rather than the usual period of a year. The Boroughs and Districts have reported an underlying surplus for 2023/24 of £6.8m. This is unusually high and coupled with the large increase in the taxbase assumptions, the Council has taken the prudent decision to transfer the £10.6m difference to reserves to manage the potential for negative fluctuations in future years.

5.25 The position of the collection fund is determined by billing authorities (Boroughs and Districts) and is implicitly driven by both current positions and judgements about how prudent or optimistic their forecasting assumptions are in relation to their overall budget positions. As a precepting authority, Surrey County Council are required to use the forecasts adopted by the billing authorities. Such information is received too late in the budget setting process to enable robust analysis or testing of assumptions. The Council therefore takes a decision in respect of any collection fund equalisation

adjustments to ensure prudence in the budget and because where forecast are unusual there is a high possibility of a correction next financial year. Volatility in future collection fund figures is exacerbated by economic volatility and the cost of living crisis which could impact collection rates. The Council therefore uses the collection fund equalisation to smooth impacts and avoid significant year on year fluctuations.

Table 4: Council Tax Requirement

Council Tax	2022/23 £m	Change £m	2023/24 £m
Core council tax	735.1	18.2	753.3
ASC precept	94.6	18.1	112.7
Council tax requirement	829.7	36.3	866.0
Collection Fund surplus/ deficit (-)	2.8	4.0	6.8
Collection Fund Equalisation Adjustment	(1.2)	(9.4)	(10.6)
Council Tax budget	831.3	30.9	862.2

5.26 The Council continues to work with the Borough and Districts to improve the information flow and enable more accurate forecasting of the taxbase and collection fund surplus/deficit at the draft budget stage, requesting information on multiple occasions throughout the year. A working group has recently been set up to specifically look at collection rates and this group will be utilised to help improve information sharing going forwards.

Business Rates funding £127.9m (Business rates £131m less collection fund deficit £3.1m)

5.27 As part of the Local Government Finance Settlement, the Government confirmed there would be a freeze to the business rates multiplier to support businesses in the near-term, with compensation to local authorities for the freeze added to the grant for under-indexing the business rate multiplier. As such the business rates 'top-up' sees a small increase of from 2022/23, rising to £63.6m. The element of rates retained locally is budgeted at £46.5m; which is the same as the budget for 2022/23 (£46.5m).

5.28 In addition, 2022/23 includes the impact of the revaluation change. This relates to a package of reforms which supports the delivery of a three-yearly valuations cycle. Revaluations have previously been implemented in 1995, 2000, 2005, 2010 and 2017.

5.29 As with council tax, the Council also needs to consider the potential surplus or deficit relating to the actual collection of business rates when setting the budget. The business rates collection fund deficit comprises of:

- An estimate of the 2022/23 deficit (£1.7m); and
- One third of the 2020/21 'spreadable' deficit (£1.4m).

In total, the business rates deficit is expected to be £3.1m.

5.30 Some reliefs are compensated for by Central Government, £20.9m of compensation grant funding for business rates income has been assumed to offset that element of the collection fund deficit.

Table 5: Business rates funding

Business Rates	2022/23	Change	2023/24
	£m	£m	£m
Business rates income	109.6	0.5	110.1
Business rates grants and reliefs	11.5	9.4	20.9
Collection Fund surplus/ deficit (-)	(5.3)	2.2	(3.1)
Business Rates budget	115.8	12.1	127.9

Grant funding £110.1m

5.31 All grant assumptions have been updated to reflect the information provided through the provisional Local Government Finance Settlement as well as other proposals and publications.

- 5.32 In total general **grants have increased by £18m** from 2022/23. The increase is broadly driven by:
- Increase in Social Care Grant, £21m (note this includes £1.6m previously shown within Adults Social Care as the Independent Living Grant)
 - Other smaller Grant Movements, £1m; offset by
 - Reduction in the Services Grant (£3.4m)
 - Reduction in New Homes Bonus (£0.6m)

5.33 The **total £111.4m general grant funding included in the budget** includes the following main elements:

- Social Care Grant - £52.5m
- Public Health Grant - £40.8m (to be confirmed)
- PFI credit funding for Streetlighting - £6m
- Dedicated Schools Grant Funding for Council services £5.3m
- Services Grant - £4.5m
- New Homes Bonus and other minor grants £2.3m

Overall Funding

5.34 The funding picture set out above results in overall funding as follows; with 2023/24 funding being £61.4m higher in total than 2022/23:

Table 6: Projected Funding over the Medium-Term

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Council Tax	829.7	866.0	882.9	907.7	933.6	960.3
Business Rates	121.1	131.0	132.3	167.1	135.1	103.6
Grant Funding	93.0	111.4	107.8	12.0	12.0	12.0
Funding before Collection Fund	1,043.8	1,108.4	1,123.1	1,086.8	1,080.7	1,075.9
CT Collection Fund	1.6	(3.8)	2.6	2.6	2.7	2.8
BR Collection Fund	(5.3)	(3.1)	(2.3)	(2.3)	(2.3)	(2.3)
Total Funding	1,040.1	1,101.5	1,123.4	1,087.1	1,081.1	1,076.4

Section 8 sets out the main factors influencing medium-term funding projections.

Reserves & Risk Mitigation Strategy

5.35 The Council is required to maintain an adequate level of reserves to deal with future forecast or unexpected pressures. We are not permitted to allow spend to exceed available resources which would result in an overall deficit. Sections 32 and 43 of the Local Government Finance Act 1992 require authorities to have regard to the level of reserves to meet estimated future spend when calculating the budget requirement.

5.36 Reserves can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events or emergencies; and
- A means of building up funds (earmarked reserves) to meet known or predicted liabilities.

A summary of earmarked reserves and the forecast of reserves and balances can be found in **Annex D**.

5.37 The appropriate level of reserves needs to be considered alongside an assessment of the Council's risk environment. The higher the risk inherent in budget planning cycle, the higher the level of reserves needs to be in order to mitigate this risk. Therefore, an assessment of the risk environment is required in order to determine the suitability of the baseline reserves position, this assessment should include consideration of the robustness of efficiency plans, levels of uncertainty (demand / price), policy changes and wider national economic and political factors.

5.38 The budget proposes the following principles for the management of reserves:

- Reserves should only be used to fund one-off or time-limited investment that will drive out efficiencies, deliver the capital programme or improve the delivery of services and council priorities;
- Reserves cannot be used as a substitute for permanent efficiencies to meet permanent spending pressures;
- Budgets such as the Transformation Fund (£8m) and Capital Feasibility Fund (£5m) should be seen as contributions to reserves, with any use drawn-down from the reserve when needed;
- Reserve contributions should be reviewed annually to ensure contributions are equal to planned use over the medium-term;
- Over the medium-term, reserves should stay flat or ideally increase – as financial uncertainty, the efficiency requirement and the investment ambition will remain high across the MTFS period;
- Currently, General Fund and Earmarked reserves (excluding technical balances such as PFI sinking funds) stand at approximately £150m / 15% of the net budget.
- Reserves should not drop below 10% of the net budget.
- It is proposed to implement a 2% buffer over the 10% threshold, with remedial action taken if reserves are used for unforeseen financial shocks. This would establish the following three levels:
 - **Minimum** – reserves do not drop below 10% and, if they do, are rebuilt as soon as possible in the following years' budget

- **Basic** – reserves do not drop below 12% (10% + 2% buffer) and, if they do, are rebuilt to at least 12% over medium-term
 - **Enhanced** – reserves stay flat or grow from the current c15%, dependent on analysis of the risk environment.
- To avoid a programmed reduction in reserves, the use of reserves to support Transformation or other investment should be less in any given year than the planned budget contingency.
 - Unutilised risk contingency budget should first be used to ensure reserve levels are sustained, thereafter there is opportunity to invest in future years in strategic priorities, further transformation and/or service improvements (one-off costs). Any such investment should result in strengthening of the financial position, ie reducing risk or generating revenue efficiencies.
- 5.39 Given future funding uncertainty, retention of the Council’s reserves will be essential in order to mitigate risk and protect against unplanned pressures and/or the non-delivery of planned budget efficiencies.
- 5.40 The Council has traditionally maintained a low General Fund balance. Although there is no generally recognised official guidance on the level to be held, the level should be justifiable in the context of local and external economic factors, and that taxpayers’ money should not be tied up unnecessarily. The Council’s external auditor comments on the level of reserves as part of the annual audit of the Council’s Accounts.
- 5.41 In recent years a General Fund balance of between 2.0% to 2.8% (£20m to £28m) of net budget has been maintained. This level of General Fund balance is low by comparison to other authorities, and we have held an ambition to increase it over time. As part of the 2021/22 outturn proposals, the General Fund Balance was increased to £48m (4.6%).
- 5.42 The 2023/24 budget assumes no planned use of reserves or the General Fund balance other than those already approved.
- 5.43 For 2023/24, in addition to the £48m General Fund balance, we have also allowed for a £20m contingency as part of budget setting. While the contingency budget for 2022/23 may need to be utilised to cover the current forecast overspend in the current financial year, it is expected that the £38m of contingency brought forward from 2020/21 will not be required, giving a total contingency of £58m for 2023/24. The General Fund balance, in combination with the contingency (for general purpose use), will mean that there is £106m (9.6%) of cover to mitigate against future risk and uncertainties.
- 5.44 On the basis of the above the Section 151 Officer considers the 2023/24 Budget to be robust.

CIPFA Resilience Index Update

- 5.45 The 2022/23 Budget and Medium-Term Financial Strategy to 2026/27 report to Council in February provided an update on the Council’s performance in the CIPFA resilience index, based on provisional 2020/21 data. CIPFA has now released the final data for 2020/21 which confirms the finding in February’s report, in particular showing improvements in reserves sustainability. The level of reserves held, compared to other authorities is low, however the index for 2020/21 was

significantly impacted by Covid-19 funding, which in many cases was received at the end of the financial year and contributed to reserves, resulting in some authorities showing significant increases in levels of reserves as at March 2021. Therefore, CIPFA recommends that it is viewed in the context of being a transitional year.

5.46 2021/22 data has recently been released. Initial analysis shows a further improvement in resilience, particularly in respect of retained reserves which were further contributed to as a result of the 2021/22 outturn position.

CIPFA FM Code of Practice

5.47 CIPFA has developed the Financial Management Code (FM Code), designed to 'support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.'

5.48 It is for individual authorities to determine whether they meet the standards and to make any changes that may be required to ensure compliance. The 2021/22 financial year represented the first full year of code compliance. Officers carried out a review against the guidance and concluded that:

- the Council can demonstrate overall compliance with the standards;
- evidence could be strengthened for a small number of indicators; and
- there are several areas where, as a result of various changes over the past three years including the Finance Improvement Programme and the Finance Academy, the Council's arrangements exceed the standards.

5.49 The results of the Council's self-assessment against the Code are set out in Annex J, including areas where further development or improvement would be beneficial. The long-term sustainability of local services is an area identified for specific focus during 2023/24.

6. DRAFT CAPITAL PROGRAMME 2023/24 TO 2027/28

Overview

6.1 This section provides an update on the development of the Capital Programme for 2023/24 to 2027/28, taking into account work that has been carried out by officers and Cabinet Members over the last six months.

6.2 Over the last two years the Council's capital ambition and delivery has grown significantly. We continue to invest in the County, aligned to the corporate priorities of the Council and in the areas of most importance to our residents. In 2020, The Council declared a Climate Emergency as it recognises that environmental sustainability has to be at the core of what we do especially when delivering a Capital Programme of this size. Our aspirations in this space are high and we are continuing to work with external partners for innovative ways to deliver our green agenda, in a way which is affordable for our residents. We are also investing in other equally important priorities such as school places including for children with special educational needs and disabilities, infrastructure and Adult Social Care accommodation with care and support.

- 6.3 The Capital Programme planning process began in June this year, maintaining the trend of starting the process earlier each year as part of a continual drive to improve governance, deliverability and accountability in capital.
- 6.4 Governance of the Capital Programme is led by an officer-led Capital Programme Panel (CPP) and the three Strategic Capital Groups (SCGs) for Property, Infrastructure and IT with support from Finance and Members. The SCGs are tasked with developing the Capital Programme based on an asset planning approach to ensure that affordable, value for money capital solutions are identified to meet the needs of residents.
- 6.5 CPP provides additional assurance that capital plans fit in with corporate priorities and that deliverability and benefits can be achieved. In collaboration with Finance, the impact of the Capital Programme on financial resources is assessed with each new iteration to ensure it is sustainable, with particular focus on overall borrowing levels and borrowing costs in the medium to long term.
- 6.6 Officers work closely with Cabinet to shape the development of the Capital Programme. Cabinet approve the addition of new schemes, as well as transfers from the capital pipeline into budget, following the rigorous business case process. Assurance on the delivery of high priority schemes is also provided through the Major Projects Board as well as specific project boards for individual major schemes.
- 6.7 Governance structures, processes and procedures of the Capital Programme are continually assessed to strengthen financial management, decision making, and accountability. This includes internal audit, external reviews and work led by CPP and SCGs in collaboration with Finance.
- 6.8 Due to the growing size of the Capital Programme, additional work has been undertaken to assess the impact of borrowing costs on the revenue budget in the short, medium and long-term. As a result of this work the following have been used as the foundations for establishing the Draft Capital Programme:
- Clear identification and prioritisation of schemes that will be self-funded, with borrowing costs directly met from the operating model through income and efficiencies. These schemes are not a burden on the revenue budget;
 - Establishing a borrowing limit for schemes that will be funded centrally and setting out an improved framework to ensure prudent decisions are taken in the approval of capital schemes with “unfunded” borrowing, to prioritise those that provide the best value for money;
- 6.9 In addition to the above, Infrastructure and Property SCGs have set up Project Management Offices (PMOs) to further develop project management capacity and improve timely production of robust business cases for pipeline projects and accelerate the conversion of approved business cases to project delivery. The PMOs will also be key in benefit realisation and post completion reviews and will work collaboratively with the Benefits Board.
- 6.10 For commercial capital investments, the Member led Strategic Investment Board (SIB) monitors the Council’s investment properties and subsidiary companies to ensure satisfactory performance and effective risk management. The financial returns delivered by trading and investment help to ensure that we continue to deliver quality services to our residents.

- 6.11 SIB provides effective oversight, ensuring alignment with the strategic objectives and values of the Council. SIB safeguards the Council's interests and takes decisions in matters that require the approval of the Council as owner or as a shareholder of a company.
- 6.12 The Capital Programme is split between approved budget and capital pipeline. The pipeline allows the Council to reflect on ambitious spending plans providing a vision of the future to assess against emerging priorities and estimate potential impacts on the revenue budget, in particular borrowing costs. Pipeline schemes act as a placeholder for schemes in early stage of development which are moved into the approved budget only when their benefits and deliverability are adequately demonstrated to CPP and Cabinet.
- 6.13 Over the Summer, spending plans have been iterated and the SCGs have come forward with a refreshed set of proposals, which have been adapted to reflect priorities and available financial and operational resources. Each month CPP scrutinises the latest iteration with particular focus on deliverability (both in the programme itself and against the pipeline), benefits and funding assumptions, with particular focus on overall borrowing levels and borrowing costs.
- 6.14 A capital sub-group was established in October, consisting of members of the Council's Leaderships Team, Cabinet and Corporate Finance. This group was tasked with reviewing the capital bids to ensure appropriate prioritisation of schemes and affordability of the overall capital programme. The latest iteration of the Capital Programme is set out in the sections below.

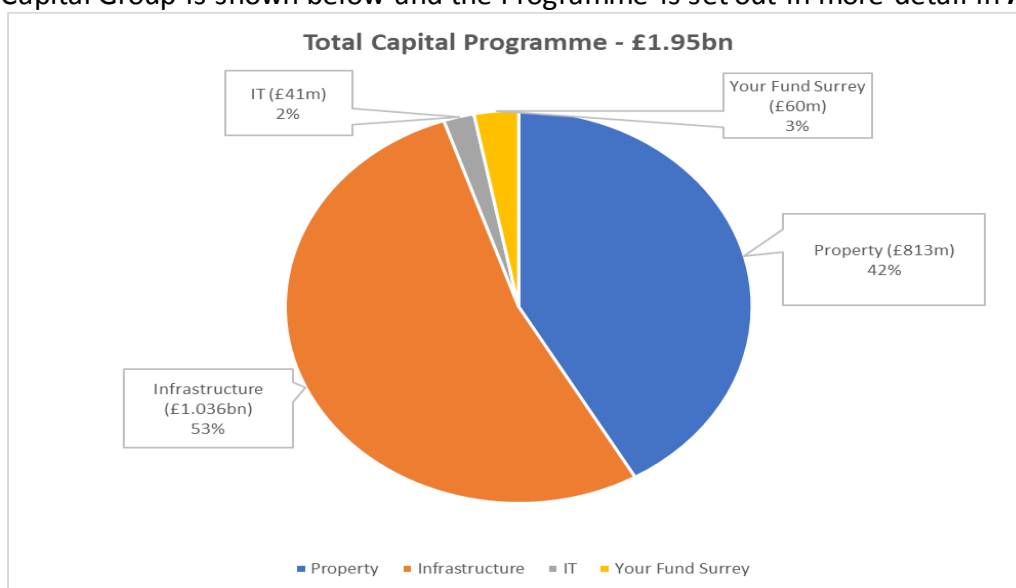
Capital Programme – MTFS Budget and Pipeline Summary

- 6.15 The current programme was approved by Council in February, totalling c£1.9bn. In developing this programme, the Council carried out detailed modelling on the impact of the MTFS on borrowing costs and borrowing limits and ensured that revenue costs remained within the budget envelopes set out. This was achieved through a combination of refining the borrowing requirement for pipeline schemes and through identifying a number of schemes that will generate income or efficiencies sufficient to cover their borrowing costs. Self-funded schemes are scrutinised in detail at the business case stage and assessed during implementation and completion to provide assurance that benefits are realised and borrowing costs covered. When there is deviation, a governance framework exists to escalate and take action.
- 6.16 Where schemes do not generate sufficient income or efficiencies to cover borrowing costs, this borrowing is "unfunded" and the revenue costs are paid for centrally. Many schemes that have unfunded borrowing receive considerable match funding and are critical to improving infrastructure in the county, enabling the continuation of providing statutory services, improving services, and realising priorities such as climate change.
- 6.17 The modelling that was carried out when developing the current MTFS determined a limit on new unfunded borrowing of £40m from 2026/27 onwards, to keep borrowing costs within the revenue budget envelope. The programme for 2023/24 to 2027/28 has been developed in accordance with this affordability limit.
- 6.18 The challenge of developing an affordable capital programme that complies with this limit and effectively delivers Council priorities has grown, due to the impact of inflation driving up costs of delivery. Against this backdrop, SCGs and CPP have reviewed the appropriateness of budget allocations and challenged delivery plans, expenditure profiles and benefits of schemes.

Opportunities to utilise other sources of funding have been factored into the proposed budget e.g. grants and external contributions.

6.19 Uncertainty remains over the economic backdrop. Inflation remains at extremely high levels and a continued upward trend will drive up costs of scheme delivery. Uncertainty on the path of interest rates has increased significantly due to the possible risk of unknowns including further tax changes. The risk remains that interest rates will continue to increase thus putting further pressure on revenue financing costs that the Council will need to manage.

6.20 The proposed Capital Programme totals £1,950bn. This is split between a budget of £1,202bn and pipeline of £748m, including a £60m allocation for Your Fund Surrey (YFS). The composition by Strategic Capital Group is shown below and the Programme is set out in more detail in **Annex C**.



	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	MTFS Total (£m)
Property						
Budget	117.5	213.2	120.3	51.1	68.5	570.5
Pipeline	56.8	91.8	62.5	25.1	6.6	242.7
Total	174.3	305.1	182.7	76.1	75.1	813.3
Infrastructure						
Budget	185.4	105.1	98.6	109.8	107.7	606.5
Pipeline	35.5	110.9	136.5	115.3	31.0	429.2
Total	220.9	215.9	235.1	225.1	138.7	1,035.7
IT						
Budget	5.8	11.0	3.5	3.4	1.6	25.4
Pipeline	0.4	3.7	3.0	3.0	6.0	16.1
Total	6.2	14.7	6.5	6.4	7.6	41.4
Your Fund Surrey						
Budget	15.0	15.0	15.0	15.0	0.0	60.0
Total	308.7	329.3	222.4	164.3	177.8	1,202.4
Total	416.4	550.7	439.3	322.6	221.4	1,950.4

	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	MTFS Total (£m)
Financing						
Grant / Contribution	144.8	153.2	174.3	109.9	74.5	656.9
Receipts	41.4	20.0	13.3	1.5	0.0	76.2
Revenue	6.9	6.4	5.9	5.9	5.8	30.8
Funded Borrowing	51.5	109.2	52.0	40.1	20.5	273.3
Unfunded Borrowing	171.7	261.8	193.8	165.3	120.5	913.2
Total	416.4	550.7	439.3	322.6	221.4	1,950.4

6.21 CPP ensures that the framework for setting the Capital Programme continues to focus on outcomes for residents, deliverability and affordability and contributes to the Community Vision for Surrey 2030 and aligning with the organisation’s priorities.

6.22 The Capital Programme contributes towards the delivery of the Council’s priority objectives as follows:

Priority Objective	Value of schemes in MTFS – Budget and Pipeline (£m)
Tackling health inequality	367
Enabling a greener future	678
Empowering communities	98
Total	1,144

6.23 A further £806m of capital schemes contribute towards achieving service and organisation effectiveness.

MTFS Capital Budget 2023/24 to 2027/28

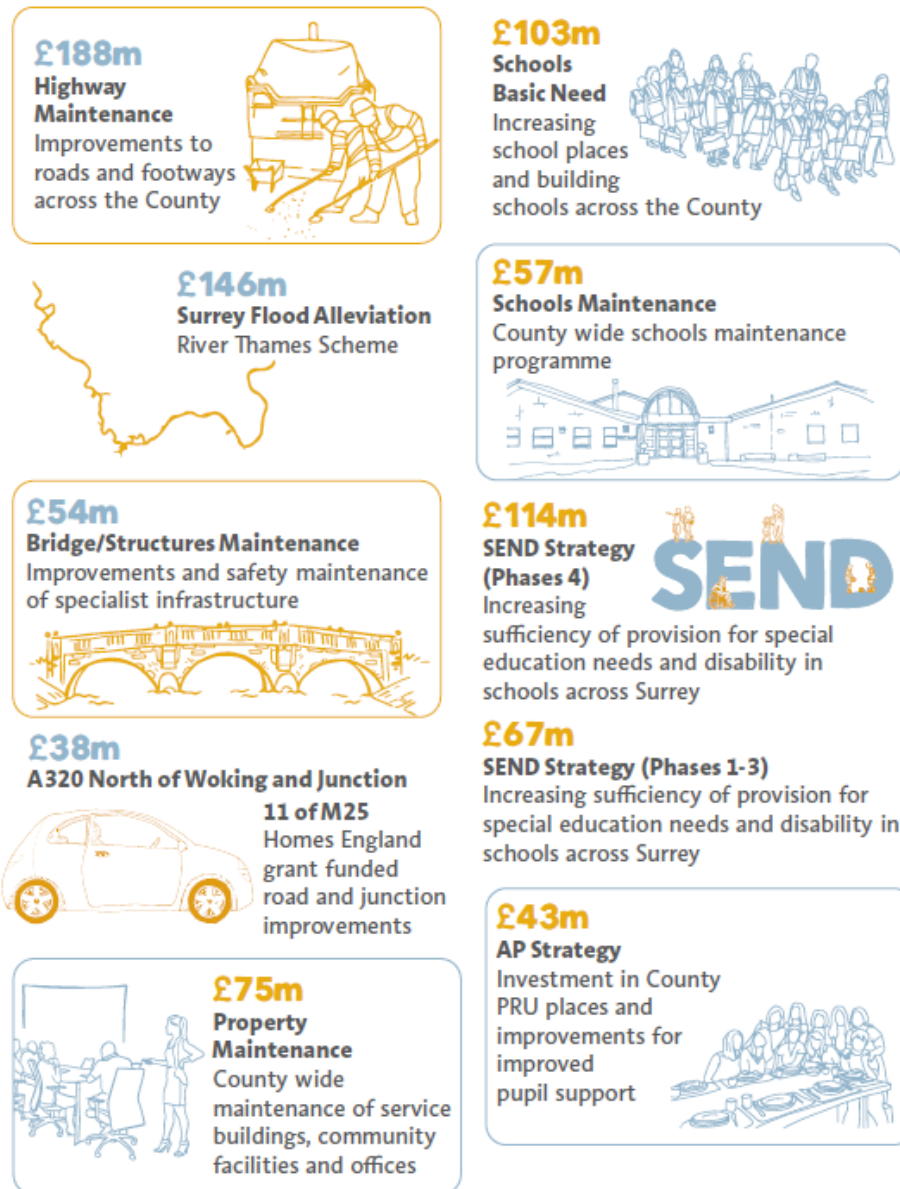
6.24 A total of c£1,202m of schemes are included in the proposed approved capital budget over the MTFS (excluding pipeline). Business cases for these well-developed schemes have been prepared and subjected to appropriate testing and scrutiny before being approved. The schemes will be monitored during the year for cost control, deliverability and to ensure budget estimates remain realistic over the period of the Capital Programme. Table 4 below shows a breakdown of budget schemes into the three SCGs over the MTFS period:

Table 4: MTFS Draft Capital Budget by Strategic Capital Group (excluding pipeline):

Strategic Capital Group	MTFS Budget (£m)
Infrastructure	607
Property	570
IT	25
Total Budget	1,202

6.25 These schemes deliver priorities across the county, including investment in schools, the transport network, flood alleviation, making the most efficient use of the corporate estate and providing support to vulnerable residents. The top 10 schemes in the Capital Programme (excluding pipeline) make up 74% of the total estimated budget:

TOP 10 BUDGET SCHEMES (OVER 5 YEAR MTF5)



2023/24 Capital Budget (excluding pipeline)

6.26 c£309m is provisionally included in the draft capital budget for 2023/24 as set out in the table, below. This will need to be thoroughly tested for deliverability prior to the final budget being approved but is consistent with the scale of forecast delivery for 2022/23:

Table 5: 2023/24 Draft Capital Budget by Strategic Capital Group:

Strategic Capital Group	2023/24 Budget (£m)
Infrastructure	185
Property	118
IT	6
Total Budget	309

6.27 Successful delivery of the 2023/24 budget is a key part of ensuring the Capital Programme overall remains on course. Between now and the final capital budget being presented to Cabinet in January 2023, CPP will work with SCGs on the profiling of the draft budgets to ensure deliverability. The focus of the 2023/24 budget will be on the schemes that comprise the majority of forecast spend. The top 10 schemes account for 69% of the 2023/24 budget:

- £70m - Highway Maintenance – improvements to roads and footways across the County. This includes an element of planned acceleration of highways maintenance spend across 2022-24.
- £39m - SEND Strategy (Phases 1-3) – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £20m - A320 North of Woking and Junction 11 of M25 – Homes England grant funded road and junction improvements
- £16m - Ultra Low Emission Vehicles (Buses)
- £16m - SEND Strategy (Phase 4) – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £13m – Local Highways Schemes
- £11m - Bridge/Structures Maintenance – improvements and safety maintenance of specialist infrastructure
- £11m – Independent Living (Batch 1)
- £10m - Recurring Capital Maintenance Corporate (non-schools) – County wide maintenance of service buildings, community facilities and offices
- £8m – AP Strategy - investment in County PRU places and improvements for improved pupil support

MTFS Pipeline Schemes 2023/24 to 2027/28

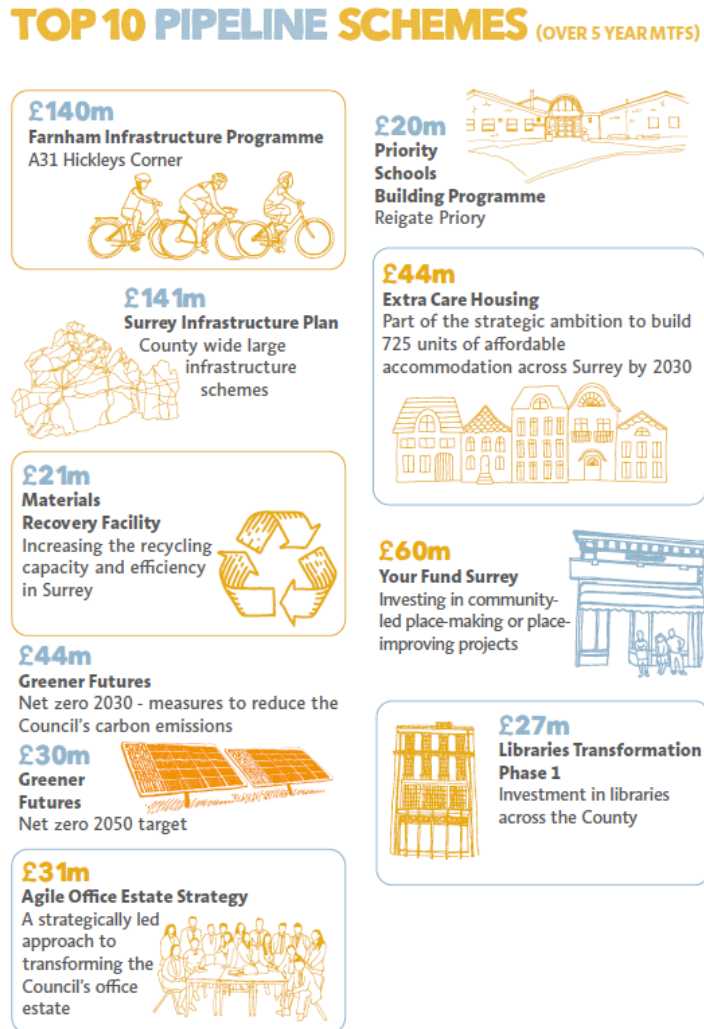
6.28 **Pipeline schemes** include proposals developed to a stage where they can be earmarked against a flexible funding allocation built into the wider Capital Programme. The pipeline allows projects to be approved during the year subject to business case approval. The SCGs have come forward with an ambitious set of proposals to support key strategic priorities and safeguard the future for Surrey residents. The table below shows a breakdown of pipeline schemes into the SCGs over the MTFS:

Table 6: MTFS Draft Capital Pipeline by Strategic Capital Group:

Strategic Capital Group	MTFS Pipeline (£m)
Infrastructure	429
Property	243
IT	16
Your Fund Surrey	60
Total Pipeline	748

6.29 The pipeline is key to the Council achieving its long-term objectives especially with regard to meeting climate change targets and to create a greener future for residents. Converting the pipeline into robust business cases that can be scrutinised for funding, deliverability and benefits through the existing governance framework is a priority for SCGs and CPP. The setup of the new PMOs in Property and Infrastructure is a direct response to increase pipeline conversion and deliver priorities.

6.30 The Council is committed to continue working with partners to unlock opportunities across the County, including large scale infrastructure projects to significantly improve transport links, unlock housing development for District and Borough partners and to regenerate towns and local economies. The top 10 pipeline schemes based on estimated spend over the MTFS period are shown below:



6.31 Of the total pipeline allocation in the MTFS, c.£312m or 42% is proposed for schemes that contribute to reducing carbon emissions, tackle climate change and enable a greener future for residents. A further £366m is included in the capital budget, bringing the total to c.£678m. 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.

6.32 All pipeline proposals are subject to ongoing development, scrutiny and challenge to ensure feasibility and deliverability before being approved to budget and confirmed into the Capital Programme.

6.33 The nature of the pipeline is to be a flexible portfolio of schemes that contribute to the Council's strategic objectives. As a result, SCGs may update the pipeline accordingly to adapt to changing circumstances, emerging priorities and financial constraints.

7. FINANCIAL PERFORMANCE 2022/23

- 7.1 The Month 8 Finance Update report is reported to the same Cabinet on 31st January 2023. Headline performance is set out below.
- 7.2 **Revenue:** As at November 2022 (M8) Directorates are projecting a full year £23m deficit, after taking into account £10.3m of budget recovery plans; The Directorate position is considerably more challenging than at the same point last year, recognising the challenge the economic climate and rising inflation has on the delivery of our services within available budget, in addition there has been significant additional demand in a number of service areas.
- 7.3 The current level of projected overspend is significant and it is imperative that this reduces before we reach the end of the year. Therefore, Cabinet agreed that concerted action needed to be taken to reduce the forecast position and are utilising £17m of the contingency budget to reduce the overall overspend to £6m.
- 7.4 The Council remains committed to budget accountability and the budget envelope approach and therefore Directorates which are currently forecasting an overspend position have committed to delivering a budget recovery plan, which requires the identification of targeted additional in-year efficiencies to mitigate the forecast overspend
- 7.5 **Capital:** The Council approved a capital budget for 2022/23 of £210.9m in February 2022, after adjustments for carry forwards and acceleration the current budget is £215.8m. The forecast at M8 is for full year spend of £212.4m, which is the net effect of acceleration in some areas and slippage against other schemes.
- 7.6 More information on the revenue and capital position can be found in the 2022/23 Month 8 (November) Financial Report to Cabinet on 31st January 2023.
- 7.7 Many of the factors impacting the 2022/23 expected outturn position for both revenue and capital will continue into 2023/24 and the medium term. Budget estimates for 2023/24 include the ongoing impact of Directorate variances from the current financial year, where they are expected to continue. Both the ongoing impact of inflationary pressures being felt this financial year and estimates of high inflation rates throughout 2023/24 are included in the starting point for 2023/24. Demand pressure trajectories have also been continued into 2023/24 in relation to those services experiencing pressures over and above the budget assumptions in 2022/23, specifically within adult social care and children's services. This provides confidence that the underlying budget, overall, is realistic and deliverable. These increased pressures significantly escalate the efficiency requirement in 2023/24.

8. MEDIUM TERM FINANCIAL OUTLOOK AND STRATEGY 2023/24 TO 2027/28

Funding Context for the Medium-Term

- 8.1 Over the medium-term, the gap between expected Directorate spending pressures and projected funding grows significantly. By 2027/28, the Council will need to close a gap of c.£224m.

This is driven by:

- Growth pressures: including demand and inflation: c£362m;
 - Increased borrowing costs of the capital programme: £40m;
- Offset by:
- An overall increase in funding: c£38m;
 - Less efficiencies identified to date: c£140m.

8.2 Although our immediate priority is understandably closing the gap and setting a balanced budget for 2023/24; our medium-term focus means that transformation and service delivery plans are developing now, which already go a significant way to improving our medium-term financial outlook. These plans will iterate as funding projections gain more certainty. The gap increases steeply from 2025/26 reflecting the estimated impact of both Fair Funding Reforms and the delayed Adult Social Care Reforms.

Table 7: MTFS Gap to 2027/28

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Brought forward budget	1,040.1	1,101.5	1,145.9	1,203.4	1,260.7	
Pressures	123.9	62.4	65.5	64.5	46.2	362.4
Increased borrowing costs of Capital Programme	6.8	11.6	9.6	7.6	4.6	40.2
Identified efficiencies	(69.3)	(29.5)	(17.6)	(14.8)	(9.0)	(140.3)
Total budget requirement	1,101.5	1,145.9	1,203.4	1,260.7	1,302.4	262.3
Change in net budget requirement	61.4	44.4	57.5	57.3	41.8	262.3
Opening funding	1,040.1	1,101.5	1,125.5	1,089.2	1,083.2	
Funding (reduction) / increase	61.4	24.0	(36.3)	(6.0)	(4.7)	38.4
Funding for the Year	1,101.5	1,125.5	1,089.2	1,083.2	1,078.5	
Overall Reductions still to find	(0.0)	20.4	114.2	177.5	223.9	
Year on Year Reductions still to find (at 1.99%)	(0.0)	20.4	93.8	63.3	46.5	223.9

Council Tax

8.3 The neutral medium-term scenario for Council tax has been modelled assuming a Core Council Tax rate increase of 1.99% beyond 2023/24, below the increased referendum limit. The variable used is the tax base which has been modelled at a 0.75% growth in 2024/25 and then 0.80% growth in 2025/26 increasing to 0.85% in 2026/27 and 2027/28.

8.4 No assumption is currently made beyond 2023/24 on the level of Adult Social Care precept.

8.5 It is important to note that the Council's main funding source is Council Tax. On average, this funds 80% of net revenue expenditure, the impact of the cost-of-living crisis on residents affecting their ability to pay Council Tax make this area particularly difficult to predict. Local Council Tax Support schemes provide some assistance, with increasing support here likely to result in a reduced tax base approved by district and boroughs.

Local Government Reform (Fair Funding Review, Review of Relative Needs and Resources) & Business Rates Reset

8.6 The review of Local Government funding distribution, the Review of Relative Needs and Resources or Fair Funding Review (FFR), and a review of the Business Rates Retention system has been

delayed again. The Government has confirmed that this will now not be implemented in the current parliament / within this spending review period.

- 8.7 Confirmation over the timing of the reform is crucial to planning, not least because we anticipate the results will reduce our overall funding. We assume transitional arrangements will be put in place, so the pace of reduction is phased and the impact more manageable. Under normal circumstances officers would review technical working group papers as a highly effective means of keeping informed about the potential direction of reform. However, working groups which were previously developing the new system have been suspended and so the ability to gather any new and robust intelligence has been reduced. In addition, previous formulas and workings from the FFR relied heavily on 2011/12 data including on populations, which will be critically out of date if used without being updated.

Business Rates

- 8.8 As set out in paragraph 8.6, the timing of Business Rate reform remains uncertain. Once implemented the Council is likely to see an initial increase to Business Rates retention and a decrease to grant income as grants (such as Public Health) will be 'rolled-in' to the Business Rates formula, along with the Business Rates Multiplier and Social Care grants. The level of Business Rates retained has a direct relationship with funding reform and as such we expect this funding to reduce over the remainder of the MTFS as transitional arrangements unwind.

- 8.9 For 2023/24 to 2024/25 an increase of 2% has been modelled, with the assumption some growth will occur through inflationary increases to the multiplier. Business Rates reform is then modelled from 2025 onwards.

Grant income

- 8.10 The Autumn Statement and subsequent Local Government Finance Settlement provided some further indication of the level of grants that can be expected in 2024/25. The following assumptions have been factored into forecasts:

- Social Grant – a further increase anticipated in 2024/25 in line with announcements made in the Autumn Statement and confirmed in the LGFS.
- New Homes Bonus – Government have indicated a review of this source of funding will be carried out in 2023. It is considered likely that the Council's share will reduce or be removed altogether and therefore no further grant funding is assumed after 2023/24.
- Services Grant – this was announced as a one-off grant in 2022/23. While it has been extended (albeit at a reduced amount) into 2023/24, there is no indication from Government that it will continue beyond next financial year and therefore no further income has been assumed after 2023/24.
- Dedicated Schools Grant, expected to continue over the MTFS

- 8.11 From 2025 onwards, centrally held grants are reduced or eliminated altogether following the assumption of large-scale Business Rate reform.

9. DEDICATED SCHOOLS GRANT

- 9.1 The Council is required by law to formally approve the Total Schools Budget, which comprises: Dedicated Schools Grant funding and post 16 grant funding. This budget is used to fund schools' delegated and devolved expenditure and other maintained schools' expenditure, nursery

education provided by state schools and private providers plus expenditure on a range of school support services specified in legislation. The Total Schools Budget as presented here is shown both before and after subtracting funding allocated to individual academy schools which is deducted from the Council's Dedicated Schools Grant and paid directly to the academies by the government but is based on the funding formula and number of funded SEN places agreed by the Council.

- 9.2 The Total Schools Budget is a significant element of the proposed total budget for the CFLL Directorate. Table 8 outlines the proposed Total Schools Budget for 2023/24 of £1,135.5m including a planned overspend of £28m and £5.4m Education and Skills Funding Agency sixth form grant for school sixth forms. From this, an estimated £536.2m is paid directly by DfE to academies, leaving a net schools budget of £599.3m which is included within the Council's overall budget.

Table 8 - Analysis of Total Schools Budget for 2023/24

	Schools' & nurseries delegated budgets	Centrally managed budgets	Total
	£m	£m	£m
Gross DSG allocated to Surrey in 2023/24	900.1	202.0	1,102.1
ESFA sixth form grant	5.4		5.4
Anticipated DfE safety valve contribution		12.0	12.0
Planned overspend		16.0	16.0
Total Schools Budget including funding allocated directly to academies	905.5	230.0	1,135.5
less paid directly by DfE to academies and colleges (est)	(536.2)		(536.2)
Net Schools Budget	369.3	230.0	599.3

- 9.3 For this purpose, centrally managed services include the costs of:
- Placements for pupils with special educational needs in non-maintained special schools and independent schools;
 - Funding of state maintained special schools and SEN centres, other than place funding already agreed;
 - Part of the cost of alternative education (including part of the cost of pupil referral units);
 - Additional support to pupils with special educational needs; and
 - A range of other support services including school admissions. Funding for private nursery providers counts as delegated.
- 9.4 Schools are funded through a formula based on pupil numbers and ages with weightings for special educational needs and deprivation. Cabinet considered and agreed a detailed report on the 2023/24 school funding formula on 29 November 2022. The funding rates for schools for 2023/24 will be subject to amendment by the Cabinet Member for Education and Learning and the Director of Education and Lifelong learning, to ensure affordability when all funding data for schools is known.
- 9.5 Schools will also receive pupil premium funding, based on the number of:

- Pupils receiving free school meals at some time in the past six years;
- Looked after children;
- Children adopted from care; and
- Pupils from service families (or who qualified as service children within the last six years, or in receipt of a war pension).

9.6 In 2023/24 Surrey mainstream schools and academies will also receive a new mainstream schools additional grant, estimated at £27m (including academies) which will be allocated directly to individual schools based on a formula set by DfE. In 2022/23 schools also received recovery premium and school led tutoring grant, both of which will continue into 2023/24. Schools also received a range of other grants for example to support infant free school meals and physical education and sport in primary schools. These grants have yet to be confirmed for 2023/24 at the end of December 2022.

High Needs Block (HNB)

- 9.7 The HNB is an element of DSG used to support children with additional needs. Since changes in legislation around Local Authorities responsibilities were made in 2014, the rate of increase in demand has significantly outstripped increases in funding causing significant financial pressures in this area. The current position is set out in section 4.57 to 4.60.
- 9.8 In 2021 the DfE initiated a programme called “Safety Valve”, which aims to provide support to those councils with the highest percentage Dedicated Schools Grant deficits through Agreements that assure a timely return to financial sustainability.
- 9.9 The Safety Valve agreements all include commitments to enable a return to in-year balance including potential financial contributions from the DfE, local authority and other DSG blocks as well as additional capital investment (assessed through a parallel bidding process).
- 9.10 Five local authorities entered into agreements in the first round – Bury, Hammersmith and Fulham, Kingston upon Thames, Richmond upon Thames, and Stoke on Trent.
- 9.11 In November 2021 the DfE invited Surrey and a number of other local authorities to enter a second round of negotiations, and in March 2022 added safety valve agreements for Dorset, Hillingdon, Kirklees, Merton, Rotherham, Salford, South Gloucestershire, Surrey and York.
- 9.12 Surrey’s Safety Valve agreement includes additional DfE funding worth £100m over five years. At the end of 21/22 the cumulative outturn position on the High Needs block would have been a deficit of £118m, had it not been offset to a deficit of £78m, net of £40.5m DfE Safety Valve contribution.
- 9.13 The Council provides quarterly monitoring reports on the ‘safety valve’ agreement to the DfE which include performance indicators, financial projections and risk management. The 2022/23 Q1 & Q2 reports were approved by DfE and positive feedback was received. These each triggered instalments of £3m. The Q3 will be submitted in January. In 2022/23 the cumulative forecast position is just under £100m, net of an additional £12m DfE contribution.

- 9.14 The 2023/24 HNB budget includes another £12m DfE contribution as well as a 1% (c£8m) transfer from the Schools DSG block to the High Needs Block (subject to formal agreement by the Secretary of State).
- 9.15 Prior to the Safety Valve agreement, in order to best mitigate the HNB deficit liability, the Council was making a contribution from the General Fund to a separate off-setting reserve which matched the deficit on the HNB, ensuring stability in the balance sheet. In 2022/23 (prior to the agreement) a £27.2m contribution to the reserve from the general fund was budgeted to match the planned overspend.

The SV agreement means the reserve contribution budget in the GF has materially reduced to £5m in the 23/24 MTFs as the agreement removes the need for future contributions.

10. ENGAGEMENT AND CONSULTATION

- 10.1 In 2021, the council agreed a robust approach to consultation and engagement to inform setting the 2022- 23 budget, our medium-term financial strategy, and our next phase of transformation. Having previously undertaken an in-depth budget engagement exercise in 2018, this thorough, in-depth exercise in 2021 provides a strong foundation to shape budget decision making, meaning we could take a lighter touch approach to engagement over the next few years to continue validating the outcomes of this work.
- 10.2 Through September and October 2021 the council commissioned Lake Market Research to carry out in-depth research into Surrey residents' priorities for our budget. The aims of the exercise were to:
- a. Raise awareness with residents of the context we are working in, including local budget pressures, their views on the need to transform services, and new approaches to service delivery
 - b. Identify residents' informed spending preferences
 - c. Test spontaneous and informed attitudes towards service changes and residents' roles in supporting change – what would be acceptable, and what wouldn't be acceptable.
- 10.3 When presented with information about the council's financial context, residents expressed their surprise at the size of the efficiencies required and found it challenging to comprehend what the impact would be on residents if all departments were required to find efficiencies.
- 10.4 The services residents most wanted to protect from funding reductions were social care for those aged 65 and over followed by waste services, children's social care, education services, fire and rescue and social support services (such as services to support unpaid carers).
- 10.5 When residents were asked directly if they would agree with a 2% increase in Council Tax, over half (54%) thought it should not be increased and the required savings for 2022/23 should come from somewhere else. However, when asked if they would support an increase to protect the most vulnerable, 67% of respondents agreed with an increase under those circumstances. This was largely reflected in the findings of the 2022 budget consultation survey, indicating that the findings from 2021 research are still relevant in today's context.

- 10.6 When asked if they would support up to 2.5% increase in the Adult Social Care Levy to spend more on the care of the most vulnerable adults and older people, 57% said they would support this if the council decided to take up the option. Support was higher amongst residents aged 65 and over and residents with a disability.
- 10.7 Other themes emerging from the research were:
- a. Residents wanted the council to prioritise making efficiencies through better use of land and assets and by supporting local communities to be more involved in delivery
 - b. Residents strongly supported investment in early intervention and prevention
 - c. They expect services to join up more effectively throughout planning and delivery to strengthen the chances of improved outcomes
 - d. They want the council to put residents most at risk of being left behind in Surrey at the heart of decision-making, such as people who are digitally excluded
 - e. Residents are demanding a greater role in decision-making and delivery in their localities, accompanied with more community engagement
 - f. They also want more practical guidance from authorities on changes they could make in their lives to make a difference to their local places and communities
 - g. They want the council to lobby central government for further support to enable the county to achieve net zero by 2050.
- 10.8 We have taken opportunities in 2022 to build upon the 2021 engagement exercise. In May 2022, Lake Market Research undertook qualitative research to explore:
- Awareness of County Council responsibilities
 - Factors that make a good place to live and what local area improvements they would like to see (generally / irrespective of who is responsible for their delivery)
 - Services particularly important to resident households and in need of more support from Surrey County Council
 - Top of mind reactions and importance of Surrey County Council's four strategic outcomes and their potential measurement
- 10.9 Three virtual focus groups were held with Surrey residents, with residents randomly sampled to take part via telephone interviews. Care was taken to obtain a mixed demographic profile in this research. Each group were split by age as follows with a mix of gender, working status and district / borough in each age group: aged 16-34, aged 35-54 and aged 55+.
- 10.10 In the study, residents expressed the value of healthcare accessibility, improvements to local town centres, access to green and open spaces, and the quality of service provision on their local areas. They also expressed considerable concern in regards to housing and planning and the importance of surrounding infrastructure, this was especially true for residents 55 and over who lived in rural areas. Another area of specific interest for residents was infrastructure and transport with residents aged 16-34 being more concerned about the frequency and cost of public transport and residents aged 35 and over being most concerned about road conditions and road user behaviour.
- 10.11 Residents were shown a list of areas that Surrey County Council is responsible for or has a role in delivering for the County. They were asked to think about which are particularly important to them and which need more support from Surrey County Council over the next few years. They highlighted:
- Making sure people get access to the services they need

- Helping people cope with the rising cost of living
- Community safety / managing crime / anti-social behaviour.

10.12 Additionally, in August 2022, a cost-of-living survey was asked of the Surrey Health and Wellbeing Panel. The panel consists of 2,000 residents, and there was a response rate of approximately 800 for this survey. The data was then weighted to be representative for the county based on age and gender.

10.13 The key findings show that while the majority of Surrey residents are not in crisis situations, they are beginning to make cutbacks. However, it is important to note that some residents are in crisis already and that we are likely to see greater impact on residents through the winter. This survey will therefore be repeated to see if there has been any change in resident experience. For further information, [Cost of Living Crisis Survey August 2022 | Tableau Public](#) contains the full results and graphs.

10.14 We have also taken the opportunity while shaping the 2023/24 Budget, to engage with members to get their views much earlier in the process than in previous years. An all-member briefing was held in June, the member Budget Task Group was held in July, September and November, and early engagement with Select Committees took place in July, and again in October, with further discussions taking place in December.

10.15 We have also been speaking to our staff about the current budget context and other strategic challenges. For example, the Leader and Chief Executive have been discussing this in their check-in and chat staff roadshows in October.

10.16 Engagement has continued with residents, businesses, district and borough councils, other public service partners and voluntary, community and faith sector organisations in November and December 2022. An open survey was launched alongside the publication of the draft budget and asked for views on the draft budget, how resources are proposed to be spent and the impact on residents and communities.

10.17 The survey asked how supportive respondents were of the proposed budget with 60.6% of respondents strongly supporting, somewhat supporting or feeling neutral. When asked for their preference on filling the budget gap in the absence of more government funding, 31% of respondents were in favour of additional council tax increase to fill the full budget gap (up to levels permitted by Government without a referendum), 23.7% were in favour of additional budget reductions that would likely have a detrimental impact on service delivery, 22.4% were in favour of additional council tax increased to fill part of the gap alongside some additional budget reductions that will impact council services, and 10.9% were in favour of increasing council tax beyond the threshold to fill the full budget gap and hold a referendum as required to do so. The full results from this can be found at Annex H.

10.18 A strong theme around the cost-of-living crisis was clear in responses opposing the increase in council tax with residents voicing concerns for the additional pressure on household finances posed by a potential rise in tax. However, there were also a large number of responses opposing further cuts to service budgets, particularly adult's and children's social care, and environment, transport and infrastructure. This indicates that, much like the findings of the 2021 engagement, despite worry around a rise in tax, many residents are willing to explore this as an option to fill the

budget gap in order to ensure essential services continue to run and the most vulnerable in Surrey are not subject to extensive service cuts.

10.19 Impacts of budget proposals, both positive and negative, are considered by services in a variety of ways, including through services' own consultation and engagement exercises and the use of Equality Impact Assessments (EIAs). EIAs are used to guide budget decisions and are outlined below in Section 11.

11. EQUALITY, DIVERSITY & INCLUSION

- 11.1 A high level Equality Impact Assessment (EIA) of the revenue efficiencies proposals and increase to council tax and adult social care precept has been undertaken and set out in Annex I. Full EIAs relating to specific efficiency proposals are signposted to on the Council's website through this document, reflecting their advanced stage of development. Further EIAs will be undertaken where appropriate before individual efficiency proposals are implemented. Members must read the full EIAs and take their findings into consideration when determining these proposals.
- 11.2 In this report, Members are being asked to agree the package of efficiency proposals to include in the final budget to enable closure of the 2023/24 budget gap, and at this stage are not being asked to agree to implementation of specific efficiency proposals before details, including EIAs, are finalised and presented for a final decision and scrutiny by the relevant Members and senior officers.
- 11.3 In considering the proposals in this report, Members are required to have 'due regard' to the objectives set out in Section 149 of the Equality Act (2010), i.e, the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it (Public Sector Equality Duty).
- 11.4 The protected characteristics as set out in the Equality Act (2010) are:
- Age
 - Disability
 - Gender reassignment
 - Pregnancy/maternity
 - Race
 - Religion or belief
 - Sex
 - Sexual orientation
 - Marriage and civil partnerships
- 11.5 At Surrey, we consider impacts not just on the nine protected characteristics, but also other vulnerable groups, for example, those at socio-economic disadvantage, Gypsy, Roma and Traveller communities, those experiencing homelessness, and so on, including those set out in the [Surrey Health and Well-being Strategy](#).
- 11.6 Having due regard does not necessarily require the achievement of all the aims set out in Section 149 of the Equality Act. Instead, it requires that Cabinet understand the consequences of the

decision for those with the relevant protected characteristics and consider these alongside other relevant factors when making the decision to pursue one course of action rather than an alternative that may have different consequences. The regard which is necessary will depend upon the circumstances of the decision in question and should be proportionate.

- 11.7 A review of the available EIAs, as well as potential impacts identified by officers as efficiencies are developed, shows groups with the potential to be affected by multiple changes by efficiencies in the 2023/24 budget are:
- Disabled adults, including those who have learning disabilities, and their carers
 - Children and young people, including those with additional needs and disabilities, and their families
 - Older adults and their carers
- 11.8 Mitigation strategies are in place to minimise the impact of efficiency projects on these groups. We will also ensure the effects of decisions and policies linked to this budget will be monitored as they are formulated and implemented and how we can support the most vulnerable residents to ensure that no-one is left behind.

This page is intentionally left blank

ANNEX A: PRESSURES & EFFICIENCIES

SUMMARY

	2023/24	2024/25	2025/26	2026/27	2027/28	
	£m	£m	£m	£m	£m	£m
a) Brought forward budget	1,040.1	1,101.5	1,146.0	1,203.6	1,260.7	

Pressures

Directorate	Pressure					Total
	2023/24	2024/25	2025/26	2026/27	2027/28	
	£m	£m	£m	£m	£m	£m
Adult Social Care	56.9	37.0	46.0	47.6	29.0	216.5
Public Service Reform and Public Health	1.2	0.8	0.9	0.9	0.9	4.7
Children, Families and Lifelong Learning	39.4	12.8	10.9	8.6	8.7	80.4
CFL - DSG High Needs Block	0.0	0.0	0.0	0.0	0.0	0.0
Environment, Transport and Infrastructure	14.9	5.2	3.0	3.5	3.6	30.2
Surrey Fire & Rescue Service	6.5	1.8	0.9	0.9	0.9	11.0
Customer and Communities	2.7	1.1	0.9	0.6	0.7	5.9
Prosperity, Partnerships and Growth	0.2	0.1	0.0	0.0	0.0	0.3
Commns, Public Affairs & Engagement	0.1	0.1	0.1	0.0	0.0	0.3
Resources	9.2	3.5	2.9	2.4	2.4	20.3
Central Income and Expenditure	(0.5)	11.6	9.6	7.6	4.6	32.9
b) Total Pressures	130.7	74.0	75.1	72.1	50.8	402.6

Efficiencies

Directorate	Efficiency					Total
	2023/24	2024/25	2025/26	2026/27	2027/28	
	£m	£m	£m	£m	£m	£m
Adult Social Care	(19.2)	(12.0)	(8.5)	(8.5)	(2.9)	(51.2)
Public Service Reform and Public Health	0.0	0.0	0.0	0.0	0.0	0.0
Children, Families and Lifelong Learning	(11.3)	(6.8)	(5.1)	(3.9)	(4.1)	(31.3)
CFL - DSG High Needs Block	(22.2)	0.0	0.0	0.0	0.0	(22.2)
Environment, Transport and Infrastructure	(3.9)	(2.5)	(0.5)	(0.3)	(0.3)	(7.4)
Surrey Fire & Rescue Service	(0.9)	(0.2)	(0.1)	(0.4)	0.0	(1.6)
Customer and Communities	(0.8)	(0.3)	(0.2)	(0.2)	(0.2)	(1.7)
Prosperity, Partnerships and Growth	(0.1)	0.0	0.0	0.0	0.0	(0.1)
Communications, Public Affairs & Engagement	(0.0)	0.0	0.0	0.0	0.0	(0.0)
Resources	(6.4)	(3.1)	(2.3)	(0.5)	(0.5)	(12.8)
Central Income and Expenditure	(4.5)	(4.6)	(1.0)	(1.0)	(1.0)	(12.1)
c) Total Efficiencies	-69.3	-29.5	-17.6	-14.8	-9.0	-140.3

Indicative Budget Requirement (a + b - c)	1,101.5	1,146.0	1,203.6	1,260.7	1,302.6	262.4
--	----------------	----------------	----------------	----------------	----------------	--------------

d) Indicative funding increase / (reduction)	61.4	24.0	(36.3)	(6.0)	(4.7)	38.4
---	-------------	-------------	---------------	--------------	--------------	-------------

Remaining Gap (b - c - d)	0.0	20.4	93.8	63.3	46.5	223.9
----------------------------------	------------	-------------	-------------	-------------	-------------	--------------

*Columns and rows may not sum throughout the annex due to the impact of minor rounding discrepancies

ADULTS SOCIAL CARE

Pressure	Description	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
2022/23 care package carry forward pressure	This pressure represents the extent to which it is currently estimated that full year care package commitments will be above the 2022/23 care package budget by 31st March 2023 factoring in planned mitigations in the remainder of the year	18.2					18.2
Pay inflation	The budgeted cost of increasing pay bands for Adult Social Care staff.	5.3	3.4	2.7	1.8	1.9	15.0
Other staffing budget changes	Changes to the Adult Social Care's staffing budget requirement beyond inflation to pay bands.	3.4					3.4
Price inflation (care packages & contracts)	The budgeted cost of price inflation for care packages and contracts that Adult Social Care funds. Based on known and estimated inflationary pressures, the latest budget position includes inflation pressures equivalent to uplifts of 7.6% (23/24), 5.3% (24/25) and 3.7% (25/26 - 27/28) for care homes and 8.4% (23/24), 6.0% (24/25) and 4.3% (25/26 - 27/28) for all other care types. Uplift parameters will vary between client groups and types of care. Parameters for 23/24 uplifts will be communicated to providers in February 2023 following Full Council approval of ASC's 23/24 budget.	29.8	23.9	18.2	19.2	20.2	111.2
Care package demand	The estimated cost of young people transitioning each year from Children's, Families and Learning services to Adult Social Care, plus estimated demand based on demographic growth for all other ASC client groups. Continued higher levels of demand for Mental Health services following the pandemic have been included.	6.5	7.9	7.6	7.1	6.4	35.6
Community equipment demand	Adult Social Care's share of the modelled cost of increased provision of Community Equipment over the life of the MTFs mitigated by expected cost efficiencies secured through the new Community Equipment Store contract that went live in April 2022.	1.0	0.3	0.4	0.4	0.5	2.6
Discharge to Assess	The estimated impact on the Council of pressures related to Surrey's Discharge to Assess system from Surrey hospitals	5.2					5.2
Liberty Protection Safeguards	The potential additional cost of meeting requirements of new legislation that would replace current Deprivation of Liberty Safeguards regulations. The timing of when this legislation may be introduced remains unclear.		4.1	3.1	0.0	0.0	7.2
Adult Social Care Charging and Fair Cost of Care reforms	The latest mid point assessment of the potential gap between the additional cost impact caused by the ASC Charging Reforms and the funding SCC may receive towards these costs. Pressures are profiled based on the delayed implementation date of October 2025. This assumes any fee increases required as part of the government's Fair Cost of Care (FCoC) agenda will be limited to within whatever FCoC funding Surrey receives.			14.0	19.0		33.0
End of transformation funding for some ASC programmes	Costs relating to the continued implementation of ASC's Accommodation with Care & Support and Learning Disabilities & Autism transformation programmes moving to be funded as business as usual within ASC's base budget. Temporary corporate funding will be provided for these programmes in 2023/24, with the ongoing pressure then incorporated into the base budget from 2024/25		2.1				2.1
Budgeted increase to Adult Social Care Better Care Fund income	The budgeted increase to the minimum funding from Surrey's Better Care Fund for ASC (excluding new funding to support hospital discharge) together with increased funding for community equipment	(3.1)					(3.1)
ASC Market Sustainability & Improvement Fund grant funding	New grant funding to support with Adult Social Care pressures	(9.4)	(4.7)				(14.1)
ASC Discharge grant funding	New grant funding to support hospital discharge to be pooled in Surrey's Better Care Fund alongside discharge funding allocated to Surrey's Integrated Care Boards	(1.6)					(1.6)
End of Former Independent Living Fund grant	This will cease as a separate grant as it is being rolled into the Social Care grant which is held centrally in SCC's budget	1.6					1.6
Total Pressures		56.9	37.0	46.0	47.6	29.0	216.5

ADULTS SOCIAL CARE

Efficiencies

Efficiency	Description	Efficiency					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Front door redesign and strength based Discharge to Assess model to reduce long term care in the community and arising from hospital discharge	Redesign of ASC's front door to ensure a more streamlined and consistent offer to residents, improve signposting and triaging of demand, increase the use of technology enabled care and a strength based approach to support people's independence. Review and adapt how reablement supports the front door. Embed an enhanced strengths based Discharge to Assess model across Surrey to ensure people receive targeted support following hospital discharge to reduce their long term care needs. These measures combined will mitigate demand pressures that would otherwise be incurred.	(1.6)	(2.5)	(3.7)	(4.1)	0.0	(11.9)
Strength based care package reviews - Older People	Ensuring as part of scheduled reviews of people's existing care packages that the current commissioned care and support remains appropriate and is strengths based to promote people's independence and reduce the need for long term support.	(0.4)	0.0	0.0	0.0	0.0	(0.4)
Strength based care package reviews - Physical & Sensory Disabilities		(0.3)	0.0	0.0	0.0	0.0	(0.3)
Strength based care package reviews - Learning Disabilities & Autism		(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(2.0)
Strength based care package reviews - Mental Health		(0.1)	(0.0)	0.0	0.0	0.0	(0.1)
Consistent practice for supporting people with more complex needs	In line with Surrey's home first principle, ensure practice for commissioning care to support people at home is consistent across the county, whilst also recognising that it is not always possible to meet people's needs most appropriately and affordably at home.	(0.3)	(0.3)	0.0	0.0	0.0	(0.6)
Remodel Learning Disabilities & Autism day support services	Continue to move towards a more personalised approach to supporting people during the day, including reducing reliance on institutionalised building based services. This will involve the implementation of the Surrey Choices Changing Days programme which includes a greater level of engagement with existing community services and vocational opportunities.	(0.8)	(0.3)	(0.3)	(0.3)	(0.3)	(1.9)
Strategic shift from Learning Disability / Autism residential care to independent living	Where appropriate and subject to review of people's needs, support people to move from institutionalised residential care to supported independent living services in the community. This will be facilitated through delivering SCC's ambition to drive the development of 500 new supported independent living units, including some on Council owned land.	(0.4)	(0.3)	(0.1)	(0.1)	0.0	(0.9)
Expand affordable Extra Care Housing county-wide offer for Older People	Develop new affordable Extra Care Housing schemes on SCC owned land and secure nomination rights for ASC funded clients. SCC has an ambition to create 725 new affordable Extra Care Housing units by 2030.	0.0	(0.1)	(0.4)	(1.1)	(0.1)	(1.7)
Review and remodel transport arrangements to and from ASC care settings	Reduce the scale of transport to institutionalised building based day services in line with the approach to move towards a more personalised approach to supporting people during the day.	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
Improved purchasing of Older People nursing/residential placements	Purchase a greater proportion of Older People nursing & residential care placements at SCC's affordable guide prices through effective management of the new Dynamic Purchasing System which went live in 2022/23. The target is to buy 80% of beds at guide prices in 2023/24 rising to 85% from 2024/25.	(1.2)	(2.0)	(1.8)	(0.9)	(0.6)	(6.5)
Maximise usage of block contract residential beds	Increase and maintain average occupancy of the Older People residential care beds that SCC purchases on a block basis to 90%.	(0.8)	0.0	0.0	0.0	0.0	(0.8)
Improved purchasing of Home Based Care packages	Improve the average price at which ASC purchases home based care services by maximising usage of more affordable capacity in the market based on continued development of the Approved Provider List framework that went live in October 2022.	(0.5)	(0.6)	(0.3)	0.0	0.0	(1.3)
Improved purchasing of Learning Disability & Autism 65+ residential care	Ensure the amount ASC pays for appropriately supporting people with a Learning Disability and/or Autism who are aged 65 or over reflects the changes to their support requirements in older age.	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(1.0)
Review of Older People in-house services	This reflects the decision made by Cabinet in February 2022 to close the 8 Older People residential care homes operated in-house by the Council. This work is in progress with the closure of 3 homes.	(8.3)	(3.7)	0.0	0.0	0.0	(12.0)
Review of Learning Disability in-house services	Efficiencies through transitioning some of the Learning Disability care homes operated in-house by the Council to supported independent living services.	(0.5)	(0.1)	0.0	0.0	0.0	(0.6)
Maximise cost effectiveness of in-house provided Reablement services	Efficiencies planned to be achieved through increasing the volume of client contact hours for the current in-house reablement resources through the implementation of a new rostering system that will substantially reduce deficit hours (contractual hours for which the staff member has not had any specific work assigned to them) and increase numbers of people through the service.	(0.8)	(0.1)	0.0	0.0	0.0	(0.9)
Apply joint S117 funding policy to all ASC funded clients with S117 Aftercare	Ensuring that everyone who ASC support with an active Section 117 Aftercare status is appropriately joint funded across health and social care as agreed in the Section 117 Aftercare joint funding policy thus ensuring additional income.	(1.3)	0.0	0.0	0.0	0.0	(1.3)
Ensure appropriate Continuing Health Care funding	Agree with health partners and then implement a new joint funding policy under the Continuing Health Care framework dictating how people with combined health and social care needs in Surrey are appropriately funded, and ensure anyone with a primary health need is fully funded under Continuing Health Care.	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)	(4.2)
Making the most of our contracts	A new contract management team in Procurement will be leading a review of contracts across the Council to identify opportunities for efficiency and then progressing these with services. The current efficiency targets are indicative at this stage and will be updated as the contract management team's work progresses.	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(2.1)
Maximising our income	Maximise cost recovery for the small proportion of ASC's total charging income where the Council has full discretion about the charges it sets.	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.3)
Total Efficiencies		(19.2)	(12.0)	(8.5)	(8.5)	(2.9)	(51.2)

PUBLIC SERVICE REFORM AND PUBLIC HEALTH

Pressures

Pressure	Description	Net Pressure					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Pay inflation	Estimated costs of pay inflation	0.2	0.2	0.2	0.2	0.2	0.9
Non-pay inflation	Estimated non pay inflation on PH commissioned services based on the estimated increase to PH Core Grant (3% in 23/24 and 2% thereafter). i.e. the assumption is that inflationary increases on PH contracted services are limited to the increase to Surrey's PH Core Grant	1.0	0.7	0.7	0.7	0.7	3.8
Total Pressures		1.2	0.8	0.9	0.9	0.9	4.7

CHILDREN, FAMILIES AND LIFELONG LEARNING

Pressures

Pressure	Description	Net Pressure					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Children Looked After (CLA) Demand	Combination of expected gross increase in the number of CLA before impacts of new practice models and strategies. Nationally highlighted issues in the provider market are also impacting the number of available placements and in some cases driving the use of higher cost placements.	1.5	2.1	2.4	2.3	2.3	10.6
Children Looked After Inflation	Combination of expected gross increase in the number of CLA before impacts of new practice models and strategies. Nationally highlighted issues in the provider market are also impacting the number of available placements and in some cases driving the use of higher cost placements.	5.5	3.0	1.0	1.2	1.2	11.9
Contract inflation	Expected inflationary increase in contract costs. This excludes CLA placements and home to school transport which are included in the specific lines	2.8	0.9	0.9	0.9	0.9	6.4
Pay inflation	Estimated costs of pay inflation	6.0	4.4	3.4	2.3	2.4	18.5
Other	Planned transition of EYES programme team into BAU budget	(0.2)	(0.2)	0.0	0.0	0.0	(0.3)
Home to School Transport	Projected increases in demand and inflation	18.1	1.9	1.9	1.9	1.9	25.7
CWD Care	Increased demand in CWD Care pressures in 22/23	2.5	0.0	0.0	0.0	0.0	2.5
Vanguard funding	3 year funding agreement which comes to an end in 24/25	0.0	0.0	1.0	0.0	0.0	1.0
Recruitment and retention	Additional costs of ASYE scheme, apprenticeships and impact of pay progression	1.3	0.2	0.2	0.0	0.0	1.7
Foster Carer rates	Increase in rates of pay to foster carers	1.8	0.5	0.1	0.0	0.0	2.4
Total Pressures		39.4	12.8	10.9	8.6	8.7	80.4

Efficiencies

Efficiency	Description	Efficiency					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Children Looked After Demand/inflation - Reunification Project	Reuniting children with their families where appropriate to do so	(0.4)	0.0	0.0	0.0	0.0	(0.4)
Children Looked After Demand/inflation - Impact of new practice models on Looked After Children numbers	High Range demand assumptions from IMPOWER analysis	(2.6)	(2.0)	(1.3)	(1.3)	0.0	(7.2)
EYES/LIFT - Controcc	Financial efficiencies from the introduction of new Childrens IT and payment system	(0.2)	(0.2)	0.0	0.0	0.0	(0.3)
Home to School Transport - Transport	Anticipated efficiencies from the application of the current transport policy and containing inflationary costs	(3.0)	(0.4)	(0.1)	0.0	0.0	(3.5)
Houses of Multiple occupancy	Efficiencies from supporting care leavers in HMOs purchased and fitted out through the capital programme.	(0.2)	(0.1)	0.0	0.0	0.0	(0.2)
CLA Stretch efficiencies	Stretch efficiency for CLA demand management. Considering expansion of existing efficiencies or other alternative options.	(3.4)	(2.0)	(2.3)	(2.0)	(3.5)	(13.2)
Making the most of our contracts	A new contract management team in Procurement will be leading a review of contracts across the Council to identify opportunities for efficiency and then progressing these with services. The current efficiency targets are indicative at this stage and will be updated as the contract management team's work progresses.	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(2.1)
Maximising our income	Maximise cost recovery for the proportion of CFL's total charging income where the Council has full discretion about the charges it sets.	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(1.1)
CLA Capital Programme	Additional capacity created within Surrey homes providing a reduced cost differential with the external residential equivalent	(0.3)	(0.6)	(0.3)	0.0	0.0	(1.2)
Block booking of bed spaces	Potential to block purchase bed spaces in new childrens homes	(0.3)	0.0	0.0	0.0	0.0	(0.3)
Reduction in management headcount	Adjustment to structures based on a review of management levels and expectations of requirements following future Ofsted inspections	(0.2)		(0.5)			(0.8)
Annual procurement plan savings	Estimated 10% reduction on contract costs for Annual Procurement Plan projects.		(1.0)				(1.0)
Total Efficiencies		(11.3)	(6.8)	(5.1)	(3.9)	(4.1)	(31.3)

CHILDREN, FAMILIES AND LIFELONG LEARNING – HIGH NEEDS BLOCK

Efficiency	Description	Efficiency					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Reduction in HNB offsetting reserve budget	There is no ongoing requirement for the DSG High Needs Block offsetting reserve budget as a result of the safety valve agreement signed at the end of 21/22. This adjustment removes this from the base budget in future years.	(22.2)	0.0	0.0	0.0	0.0	-22.2
Total Efficiencies		-22.2	0.0	0.0	0.0	0.0	-22.2

ENVIRONMENT, TRANSPORT AND INFRASTRUCTURE

Pressures

Pressure	Description	Net Pressure					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Non-Pay Inflation	Expected inflationary increase in contract and related costs. Assumes additional 6.8% catch-up for 22/23, 7.3% for 23/24, 2% thereafter.	11.7	2.6	2.7	2.8	2.8	22.6
Pay inflation	Estimated costs of pay inflation	1.5	1.3	1.0	0.7	0.7	5.1
Waste - Community Recycling Centre (CRC) charges	Government is expected to remove the ability to charge for DIY materials. Change may not be immediate, and cost will depend on the volume of materials returning to CRCs.		1.1				1.1
Environment - Waste team capacity	Review the waste management team structure		0.6				0.6
Highways & Transport - Young person's travel scheme	Estimated cost of half price travel scheme for under 20s	0.5					0.5
Highways & Transport - works management system	Replacement system	0.5	(0.0)				0.4
Prior year efficiency	Prior year "marginal gains" have not been delivered	0.4					0.4
Legal Support - Highways & Planning	Additional ongoing resource to support ETI services	0.2					0.2
Highways & Transport - Active Travel	Maintaining new active travel infrastructure to heightened design standards				0.0	0.1	0.1
Environment - Countryside - ash dieback	Dealing with ash dieback impact on countryside trees, e.g. where they effect public rights of way	0.2		(0.2)			0.0
Waste - waste volumes	The 2021/22 MTFS reflected increased volumes, e.g. due to home-working, which are assumed to reduce over the period.		(0.4)	(0.4)			(0.7)
Environment - Staffing	Partial reduction in additional resources to support delivery of Greener Futures and Rethinking Waste		(0.1)				(0.1)
Waste - contract procurement	Reprocurement costs, to the extent they are not expected to be met from other sources including Transformation Funding.		0.1	(0.1)			0.0
Total Pressures		14.9	5.2	3.0	3.5	3.6	30.2

Efficiencies

Efficiency	Description	Efficiency					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Waste - Dry Mixed Recycling (DMR) prices	DMR prices continue to provide a benefit, although historically have been volatile.	(2.0)					(2.0)
H&T - New arrangements for Civil Parking Enforcement	Changes to the operation of Civil Parking Enforcement including contractual arrangements.	(0.5)	(0.5)				(1.0)
Maximising our income	Maximise cost recovery for the proportion of ETI's total charging income where the Council has full discretion about the charges it sets.	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(1.0)
Waste - Rethinking waste	Review waste operating model and assess the implications of Government strategy - including extended producer responsibility, deposit return scheme, recycling credits, and infrastructure		(1.0)				(1.0)
Making the most of our contracts	A new contract management team in Procurement will be leading a review of contracts across the Council to identify opportunities for efficiency and then progressing these with services. The current efficiency targets are indicative at this stage and will be updated as the contract management team's work progresses.	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.6)
H&T - Concessionary fares volumes	Volume of journeys is lower than budgeted	(0.6)					(0.6)
H&T - Enforcement of bus lanes and moving traffic offences	Estimated contribution to highway costs		(0.3)	(0.1)			(0.5)
IPMP - Planning income and developer funding	Review developer funding (e.g. S106) to identify schemes already delivered, review application of planning fees to cover relevant costs	(0.4)					(0.4)
H&T - Commercialisation & innovation	Large and Small format advertising on the Highway.	(0.0)	(0.3)				(0.3)
H&T - Street lighting LED conversion	Energy savings as street lights are converted to LED	(0.3)					(0.3)
H&T - Savings & pressures identified during 2022/23	Net position following a number of number of budget adjustments to reflect different savings and pressures.	(0.2)					(0.2)
H&T - Traffic signals energy	Expected reduction in energy costs following review of inventory	(0.2)					(0.2)
H&T - Insurance claims	Reduction in value of insurance claims	(0.1)					(0.1)
Environment - Countryside - various	Events on the countryside estate, income from property investment, and development of the Basingstoke Canal Centre campsite.	(0.1)	(0.0)	(0.0)			(0.1)
IPMP - Planning income	Income from Planning Performance Agreements and charges for discretionary services	(0.0)	(0.0)	(0.0)			(0.1)
Waste - Growth in reuse shop income	Continue to expand reuse shop offer at Community Recycling Centres	(0.1)					(0.1)
H&T - One off funding (reversal)	Reversal of one-off 22/23 grant funding and income	1.0					1.0
Total Efficiencies		(3.9)	(2.5)	(0.5)	(0.3)	(0.3)	(7.4)

CUSTOMER AND COMMUNITIES

Pressures

Pressure	Description	Net Pressure					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Non-pay inflation	Expected inflationary increase in contract costs & income	(0.1)	0.1	0.1	0.1	0.1	0.4
Pay inflation	Estimated costs of pay inflation	1.5	1.0	0.8	0.5	0.5	4.3
Coroner - funding	Agreed phased reduction in funding from Surrey Police	0.1	0.0	0.0	0.0	0.0	0.1
Trading Standards - Income	Income has reduced, including the impact of Covid-19, and expected to recover over the MTFS period. SCC share 0.66%	(0.0)	(0.0)	(0.0)	(0.0)	0.0	(0.1)
Coroner – funding transferred into C&C base following the re-shaped composition of the directorate	Funding to address the 2022/23 pressures which transferred from the CPG directorate. These include staffing, funeral director contract and special inquest costs.	0.7	0.0	0.0	0.0	0.0	0.7
Leadership – funding transferred into C&C base following the re-shaped composition of the directorate	Funding to meet the Strategic leadership needs of the directorate following the creation and then expansion of C&C further to the transfer of services from the CPG directorate.	0.5	0.0	0.0	0.0	0.0	0.5
Total Pressures		2.7	1.1	0.9	0.6	0.7	5.9

Efficiencies

Efficiency	Description	Efficiency					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Maximising our income	Additional income particularly through Registration service based on additional service offers plus inflationary uplifts to fees and charges from 2023/24	(0.4)	(0.2)	(0.2)	(0.2)	(0.2)	(1.2)
Registration service efficiencies	Digitalisation and scheduling optimisation of Registration services	(0.1)					(0.1)
Trading Standards efficiencies	Reducing staffing costs in Trading Standards and Health & Safety service	(0.1)					(0.1)
Customer Services efficiencies	Reducing staffing costs in Customer Services by reducing call volumes through digitisation and prioritisation (including not mediating non urgent highways calls for those who are able to engage digitally) and adjusted team management arrangements	(0.1)					(0.1)
My Surrey Efficiencies	Business support efficiencies following the introduction of MySurrey	(0.0)	(0.1)				(0.1)
Libraries efficiencies	Reducing total spend on Libraries book fund	(0.1)					(0.1)
Total Efficiencies		(0.8)	(0.3)	(0.2)	(0.2)	(0.2)	(1.7)

SURREY FIRE & RESCUE SERVICE

Pressures

Pressure	Description	Net Pressure					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Pay inflation	Estimated costs of pay inflation	2.63	1.67	1.32	0.93	0.86	7.41
Fire - Non Pay inflation	Expected inflationary increase in costs	0.23	0.07	0.07	0.07	0.07	0.51
Training	Increase volume and cost of providing training due to level of BAU staff turnover	0.29					0.29
Fleet costs	Increased costs of operating vehicles	0.20					0.20
Reduction in income	Costs no longer covered through secondments	0.20					0.20
Over the border response	Use of neighbouring Fire authorities to attend Surrey incidents where closer	0.16					0.16
Airwave communications system	Grant not kept pace with costs & grant reduction	0.34	0.09	0.09	0.09		0.59
Fire Pension III Health Charges	Requirement for all officers to meet fitness requirements leading to more ill health retirements. Assumption costs will reduce, but may need smaller residual funding.	0.25	(0.11)		(0.14)		0.00
Holiday pay on overtime	National requirement for holiday pay on overtime	0.11					0.11
Recruitment & resilience: incentive package	Incentive package incl. skills (e.g. HGV), notice periods	0.20					0.20
Recruitment & resilience: temporary staffing increase	Multi skilled, agile group to provide cover, 12FTE to end of 2024	0.64	(0.16)	(0.48)			0.00
Recruitment & resilience: management of annual leave	Centralise coordination of staff deployment and annual leave	0.05		(0.05)			0.00
Recruitment & resilience: learning & development	Increase L&D team establishment	0.09					0.09
Recruitment & resilience: new protection skills	Enhance watch commander protection skills to meet new requirements, e.g. post-Grenfell legislation changes.	0.01					0.01
Recruitment & resilience: removal of operational vacancy factor	Requirement to be over operational establishment to allow time to recruit and train staff to be operational. Expected to be 1-2 years to reach this level.	0.40	0.40				0.80
140 day plan	Short term changes required within service	0.38	(0.11)	(0.09)	(0.07)		0.10
Transformation programme continuation	Transition to BAU	0.34					0.34
Total Pressures		6.51	1.85	0.85	0.88	0.93	11.03

Efficiencies

Efficiency	Description	Efficiency					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Automatic Fire Alarm (AFA) Policy	Further EXPAND the Automatic Fire Alarm (AFA) Policy by STOPPING response to all or some AFA Incident Types. Needs to link to revised Making Surrey Safer Plan (MSSP)	(0.01)					(0.01)
Animal Rescue Incidents	STOP responding to all or some Animal Rescue Incidents. Needs to link to revised MSSP	(0.01)					(0.01)
Utilisation of Grants	Protection grant & Building Regulation grant. Funding partly used to fund establishment posts	(0.31)					(0.31)
Fire investigation	Options being assessed. Rationalisation of posts.		(0.12)				(0.12)
Capitalisation of staff time: Engineering & operational development	Recharge time bringing fleet into operational use to capital. Plus operational development post	(0.16)					(0.16)
Corporate subscription	Institute of Fire Engineers. Take advice through NFCC liaison instead	(0.06)					(0.06)
Fire Cadets	Stop scheme after current cohort completes. (avoids pressures from expanding scheme)		(0.00)				(0.00)
Utilise new training facilities. Expand L&D to external partners.	Linked to development of Wray park training facilities. Use by other FRS and/or private organisation. New facilities designed for use by two teams at same time.				(0.25)		(0.25)
Expand the use of new Logistics (Engineering) facilities to other users	Linked to development of Wray park workshop facilities. Use by other in services or external partners				(0.10)		(0.10)
Anticipated reduction in overtime requirement following additional recruitment	Linked to increased staffing for centralised team	(0.35)					(0.35)
Stop operational staff rotations	Reduces training requirements	(0.05)	(0.05)				(0.10)
Replacement of airwave radio system	Current assumption that savings from new provider will offset grant reductions once implemented			(0.09)	(0.09)		(0.17)
Total Efficiencies		(0.94)	(0.17)	(0.09)	(0.44)	0.00	(1.63)

PROSPERITY, PARTNERSHIPS AND GROWTH

Pressures

Pressure	Description	Net Pressure					Total
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Pay inflation	Estimated costs of pay inflation	0.05	0.05	0.04	0.03	0.03	0.19
Non-Pay Inflation	Expected inflationary increase in contract costs	0.04	0.01	0.01	0.01	0.01	0.08
Surrey Story	Post to deliver Surrey Story	0.07	0.00	0.00	0.00	0.00	0.07
Total Pressures		0.16	0.06	0.05	0.04	0.04	0.33

Efficiencies

Description		Efficiency					Total
		23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	
Cease funding for LEP	Cease funding for LEP	-0.08	0.00	0.00	0.00	0.00	-0.08
Increase vacancy factor to 4%	Increase vacancy factor to 4%	-0.01	0.00	0.00	0.00	0.00	-0.01
Contain price inflation	Contain price inflation	-0.02	0.00	0.00	0.00	0.00	-0.02
Total Efficiencies		-0.11	0.00	0.00	0.00	0.00	-0.11

RESOURCES

Pressures

Pressure	Description	Net Pressure					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Non-Pay Inflation	Expected inflationary increase in contract costs	3.0	1.0	1.0	1.1	1.1	7.2
Non-Pay Inflation	Expected inflationary increase in utilities & maintenance	1.2	0.0	0.0	0.0	0.0	1.2
Pay inflation	Estimated costs of pay inflation	3.6	2.4	1.9	1.3	1.3	10.5
Legal Services	Ongoing demand linked to case volumes require additional capacity/increased external fees	0.4	0.0	0.0	0.0	0.0	0.4
Insurance	Above inflation cost increases and loss of schools income as schools move to academies	0.3	0.0	0.0	0.0	0.0	0.3
Finance	Audit fee - procurement	0.1	0.0	0.0	0.0	0.0	0.1
Strategy Team	Additional capacity to support Council-wide strategy and enhance ability to support people, place and organisational portfolios	0.2	0.0	0.0	0.0	0.0	0.2
Leadership Office	Changes to staffing structure of Leadership Office	0.2	0.0	0.0	0.0	0.0	0.2
People & Change	Corporate Leadership development	0.1	0.0	0.0	0.0	0.0	0.1
IT&D - Ongoing costs of Technical Advocates	New posts established to help embed new digital and agile ways of working	0.2	0.0	0.0	0.0	0.0	0.2
IT&D - Loss of Income from Data Centre	Loss of income from Data Centre contract as key clients migrate to SaaS solutions.	0.1	0.0	0.0	0.0	0.0	0.1
IT&D - Corporate systems	Increased cost of relationship management system	0.1	0.0	0.0	0.0	0.0	0.1
Total Pressures		9.2	3.5	2.9	2.4	2.4	20.3

Efficiencies

Efficiency	Description	Efficiency					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
IT&D - efficiencies	Various such as MySurrey implementation resulting in reduced Jive & Microsoft costs, reduced council wide mobile phone savings and additional Fire Service income	(0.8)	0.2	0.0	0.0	0.0	(0.6)
IT&D - Unicorn	Unicorn, new contract as per Cabinet paper, net of annual increased borrowing cost	0.0	(0.3)				(0.3)
Land & Property Agile Transformation	Office building rationalisation, lease cost reductions offset by additional running costs and borrowing costs	(0.8)	(0.9)				(1.7)
Land & Property Indigo Transformation	Review of services	(0.5)	(1.0)	(0.2)			(1.7)
Land & Property efficiencies	Efficiencies from rationalising assets, business infrastructure and staffing	(0.6)	(1.0)				(1.6)
Land & Property efficiencies	Variety of measures including improved supply chain management and a review of income generation opportunities	(0.2)		(1.5)			(1.7)
Land & Property energy usage	Contain inflation by reducing energy usage	(0.6)					(0.6)
People & Change - Efficiencies	Various such as Improved processes following MySurrey will lead to a reduction in FTE and increased income	(0.2)	(0.0)	(0.0)	0.0	0.0	(0.3)
Finance efficiencies	Increased income from Commercial work and District & Borough	(0.4)	0.3	0.0	0.0	0.0	(0.1)
Exec Dir of Resources	Vacant post - partnership with Health and digitalisation	(0.1)					(0.1)
Legal & Democratic Services	Administrative saving due to Joint Committees ending	(0.1)					(0.1)
Twelve15 - Transformation Programme efficiencies	Efficiencies relating to staffing restructure and measures to increase customer base/income generation	(0.1)					(0.1)
Twelve15 efficiencies	Income - Increase charge for paid meals by a further 3.8% in April 2023, this is in addition to a 6% increase in September 2022 and will impact parents	(0.3)					(0.3)
Twelve15 efficiencies	Increase volumes of universal free schools meals	(0.1)					(0.1)
Business Operations Transformation	Transformation and MySurrey efficiencies	(0.3)					(0.3)
Orbis service efficiencies	Efficiencies realised from a comprehensive review of the partner contribution rates.	(0.6)					(0.6)
Orbis Joint Operating Budget	Joint efficiencies to be agreed with Joint Management Board	(0.2)					(0.2)
My Surrey efficiencies	Efficiencies linked to the implementation of a new ERP system	(0.5)					(0.5)
Maximising our income	Maximise cost recovery for the proportion of Resources total charging income where the Council has full discretion about the charges it sets.	0.0	(0.2)	(0.4)	(0.4)	(0.4)	(1.4)
Making the most of our contracts	A new contract management team in Procurement will be leading a review of contracts across the Council to identify opportunities for efficiency and then progressing these with services. The current efficiency targets are indicative at this stage and will be updated as the contract management team's work progresses.	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.6)
Total Efficiencies		(6.4)	(3.1)	(2.3)	(0.5)	(0.5)	(12.8)

COMMUNICATIONS, PUBLIC AFFAIRS AND ENGAGEMENT

Pressures

Pressure	Description	Net Pressure					Total £m
		23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	
Pay inflation	Estimated costs of pay inflation	0.08	0.07	0.05	0.04	0.04	0.28
Non-pay Inflation	Expected inflationary increase in contract costs	0.04	0.01	0.01	0.01	0.01	0.07
Total Pressures		0.119	0.08	0.06	0.05	0.05	0.35

Efficiencies

Description		Efficiency					Total £m
		23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	
Comms, Public Affairs & Engagement	Contain inflation	-0.03	0.0	0.0	0.0	0.0	-0.03
Comms, Public Affairs & Engagement	Increased vacancy factor	-0.02	0.0	0.0	0.0	0.0	-0.02
Total Efficiencies		-0.05	0.00	0.00	0.00	0.00	-0.05

CENTRAL INCOME AND EXPENDITURE

Pressure	Description	Net Pressure					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Capital Programme financing costs	Additional Minimum Revenue Provision and Interest required to finance the borrowing contained within the Capital Programme, offset by increased interest receivable on investments	6.8	11.6	9.6	7.6	4.6	40.2
Corporate Items	Inflationary pressure on land drainage precept & apprenticeship levy	0.2					0.2
Corporate Items	Redistribution and removal of prior year budget pressures	(7.5)					(7.5)
Total Pressures		(0.5)	11.6	9.6	7.6	4.6	32.9

Efficiencies

Efficiency	Description	Efficiency					Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Balance of Cross Cutting Efficiencies	Cross Cutting opportunities identified - to be allocated to Directorates once impact is better understood	(4.5)	(4.6)	(1.0)	(1.0)	(1.0)	(12.1)
Total Efficiencies		(4.5)	(4.6)	(1.0)	(1.0)	(1.0)	(12.1)

Our Council

2023/24 Subjective Budget

2022/23 Budget Book £m	Directorate	Lead	Employee Cost £m	Non Employee Cost £m	Gross Exp £m	Income £m	Government Grants £m	23/24 Budget £m
401.7	Adult Social Care	Liz Bruce	99.7	507.5	607.1	(144.9)	(22.5)	439.7
34.4	Public Service Reform and Public Health	Rachel Crossley	5.2	31.5	36.6	0.0	0.0	36.6
221.8	Children, Families and Lifelong Learning	Rachael Wardell	134.1	747.9	881.9	(20.5)	(611.6)	249.8
27.2	CFL - DSG High Needs Block	Rachael Wardell	0.0	5.0	5.0	0.0	0.0	5.0
141.7	Environment, Transport and Infrastructure	Katie Stewart	31.3	142.2	173.5	(18.2)	(2.5)	152.8
33.2	Surrey Fire & Rescue Service	Dan Quin	39.9	4.4	44.3	(2.5)	(3.1)	38.7
16.9	Customer and Communities	Marie Snelling	26.7	8.2	34.9	(14.2)	(1.8)	18.9
1.6	Prosperity, Partnerships and Growth	Michael Coughlin	1.3	0.3	1.6	0.0	0.0	1.6
2.0	Communications, Public Affairs and Engagement	Andrea Newman	1.8	0.4	2.2	0.0	0.0	2.2
76.7	Resources	Leigh Whitehouse	60.9	59.4	120.3	(40.4)	(0.7)	79.3
81.9	Central Income & Expenditure	Leigh Whitehouse	1.3	99.2	100.5	(23.6)	0.0	76.9
1,039.0	Total - Our Council		402.1	1,605.9	2,008.0	(264.3)	(642.2)	1,101.5
	Central funding:							
(831.3)	Council tax					(862.2)		(862.2)
(115.8)	Business Rates					(43.4)	(84.5)	(127.9)
(91.9)	Central Government Grants						(111.4)	(111.4)
(0.0)	Total - Our Council		402.1	1,605.9	2,008.0	(1,169.9)	(838.1)	0.0

Budget movements from 2022/23 Budget to 2023/24 Budget

2022/23 Budget Book £m	Directorate	2022/23 Virements and Other Adjustments £m	Base Budget £m	Pay and Price Inflation £m	Pressures £m	Efficiencies £m	23/24 Budget £m
401.7	Adult Social Care	0.3	401.9	35.1	21.9	(19.2)	439.7
34.4	Public Service Reform and Public Health	1.0	35.4	1.2	0.0	0.0	36.6
221.8	Children, Families and Lifelong Learning	(0.1)	221.7	18.2	21.2	(11.3)	249.8
27.2	CFL - DSG High Needs Block	0.0	27.2	0.0	0.0	(22.2)	5.0
141.7	Environment, Transport and Infrastructure	0.0	141.7	13.3	1.6	(3.9)	152.8
33.2	Surrey Fire & Rescue Service	(0.1)	33.1	2.9	3.6	(0.9)	38.7
16.9	Customer and Communities	0.1	17.0	1.4	1.3	(0.8)	18.9
1.6	Prosperity, Partnerships and Growth	0.0	1.6	0.1	0.1	(0.1)	1.6
2.0	Communications, Public Affairs and Engagement	0.2	2.2	0.1	0.0	(0.0)	2.2
76.7	Resources	(0.3)	76.4	7.8	1.5	(6.4)	79.3
81.9	Central Income & Expenditure	0.0	81.9	0.2	(0.7)	(4.5)	76.9
1,039.0	Total - Our Council	1.1	1,040.1	80.2	50.4	(69.3)	1,101.5

Adult Social Care

Executive Director: Liz Bruce

2023/24 Subjective Budget

2022/23 Budget Book £m	Service	Employee Cost £m	Non Employee Cost £m	Gross Exp £m	Income £m	Government Grants £m	23/24 Budget £m
401.7	Adult Social Care	99.7	507.5	607.1	(144.9)	(22.5)	439.7
401.7 Total - Adult Social Care		99.7	507.5	607.1	(144.9)	(22.5)	439.7

Budget movements from 2022/23 Budget to 2023/24 Budget

2022/23 Budget Book £m	Service	2022/23 Virements and Other Adjustments £m	2022/23 Budget £m	Inflation £m	Pressures £m	Efficiencies £m	23/24 Budget £m
401.7	Adult Social Care	0.3	401.9	35.1	21.9	(19.2)	439.7
401.7 Total - Adult Social Care		0.3	401.9	35.1	21.9	(19.2)	439.7

Public Service Reform & Public Health

Executive Director: Rachel Crossley

2023/24 Subjective Budget

2022/23 Budget Book £m	Service	Employee Cost £m	Non Employee Cost £m	Gross Exp £m	Income £m	Government Grants £m	23/24 Budget £m
33.4	Public Health	4.3	31.4	35.7			35.7
0.9	Public Service Reform	0.9	0.1	1.0			1.0
34.4 Total - Public Service Reform & Public Health		5.2	31.5	36.6	0.0	0.0	36.6

Budget movements from 2022/23 Budget to 2023/24 Budget

2022/23 Budget Book £m	Service	2022/23 Virements and Other Adjustments £m	2022/23 Budget £m	Inflation £m	Pressures £m	Efficiencies £m	23/24 Budget £m
33.4	Public Health	1.0	34.5	1.2			35.7
0.9	Public Service Reform	0.0	0.9	0.1			1.0
34.4 Total - Public Service Reform & Public Health		1.0	35.4	1.2	0.0	0.0	36.6

Children, Families and Lifelong Learning

2023/24 Subjective Budget

Executive Director: Rachael Wardell

2022/23 Budget Book £m	Service	Employee Cost £m	Non Employee Cost £m	Gross Exp £m	Income £m	Government Grants £m	23/24 Budget £m
33.4	Family Resilience	25.3	14.4	39.7	(0.4)	(3.0)	36.3
21.2	Education and Lifelong Learning	44.1	203.7	247.8	(13.7)	(211.3)	22.8
8.6	Quality Assurance	9.0	0.8	9.8	(0.7)	(0.1)	9.0
106.2	Corporate Parenting	40.8	87.9	128.7	(3.7)	(11.5)	113.5
53.0	Commissioning	14.2	130.8	145.0	(2.0)	(73.9)	69.1
(0.6)	Exec Directorator central budget	0.7	(1.5)	(0.8)	0.0	0.0	(0.8)
221.8	Total - Children, Families and Lifelong Learning	134.1	436.1	570.1	(20.5)	(299.8)	249.8
0.0	Delegated Schools		311.8	311.8		(311.8)	0.0
221.8	Total - Children, Families and Lifelong Learning	134.1	747.9	881.9	(20.5)	(611.6)	249.8

Budget movements from 2022/23 Budget to 2023/24 Budget

2022/23 Budget Book £m	Service	2022/23 Virements and Other Adjustments £m	2022/23 Budget £m	Inflation £m	Pressures £m	Efficiencies £m	23/24 Budget £m
33.4	Family Resilience		33.4	1.8	1.3	(0.3)	36.3
21.2	Education and Lifelong Learning	(0.1)	21.1	1.9	0.0	(0.3)	22.7
8.6	Quality & Performance		8.6	0.5	(0.2)		8.9
106.2	Corporate Parenting	0.1	106.3	9.1	5.8	(7.5)	113.7
53.0	Commissioning		53.0	4.8	14.2	(3.0)	69.0
(0.6)	Exec Director central budget		(0.6)	0.0	0.0	(0.2)	(0.8)
221.8	Total - Children, Learning, Families and Culture	(0.1)	221.7	18.2	21.2	(11.3)	249.8
0.0	Delegated Schools		0.0		0.0		0.0
221.8	Total - Children, Families and Lifelong Learning	(0.1)	221.7	18.2	21.2	(11.3)	249.8

CFL - DSG High Needs Block

Executive Director: Rachael Wardell

2023/24 Subjective Budget

2022/23 Budget Book £m	Service	Employee Cost £m	Non Employee Cost £m	Gross Exp £m	Income £m	Government Grants £m	23/24 Budget £m
27.2	DSG High Needs Block Offset Contribution		5.0	5.0			5.0
27.2 Total - CFL - DSG High Needs Block		0.0	5.0	5.0	0.0	0.0	5.0

Budget movements from 2022/23 Budget to 2023/24 Budget

2022/23 Budget Book £m	Service	2022/23 Virements and Other Adjustments £m	2022/23 Budget £m	Inflation £m	Pressures £m	Efficiencies £m	23/24 Budget £m
27.2	DSG High Needs Block Offset Contribution	0.0	27.2	0.0	0.0	(22.2)	5.0
27.2 Total - CFL - DSG High Needs Block		0.0	27.2	0.0	0.0	(22.2)	5.0

Environment, Transport, & Infrastructure

Executive Director: Katie Stewart

2023/24 Subjective Budget

2022/23 Budget Book £m	Service	Employee Cost £m	Non Employee Cost £m	Gross Exp £m	Income £m	Government Grants £m	23/24 Budget £m
62.2	Highways & Transport	18.7	65.7	84.4	(13.2)	(2.3)	68.9
74.7	Environment	5.0	76.6	81.6	(2.1)	(0.2)	79.3
3.0	Infrastructure Planning & Major Projects	5.4	0.1	5.5	(2.7)	0.0	2.8
0.5	Emergency Management	0.5	0.0	0.5	0.0	0.0	0.5
1.3	Planning Performance & Support (incl Cross Cutting Efficiencies)	1.7	(0.2)	1.5	(0.2)	0.0	1.3
141.7	Total - Environment, Transport, & Infrastructure	31.3	142.2	173.5	(18.2)	(2.5)	152.8

Budget movements from 2022/23 Budget to 2023/24 Budget

2022/23 Budget Book £m	Service	2022/23 Virements and Other Adjustments £m	2022/23 Budget £m	Inflation £m	Pressures £m	Efficiencies £m	23/24 Budget £m
62.2	Highways & Transport	0.0	62.2	6.7	0.9	(0.9)	68.9
74.7	Environment	0.0	74.7	6.3	0.4	(2.1)	79.3
3.0	Infrastructure Planning & Major Projects	0.0	3.0	0.2		(0.4)	2.8
0.5	Emergency Management	0.0	0.5	0.0			0.5
1.3	Planning Performance & Support (incl Cross Cutting Efficiencies)	0.0	1.3	0.1	0.3	(0.4)	1.3
141.7	Total - Environment, Transport, & Infrastructure	0.0	141.7	13.3	1.6	(3.9)	152.8

Comms, Public Affairs and Engagement

Executive Director: Andrea Newman

2023/24 Subjective Budget

2022/23 Budget Book £m	Service	Employee Cost £m	Non Employee Cost £m	Gross Exp £m	Income £m	Government Grants £m	23/24 Budget £m
0.1	Armed Forces and Resilience	0.1	0.0	0.1	0.0	0.0	0.1
1.9	Comms, Public Affairs and Engagement	1.8	0.4	2.1	0.0	0.0	2.1
2.0	Total - Comms, Public Affairs and Engagement	1.8	0.4	2.2	0.0	0.0	2.2

Budget movements from 2022/23 Budget to 2023/24 Budget

2022/23 Budget Book £m	Service	2022/23 Virements and Other Adjustments £m	2022/23 Budget £m	Inflation £m	Pressures £m	Efficiencies £m	23/24 Budget £m
0.1	Armed Forces and Resilience		0.1	0.0	0.0	0.0	0.1
1.9	Comms, Public Affairs and Engagement	0.2	2.1	0.1	0.0	(0.0)	2.1
2.0	Total - Comms, Public Affairs and Engagement	0.2	2.2	0.1	0.0	(0.0)	2.2

Surrey Fire & Rescue Service

Chief Fire Officer: Dan Quin

2023/24 Subjective Budget

2022/23 Budget Book £m	Service	Employee Cost £m	Non Employee Cost £m	Gross Exp £m	Income £m	Government Grants £m	23/24 Budget £m
33.2	Fire and Rescue	39.9	4.4	44.3	(2.5)	(3.1)	38.7
33.2 Total - Surrey Fire & Rescue Service		39.9	4.4	44.3	(2.5)	(3.1)	38.7

Budget movements from 2022/23 Budget to 2023/24 Budget

2022/23 Budget Book £m	Service	2022/23 Virements and Other Adjustments £m	2022/23 Budget £m	Inflation £m	Pressures £m	Efficiencies £m	23/24 Budget £m
33.2	Fire and Rescue	(0.1)	33.1	2.9	3.6	(0.9)	38.7
33.2 Total - Surrey Fire & Rescue Service		(0.1)	33.1	2.9	3.6	(0.9)	38.7

Customer and Communities

Executive Director: Marie Snelling

2023/24 Subjective Budget

2022/23 Budget Book £m	Service	Employee Cost £m	Non Employee Cost £m	Gross Exp £m	Income £m	Government Grants £m	23/24 Budget £m
1.5	Community Partnerships	1.1	0.5	1.6	0.0	0.0	1.6
2.8	Customer Services	3.0	0.1	3.1	(0.2)	0.0	2.9
3.7	Coroners	2.5	2.2	4.6	(0.1)	0.0	4.5
1.9	Trading Standards	3.5	0.4	3.9	(1.9)	0.0	2.0
0.3	Health & Safety	0.6	0.1	0.7	(0.2)	(0.2)	0.3
0.3	Customer & Communities Leadership	0.8	0.1	0.8	0.0	0.0	0.8
(1.1)	Registration and Nationality Services	2.0	0.1	2.1	(3.7)	0.0	(1.5)
7.5	Cultural Services	13.3	4.7	18.0	(8.1)	(1.6)	8.3
16.9	Total - Customer and Communities	26.7	8.2	34.9	(14.2)	(1.8)	18.9

Budget movements from 2022/23 Budget to 2023/24 Budget

2022/23 Budget Book £m	Service	2022/23 Virements and Other Adjustments £m	2022/23 Budget £m	Inflation £m	Pressures £m	Efficiencies £m	23/24 Budget £m
1.5	Community Partnerships		1.5	0.1	0.0	0.0	1.6
2.8	Customer Services		2.8	0.2	0.0	(0.1)	2.9
3.7	Coroners		3.7	0.1	0.8	0.0	4.5
1.9	Trading Standards		1.9	0.1	(0.0)	(0.1)	2.0
0.3	Health & Safety		0.3	0.0	0.0	(0.0)	0.3
0.3	Customer & Communities Leadership	0.1	0.4	0.0	0.5	(0.0)	0.8
(1.1)	Registration and Nationality Services		(1.1)	0.0	0.0	(0.4)	(1.5)
7.5	Cultural Services	0.0	7.6	0.8	0.0	(0.1)	8.3
16.9	Total - Customer and Communities	0.1	17.0	1.4	1.3	(0.8)	18.9

Prosperity, Partnerships and Growth

Executive Director: Michael Coughlin

2023/24 Subjective Budget

2022/23 Budget Book £m	Service	Employee Cost £m	Non Employee Cost £m	Gross Exp £m	Income £m	Government Grants £m	23/24 Budget £m
0.3	PPG Leadership	0.3	0.0	0.3	0.0	0.0	0.3
1.3	Economic Growth	1.0	0.3	1.3	0.0	0.0	1.3
1.6	Total - Prosperity, Partnerships and Growth	1.3	0.3	1.6	0.0	0.0	1.6

Budget movements from 2022/23 Budget to 2023/24 Budget

2022/23 Budget Book £m	Service	2022/23 Virements and Other Adjustments £m	2022/23 Budget £m	Inflation £m	Pressures £m	Efficiencies £m	23/24 Budget £m
0.3	PPG Leadership		0.3	0.0	0.1		0.3
1.3	Economic Growth		1.3	0.1	0.0	(0.1)	1.3
1.6	Total - Prosperity, Partnerships and Growth	0.0	1.6	0.1	0.1	(0.1)	1.6

Resources

Executive Director: Leigh Whitehouse

2023/24 Subjective Budget

2022/23 Budget Book £m	Service	Employee Cost £m	Non Employee Cost £m	Gross Exp £m	Income £m	Government Grants £m	23/24 Budget £m
24.0	Land and Property	11.2	22.4	33.6	(8.7)	0.0	24.9
11.3	Information Technology & Digital	9.9	9.4	19.3	(0.6)	0.0	18.8
2.0	Business Operations	2.6	(0.6)	2.0	(0.1)	0.0	1.9
14.2	Joint Orbis	0.0	6.4	6.4	0.0	0.0	6.4
5.9	Finance	8.5	5.5	14.0	(7.8)	0.0	6.3
4.9	Legal Services	4.9	1.1	6.0	(0.4)	0.0	5.6
3.7	Democratic Services	1.7	2.3	4.0	(0.2)	(0.1)	3.8
2.0	Executive Director Resources (incl Leadership Office)	2.1	0.3	2.3	(0.1)	0.0	2.2
(1.9)	Twelve15	11.9	9.3	21.2	(22.5)	0.0	(1.3)
1.7	Corporate Strategy and Policy	1.1	1.2	2.3	0.0	(0.5)	1.8
1.4	Transformation and Strategic Commissioning	1.6	(0.1)	1.5	0.0	0.0	1.5
7.3	People & Change	5.3	2.2	7.5	(0.1)	(0.1)	7.3
0.2	Performance Management	0.2	0.0	0.2	0.0	0.0	0.2
76.7	Total - Resources	60.9	59.4	120.3	(40.4)	(0.7)	79.3

Budget movements from 2022/23 Budget to 2023/24 Budget

2022/23 Budget Book	Service	2022/23 Virements and Other Adjustments	2022/23 Budget	Inflation	Pressures	Efficiencies	23/24 Budget
£m		£m	£m	£m	£m	£m	£m
24.0	Land and Property	0.1	24.0	3.5	0.0	(2.7)	24.9
11.3	Information Technology & Digital	7.2	18.5	0.7	0.3	(0.8)	18.8
2.0	Business Operations	0.0	2.0	0.2	0.0	(0.3)	1.9
14.2	Joint Orbis	(7.3)	6.9	0.3	0.0	(0.8)	6.4
5.9	Finance		5.9	0.4	0.4	(0.4)	6.3
4.9	Legal Services		4.9	0.2	0.4	0.0	5.6
3.7	Democratic Services		3.7	0.1	0.0	(0.1)	3.8
2.0	Executive Director Resources (incl Leadership Office)	(0.0)	2.0	0.9	0.2	(0.8)	2.2
(1.9)	Twelve15		(1.9)	1.0	0.0	(0.5)	(1.3)
1.7	Corporate Strategy and Policy	(0.1)	1.6	0.1	0.2	0.0	1.8
1.4	Transformation and Strategic Commissioning		1.4	0.1	0.0	0.0	1.5
7.3	People & Change	(0.1)	7.2	0.3	0.1	(0.2)	7.3
0.2	Performance Management		0.2	0.0	0.0	0.0	0.2
76.7	Total - Resources	(0.3)	76.4	7.8	1.5	(6.4)	79.3

Central Income & Expenditure

Executive Director: Leigh Whitehouse

2023/24 Subjective Budget

2022/23 Budget Book £m	Service	Employee Cost £m	Non Employee Cost £m	Gross Exp £m	Income £m	Government Grants £m	23/24 Budget £m
81.9	Central Income & Expenditure	1.3	99.2	100.5	(23.6)		76.9
81.9 Total - Central Income & Expenditure		1.3	99.2	100.5	(23.6)	0.0	76.9

Budget movements from 2022/23 Budget to 2023/24 Budget

2022/23 Budget Book £m	Service	2022/23 Virements and Other Adjustments £m	2022/23 Budget £m	Inflation £m	Pressures £m	Efficiencies £m	23/24 Budget £m
81.9	Central Income & Expenditure		81.9	0.2	(0.7)	(4.5)	76.9
81.9 Total - Central Income & Expenditure		0.0	81.9	0.2	(0.7)	(4.5)	76.9

Final Capital Programme 2023/24 to 2027/28

	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	MTFS Total (£m)
Property						
Budget	117.5	213.2	120.3	51.1	68.5	570.5
Pipeline	56.8	91.8	62.5	25.1	6.6	242.7
Total	174.3	305.1	182.7	76.1	75.1	813.3
Infrastructure						
Budget	185.4	105.1	98.6	109.8	107.7	606.5
Pipeline	35.5	110.9	136.5	115.3	31.0	429.2
Total	220.9	215.9	235.1	225.1	138.7	1,035.7
IT						
Budget	5.8	11.0	3.5	3.4	1.6	25.4
Pipeline	0.4	3.7	3.0	3.0	6.0	16.1
Total	6.2	14.7	6.5	6.4	7.6	41.4
Your Fund Surrey	15.0	15.0	15.0	15.0	0.0	60.0
Budget	308.7	329.3	222.4	164.3	177.8	1,202.4
Pipeline	107.7	221.4	216.9	158.3	43.6	748.0
Total	416.4	550.7	439.3	322.6	221.4	1,950.4

	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	MTFS Total (£m)
Financing						
Grant / Contribution	144.8	153.2	174.3	109.9	74.5	656.9
Receipts	41.4	20.0	13.3	1.5	0.0	76.2
Revenue	6.9	6.4	5.9	5.9	5.8	30.8
Funded Borrowing	51.5	109.2	52.0	40.1	20.5	273.3
Unfunded Borrowing	171.7	261.8	193.8	165.3	120.5	913.2
Total	416.4	550.7	439.3	322.6	221.4	1,950.4

Final Capital Programme 2023/24 to 2027/28

Project	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Highway Maintenance*	69.8	29.5	29.5	29.5	29.5	187.8
Bridge/Structures Maintenance	11.0	12.0	10.3	10.3	10.3	53.9
Local Highways Schemes	12.5	1.0	1.0	1.0	1.0	16.5
Ultra Low Emission Vehicles - Buses	16.4	-	-	-	-	16.4
Ultra Low Emission Vehicles - RTPI for buses	0.4	0.5	0.6	-	-	1.4
Ultra Low Emission Vehicles - bus priority	1.8	2.0	2.6	2.5	-	8.9
Flooding & drainage	1.7	1.7	1.7	1.7	1.7	8.6
Safety Barriers	2.3	1.5	1.5	1.5	1.5	8.3
Illuminated Street Furniture	2.0	1.9	0.5	0.5	0.5	5.4
Ultra Low Emission Vehicles - Community Transport - Third Sector	2.3	2.8	-	-	-	5.1
External funding	0.7	1.2	1.2	1.2	1.2	5.5
Traffic signals	3.2	2.9	2.9	2.9	2.9	14.9
Street Lighting LED Conversion	0.8	-	-	-	-	0.8
Drainage Asset Capital Maintenance/Improvements	1.1	1.0	1.0	1.0	1.0	5.1
Active Travel (both EATF & future)	1.7	-	-	-	-	1.7
Active Travel Tranche 3	5.8	-	-	-	-	5.8
School road safety schemes	1.2	1.2	-	-	-	2.4
Highway Maintenance - Signs	0.5	0.4	0.4	0.4	0.4	2.1
Road Safety Schemes	0.2	0.2	0.5	0.5	0.5	1.9
Replacement Vehicles	0.3	0.2	0.2	0.2	0.2	0.9
Surrey Quality Bus Corridor Improvement	0.4	0.4	-	-	-	0.8
Smallfield Safety Scheme (CIL)	0.3	-	-	-	-	0.3
Other - (Grant Funded Speed Cameras, ANPR at CRCs, Traffic Systems)	0.0	-	-	-	-	0.0
Road Safety - Surrey Police funded digital cameras	0.0	-	-	-	-	0.0
Road safety - speed management	1.0	1.0	-	-	-	2.0
Highways and Transport	137.5	61.4	53.8	53.2	50.7	356.6
Surrey Flood Alleviation - River Thames	8.0	8.0	30.0	50.0	50.0	146.0
A320 North of Woking and Junction 11 of M25	20.3	17.8	-	-	-	38.1
SIP: A308 Modernisation	1.4	3.8	3.8	-	-	9.0
Surrey Infrastructure Plan (SIP) - Weybridge town centre package	1.8	2.7	-	-	-	4.5
Farnham Infrastructure Programme Town Centre - Quick Wins	1.5	-	-	-	-	1.5
EV infrastructure	0.0	-	-	-	-	0.0
Infrastructure, Planning and Major Projects	33.1	32.3	33.8	50.0	50.0	199.1
Surrey Flood Alleviation - Wider Schemes	3.5	5.1	5.1	3.1	2.8	19.6
Public Rights of Way	0.7	0.7	0.7	0.7	0.7	3.7
Greener futures 2030 - PSDS3a	1.5	-	-	-	-	1.5
Grow Back Greener	0.3	0.1	0.1	-	-	0.4
Basingstoke Canal	0.3	0.1	0.1	0.1	0.1	0.7
Improving Access to the Countryside	0.2	0.0	0.0	0.0	0.0	0.3
Basingstoke Canal - Externally Funded	0.5	-	-	-	-	0.5
Waste Recycling Initiatives	0.4	-	-	-	-	0.4
Public Rights of Way - Externally Funded	0.1	0.1	0.1	0.1	0.1	0.3
Closed landfill sites	0.1	0.1	0.1	0.1	0.1	0.3
Treescaping	0.1	-	-	-	-	0.1
Woodland Creation (Tree Planting)	0.0	0.1	-	-	-	0.1
Environment	7.6	6.2	6.2	4.1	3.8	27.9
Surrey Fire - Purchase of New Fire Engines & Equipment	6.6	4.8	4.4	2.1	2.8	20.6
Fire - Making Surrey Safer – Community Resilience	0.5	0.5	0.5	0.5	0.5	2.3
Trading Standards Replacement Vehicles	0.0	-	-	-	-	0.0
Surrey Fire & Rescue Service	7.1	5.2	4.8	2.5	3.2	22.9
INFRASTRUCTURE	185.4	105.1	98.6	109.8	107.7	606.5

Project	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Schools Basic Need	7.6	30.8	33.5	7.8	22.9	102.6
Recurring Capital Maintenance - FMR Schools	7.0	10.0	12.0	13.0	15.0	57.0
Recurring Capital Maintenance Non-Schools - FMR Corporate	10.0	13.0	15.0	18.0	18.5	74.5
Children Looked After Schemes	3.7	4.8	3.0	8.0	9.3	28.9
Independent Living - Batch 1	10.7	13.2	-	-	-	23.9
SOLD - Thames Young Mariners	2.0	5.0	-	-	-	7.0
Caterham Hill Library	-	2.3	3.3	-	-	5.6
Agile Office Estate Strategy - Spokes fit-out	0.6	-	-	-	-	0.6
Extra Care Housing (7 x feas) - Batch 2	0.6	1.0	-	-	-	1.6
Bookham YC	1.8	0.8	-	-	-	2.6
Winter Maintenance Depot (Salt Barns)	3.8	0.1	-	-	-	3.9
Countryside	0.1	0.7	1.2	-	-	1.9
Gypsy Sites (Pendell, GRT & Downs remediation)	1.2	-	-	-	-	1.2
Extra Care DBFO	-	0.4	-	-	-	0.4
Agile Office Estate (AOP) Woodhatch / Dakota	0.2	-	-	-	-	0.2
Independent Living / Short Breaks - Squirrels - Batch 3	0.2	-	-	-	-	0.2
Temporary Mortuary	0.1	-	-	-	-	0.1
Sunbury Hub	0.6	11.0	6.5	0.3	-	18.4
Land and Property	50.2	93.1	74.4	47.1	65.7	330.5
SEND Strategy - Phase 1-3	39.4	26.3	1.6	-	-	67.3
SEND Phase 4	15.8	68.4	28.4	0.8	0.2	113.6
AP Strategy	8.1	22.3	12.7	-	-	43.1
Devolved formula capital	1.0	1.0	1.0	1.0	1.0	5.2
Adaptions For CWD	0.8	0.3	0.3	0.3	-	1.8
Foster carer grants	0.5	0.2	0.2	0.2	-	1.2
Childrens Services	65.6	118.6	44.3	2.3	1.2	232.0
Adults Capital Equipment	1.5	1.5	1.5	1.5	1.5	7.5
In house capital improvement scheme	0.1	0.1	0.1	0.1	-	0.4
Major Adaptions	0.1	-	-	-	-	0.1
Adult Social Care	1.7	1.6	1.6	1.6	1.5	8.0
PROPERTY	117.5	213.2	120.3	51.1	68.5	570.5
IT&D Hardware (incl accessibility equipment)	3.9	6.7	1.7	0.2	0.8	13.4
Unicorn Reprourement/Replacement	1.6	2.7	0.4	0.1	-	4.7
IT&D Infrastructure	0.1	1.4	1.2	2.9	0.5	6.2
Telephones UNICORN network (BT)	0.1	0.1	0.1	0.1	0.3	0.8
Data Centre Replacement	0.1	0.1	0.1	0.1	-	0.4
IT&D	5.8	11.0	3.5	3.4	1.6	25.4
TOTAL BUDGET	308.7	329.3	222.4	164.3	177.8	1,202.4
Your Fund Surrey	15.0	15.0	15.0	15.0	-	60.0
Pipeline	92.7	206.4	201.9	143.3	43.6	688.0
TOTAL CAPITAL PROGRAMME	416.4	550.7	439.3	322.6	221.4	1,950.4

*Highway Maintenance includes a n element of planned a cceleration of spend across 2022-24.

Capital Programme – Financing 2023/24 to 2027/28

Project	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Grant / Contributions	144.8	153.2	174.3	109.9	74.5	656.9
Capital Receipts	41.4	20.0	13.3	1.5	-	76.2
Revenue	6.9	6.4	5.9	5.9	5.8	30.8
Funded Borrowing	51.5	109.2	52.0	40.1	20.5	273.3
Unfunded Borrowing	171.7	261.8	193.8	165.3	120.5	913.2
TOTAL FUNDING	416.4	550.7	439.3	322.6	221.4	1,950.4

This page is intentionally left blank

Projected Earmarked Reserves and Balances 31 March 2023

The Council holds a number of Earmarked Reserves for various purposes, which are listed below:

- i) **Budget Equalisation Reserve:** This reserve was set up to support future years' revenue budgets from unapplied income and budget carry forwards.
- ii) **Business Rate Appeals Reserve:** As part of the localisation of business rates the Council is liable to refund business rate payers for its share of business rates if it is determined that a rate payer has been overcharged rates. This reserve will be used to fund any successful appeals.
- iii) **Economic Prosperity Reserve:** This reserve is to allay the risks of erosion in the Council's tax base or business rate income due to the impact of the localisation of Council Tax benefit and other factors influencing the collection of local taxes; and provide for investment in the local economy.
- iv) **Revolving Investment & Infrastructure Fund:** This Fund was established in the 2013-18 Medium-Term Financial Strategy in order to provide for the revenue costs of funding infrastructure and investment initiatives that will deliver efficiencies and enhance income in the longer-term. It is also earmarked to cover the risk of potential short-term decreases in investment income from investment properties and/or the Council's subsidiary companies.
- v) **Insurance Reserve:** This reserve holds the balance resulting from a temporary surplus or deficit on the Council's self-insurance fund and is assessed by an actuary for the possible liabilities the Council may face. It specifically holds £4.2m to cover potential losses from the financial failure of Municipal Mutual Insurance (MMI) in 1992. The company had limited funds to meet its liabilities, consequently, future claims against policy years covered by MMI may not be fully paid, so would be funded from this reserve. The balance on this reserve represents the latest assessed possible liability.
- vi) **Investment Renewals Reserve:** Enables investment in service developments. The reserve makes loans to services for invest to save projects, which may be repayable. The recovery of the loan is tailored to the requirements of each business case, which is subject to robust challenge before approval as a part of the Council's governance arrangements.
- vii) **Capital Investment Reserve:** To fund revenue costs to pump-prime capital investment.
- viii) **Eco Park Sinking Fund:** To smooth the impact of the compressed distribution of the contract costs and re-profiling of the PFI credits.
- ix) **Equipment Replacement Reserve:** Enables services to set aside revenue budgets to meet future replacement costs of large equipment items. Services make annual revenue contributions to the reserve and make withdrawals to fund purchases. This reserve is being phased out over the medium-term to ensure consistency in the application of revenue funds for capital across the Council.

- x) **Street Lighting PFI Fund:** This reserve holds the balance of the street lighting PFI grant income over and above that used to finance the PFI to date. The balance in this reserve will be used in future years when the expenditure in year will exceed the grant income due to be received in the same year.
- xi) **Transformation Reserve:** This was established to pump-prime projects that required upfront expenditure to deliver service re-design, critical to the Council.
- xii) **Interest Rate Reserve:** This reserve is to enable the Council to fund its Capital Programme from borrowing in the event of an unexpected change in interest rates or other borrowing conditions.
- xiii) **CFLC Inspection and System Improvements:** This reserve is to fund additional costs in preparation for the OFSTED re-inspection as well as reviewing and renewal of the monitoring and recording case system for children social care services funded from a review of the revenue unapplied grants
- xiv) **COVID-19 Emergency Fund:** This reserve holds un ringfenced government grant money to support Surrey County Council to fund the loss of income and extra costs associated with the pandemic. The remaining balance has been fully utilised in 2022/23.
- xv) **DSG & Schools Balances:** This represents unapplied revenue resources accumulated by maintained schools with delegated spending authority. The balance is controlled by schools and is not available to the Council for other purposes. The reserve has also been set aside to fund the deficit on the DSG High Needs Block, in the event that it has to be resourced by the Council.
- xvi) **Revenue Grants Unapplied:** This reserve holds grants from central government which have been held in reserve as expenditure in relation to the grant has yet to be incurred.

Forecast use of Earmarked Reserves & Balances: The Earmarked Reserves position presented below reflects the estimated closing balance for 2022/23 and hence the total reserves available for the financial year 2023/24. The 2023/24 budget assumes no overall movement in reserves, except where they are held for technical purposes such as the PFI sinking funds.

	Opening Balance		Forecast Balance
	1 April 2022	Forecast Movement	1 April 2023
	£m	£m	£m
Budget Equalisation*	96.1	-6.5	89.6
Business Rate Appeals	28.6		28.6
Economic Prosperity	11.7		11.7
Revolving Investment & Infrastructure Fund	11.1		11.1
COVID-19 Emergency Fund	5.9	-5.9	0
Insurance	9.3		9.3
Investment Renewals	5.0		5
Capital Investment	7.5		7.5
Eco Park Sinking Fund	22.1		22.1
Equipment Replacement	3.5		3.5
Streetlighting PFI Fund	1.2		1.2
Transformation	3.1		3.1
Interest Rate	1.6		1.6
CFL Inspection & System Improvements	0.3		0.3
Earmarked Reserves	206.9	-12.4	194.6
Schools Balances	52.2		52.2
DSG High Needs Deficit	-118.4	-26.4	-144.8
DSG High Needs Block Offset**	118.4	26.4	144.8
SEND & Schools Balances	52.2	0	52.2
Revenue Grants Unapplied	84.4		84.4
Total Earmarked Reserves	343.5	-12.4	331.2
General Fund Balance	48.4		48.4
Overall Total	391.9	-12.4	379.6

* The movement on the Budget Equalisation represents amounts approved by Cabinet in December to support the DBI project and potential required use of the reserve to balance the 2022/23 budget position, based on the M8 revenue forecast of £23m deficit.

** Current legislation requires us to account for the DSG deficit as an unusable reserve, so our statement of accounts records this separately and therefore shows a higher reserves balance of £510m at 31/3/22. For budgeting purposes, it is more prudent to show the deficit alongside the offset.

This page is intentionally left blank

Council Tax Requirement

1. In January 2023, the District and Borough Councils informed Surrey County Council of the Council Tax base for 2023/24. The tax base provided is presented as the number of Band D equivalent properties. The total tax base for 2023/24 is 517,004.1; an increase of 1.34% from 2022/23.
2. At the same time, the District and Borough Councils provided estimates of the Council Tax Collection Fund balance. As a result of pressures associated with the Covid-19 pandemic, a large deficit was incurred on the 2020/21 Collection Fund. The Government has amended legislation to require authorities to spread the estimated deficit on the 2020/21 Collection Fund over three years from 2021/22 to 2023/24 and as such this is the last year of this spread. The 2023/24 budget is based on a surplus of £6.8m (this being the Council Tax element after the requirement to spread over three years).
3. Each year the Council must decide if its proposed Council Tax increase is excessive. If deemed excessive, a referendum must be held. This decision must be made in accordance with a set of principles determined by the Secretary of State (SoS), referred to as the referendum principle.
4. Since 2016/17, authorities with social care responsibilities have been allowed additional flexibility on their core Council Tax referendum principle so long as the additional money raised is used entirely for adult social care services. This is referred to as the Adult Social Care (ASC) precept.
5. In December 2022 the SoS for Levelling Up, Housing and Communities, The Rt Hon Michael Gove, set a core Council Tax referendum principle of up to 3% and set out flexibilities for authorities to set an ASC precept of 2% on top of the core element.
6. Increases in the core Council Tax and ASC precept are calculated based on the full Council Tax precept for the preceding year.
7. Council is asked to approve the increase to core Council Tax by 0.99% and the ASC precept by 2.0%; an overall increase of 2.99%, for 2023/24. The Council Tax precept is the Council Tax requirement divided by the tax base.

Table 1 – Council Tax Requirement

	23/24
(Income)/Expenditure	£
Gross expenditure	2,008,038,196
Other income	(906,507,310)
Budgeted revenue expenditure	1,101,530,886
Business rates income	(46,551,007)
Business rates top-up	(63,604,737)
Business rates grants	(20,900,000)
Business rates collection fund	3,140,654
Other Government grants	(111,400,000)
Collection Fund Equalisation Adjustment*	10,584,960
Council tax collection fund balance	(6,777,529)
Council tax requirement	<b style="color: red;">866,023,228

*The Council is required to set the Council Tax budget based on the collection fund figures provided by the Boroughs and Districts. Where this are felt to be unusually high or low, the Council manages the risk of future fluctuations by a Collection fund equalisation adjustment, making provision in reserves for future mitigations and to smooth the impact across financial years.

8. The tax base is the number of Band D equivalent properties for precepting purposes. The tax base for 2022/23 is as follows, showing an increase of 1.34% from 2022/23:

Table 2 – 2023/24 Tax base

Billing Authority	No. of Band D equivalent properties 2023/24	No. of Band D equivalent properties 2022/23	Change
Elmbridge	65,980.0	65,569.0	0.63%
Epsom & Ewell	33,521.2	33,251.4	0.81%
Guildford	59,212.1	58,335.9	1.50%
Mole Valley	41,483.1	41,308.0	0.42%
Reigate & Banstead	63,495.3	62,274.7	1.96%
Runnymede	34,864.6	34,524.0	0.99%
Spelthorne	39,949.2	39,223.0	1.85%
Surrey Heath	39,613.4	38,976.2	1.63%
Tandridge	38,904.9	38,692.9	0.55%
Waverley	57,369.3	56,487.3	1.56%
Woking	42,611.0	41,519.0	2.63%
Total	517,004.1	510,161.4	1.34%

9. The Council is required to provide separately information on the amount by which Council Tax is raised in order to fund Adult Social Care services. The Band D Council Tax precept for 2023/24 is calculated as follows:

Table 3 - Band D precept

Council Tax Precept	CTR ÷ tax base	Level
Core precept	753,347,354 ÷ 517,004.1	= £1,457.14
Adult Social Care precept	112,675,874 ÷ 517,004.1	= £217.94
Council tax precept	866,023,228 ÷ 517,004.1	= £1,675.08

*The amount charged for the ASC precept is the sum of the ASC precept increases since 2016/17.

10. The proposed increase is not considered excessive in accordance with the set of principles determined by the SoS.

Table 4 - Increase in Council Tax

Band D	A 2022/23	B 2023/24	C Base to measure	D Increase (B-A) ÷ C	Referendum Principle
Core precept	£1,440.91	£1,457.14	£1,626.39	0.99%	up to 3%
ASC precept	£185.48	£217.94	£1,626.39	2.00%	2% on top of the core principle
Council tax precept	£1,626.39	£1,675.08	£1,626.39	2.99%	Up to 5%

11. The proposals result in an overall increase of £48.69 per annum, £0.94 per week, for a Band D dwelling.

12. Surrey County Council's level of Council Tax for each category of dwelling in its area will be as follows:

**Table 5 - Council tax by valuation band
2023/24**

Valuation band	Core precept	ASC precept	Overall precept
A	£971.43	£145.29	£1,116.72
B	£1,133.33	£169.51	£1,302.84
C	£1,295.24	£193.72	£1,488.96
D	£1,457.14	£217.94	£1,675.08
E	£1,780.95	£266.37	£2,047.32
F	£2,104.76	£314.80	£2,419.56
G	£2,428.57	£363.23	£2,791.80
H	£2,914.28	£435.88	£3,350.16

13. The payment for each billing authority including any surplus or deficit balances on the Collection Fund is set out below:

Table 6 – Payment for each billing authority

Billing Authority	Payment
Elmbridge	111,368,720.40
Epsom & Ewell	56,357,299.37
Guildford	98,162,126.51
Mole Valley	70,280,327.15
Reigate & Banstead	109,206,923.36
Runnymede	60,462,272.17
Spelthorne	65,023,321.94
Surrey Heath	67,089,043.72
Tandridge	64,446,098.52
Waverley	97,510,387.04
Woking	72,894,236.28
Total*	872,800,756.46

** Includes council tax collection fund balances*

14. The billing authority payments are to be made in ten equal instalments on dates to be confirmed with the District and Borough Councils.

Table 7 – Payment dates

Payment dates	
20/04/2023	09/10/2023
23/05/2023	17/11/2023
30/06/2023	05/01/2024
28/07/2023	19/02/2024
11/09/2023	15/03/2024

This page is intentionally left blank

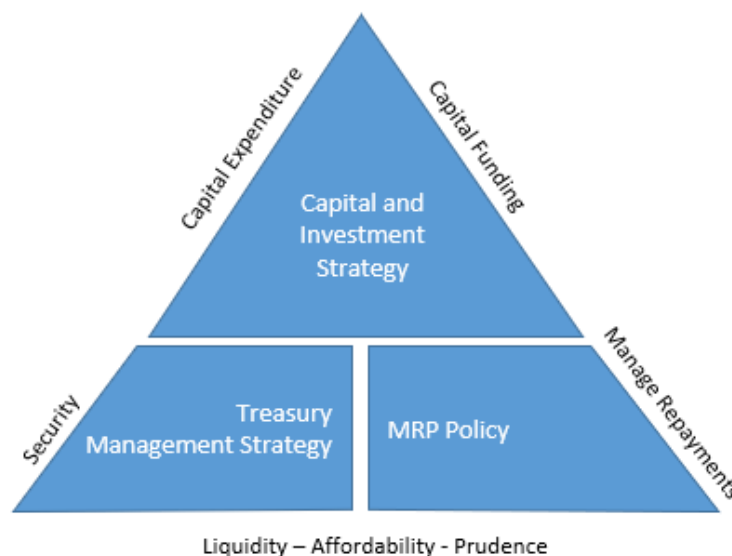
Surrey County Council

Capital, Investment and Treasury Management Strategy 2023/24

1. INTRODUCTION

1.1 The Capital, Investment and Treasury Management Strategy provides an overview of the three main components of capital planning. We have chosen to amalgamate the strategies into a single document because the Capital Programme, our Investment Strategy and our approach to Treasury Management cannot operate independently of one another. They are parts of an overall approach:

- **Capital expenditure and investments:** the Capital Programme; supporting Corporate and Directorate priorities and the Investment Programme; generating income and supporting economic growth;
- **Financing our capital plans, and maintaining liquidity:** the Treasury Management Strategy; setting out how the capital programme will be financed and how cash investments will be managed; and
- **Repaying our debt in a prudent way:** the Minimum Revenue Provision (MRP) Policy, setting out how we use the revenue budget to repay debt.



This report sets out a high-level overview of how capital expenditure, capital financing, investments and treasury management activity contributes to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

- 1.2 The strategy sets out a clear picture of the ambition of the Council regarding capital expenditure and investment plans, within the financial constraints, risk appetite and regulatory framework that the Council operates.
- 1.3 The strategy is presented in the following elements, that set out the Council’s approach to capital, investment and treasury management:
- **Capital Overview** - asset management, capital expenditure planning, risk management and long-term sustainability of capital expenditure plans (**Section 2**)

- b. **Investment Overview** – setting out investment plans focusing on the approach to service and commercially led investment (**Section 3**);
 - c. **The Treasury Management Strategy Statement (TMSS)** – setting out how we borrow and invest to support our capital financing requirement (**Section 4**)
 - d. **The Minimum Revenue Provision (MRP) Policy** – setting out how we repay capital borrowing (**included as the final page of this document, Annex G to the Budget**)
- 1.4 Decisions made this year on capital, investment and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.
- 1.5 Our strategy will:
- Set out how we ensure that capital expenditure contributes to the achievement of corporate priorities and the organisation strategy;
 - Explain how the Capital Programme is financed and demonstrate that it is affordable and sustainable;
 - Explain the Council’s approach to investments; and
 - Set out and fulfil the Council’s regulatory requirements in respect of Borrowing, Treasury Management and Investment.

2. CAPITAL OVERVIEW

Capital Expenditure and Financing:

- 2.1 The Council incurs two types of capital expenditure:
- the service delivery Capital Programme
 - the Capital Investment Programme
- 2.2 The Council’s capital expenditure and financing plans over the medium-term provides an overview of the governance arrangements for approval and monitoring of expenditure and, in relation to commercial investment activities, sets out the due diligence process and the Council’s risk appetite in respect of these, including proportionality in respect of overall resources.
- 2.3 This section includes a projection of the Council’s capital financing requirement and how this will be funded and repaid. It links to the Council’s borrowing strategy and sets out the Council’s statutory duty to make an annual revenue provision for the repayment of debt, detailed in the MRP Policy (Annex G to the Budget).

Capital Expenditure

- 2.4 Capital expenditure refers to Local Authority spending on assets such as infrastructure, property or vehicles that will be used for more than one year. In Local Government this includes spending on assets owned by other bodies and loans and grants to other bodies, enabling them to buy assets.

- 2.5 In the 2023/24 Budget and 5-year Medium Term Financial Strategy to 2027/28, the Council has a total capital expenditure requirement of £1.98bn as summarised in Table 1. Our capital expenditure can be broken into three categories:
- Approved Capital Budget of £1,202m
 - Capital Pipeline of £748m, schemes that represent the capital ambitions of the Council but are subject to further detailed business cases and Member approval.
 - Capital Investments of £31m, split by investment in existing assets (£1m) and investment in new assets within Surrey (£30m).

Table 1 - Estimates of Capital Expenditure

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	Total Budget
	£m	£m	£m	£m	£m	£m	£m	£m
Capital Programme - Budget	162	218	309	329	222	164	178	1,202
Capital Programme - Pipeline	0	30	108	221	217	158	44	748
Sub-total Capital Programme	162	249	416	551	439	323	221	1,950
Capital investment in existing assets	0	0	0	1	0	0	0	1
New growth and service led investments in Surrey	3	1	26	1	3	0	0	30
Sub-total Investment Strategy	3	1	26	2	3	0	0	31
TOTAL	166	250	443	552	442	323	221	1,981

- 2.6 Our medium-term approach to financial planning means we can deliver an ambitious Capital Programme of c£1.95bn over the next 5 years if all pipeline proposals are approved. The revenue implications of this proposed programme are integrated and factored into the financial planning over the Medium-Term Financial Strategy (MTFS) period.
- 2.7 In developing the capital expenditure estimates, we have ensured that borrowing costs remain in line with the revenue budget envelopes set out in the 2023/24 Budget and MTFS. This has been achieved through a combination of refining the borrowing requirement for pipeline schemes and through identifying a number of schemes that will generate income or efficiencies sufficient to cover their borrowing costs.
- 2.8 Planned capital investment will deliver significant investment in:
- The development of a greener future through the Net Zero 2030 and 2050 carbon reduction schemes and other projects contributing to the carbon and green agenda such as solar farms, electric charging points, low emission buses and vehicles;
 - A reconfirmed commitment to Surrey's sustainable future and that of its residents and businesses, through significant investment in flood alleviation works; a once in a generation opportunity to build flood defences, country parks and green space;
 - Community led projects in our towns and high streets with £60m available over the next 4 years through the Your Fund Surrey scheme;
 - Developing Farnham town centre and surrounding infrastructure;

- Creating a number of sites to look after our vulnerable older adults, through building Extra Care and Independent Living accommodation where residents can live independently for longer and integrate into the community;
- Delivering additional local places for children with Special Educational Needs and Disabilities – a key part in containing costs within the revenue budget;
- Providing additional capacity in schools, to provide a rich education with Schools Basic Needs funding;
- Increasing sufficiency of provision for special education needs and disability in schools across Surrey;
- Investment in County PRU places and improvements for improved pupil support
- Investment in libraries across the County;
- Maintaining and developing our road infrastructure to help grow a sustainable economy, deliver safer and greener routes; and
- Accelerating our Property Rationalisation and Agile Corporate Estate Programme.

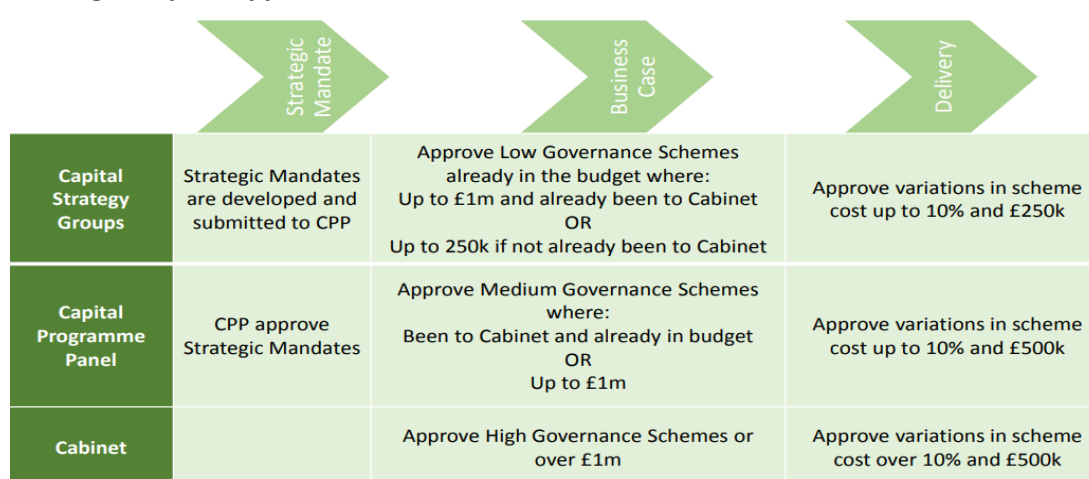
2.9 Capital projects are subject to a rigorous governance process to ensure they are aligned with the Council’s priorities:

- Growing a sustainable economy so everyone can benefit;
- Tackling health inequality;
- Enabling a greener future; and
- Empowering communities.

2.10 Fundamentally, they are approved on the principles of strategic fit, value for money, affordability and deliverability. Projects need to demonstrate value for money and that they are capable of being delivered within expected timescales.

2.11 Strategic Capital Groups (SCGs) for Infrastructure, Property and IT develop projects throughout the budget setting process which are scrutinised and approved by Capital Programme Panel (CPP); a group of senior officers from across the organisation, including the Council’s Deputy S151 officer and senior service representatives. Projects approved by CPP are then included in the budget when approved by Cabinet and Council. Fig 1, below summarises this process.

Fig 1: Capital Approval Process



Capital Funding

2.12 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiatives). The planned financing of the expenditure set out in Table 1 is as follows:

Table 2 - Capital Financing

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	Total budget
	£m	£m	£m	£m	£m	£m	£m	£m
Grants and Contributions	79	108	145	153	174	110	75	657
Revenue budgets	6	6	7	6	6	6	6	31
Capital receipts	62	0	41	20	13	2	0	76
Borrowing	19	135	250	373	249	205	141	1,217
TOTAL	166	250	443	552	442	323	221	1,981

2.13 Additional borrowing of £250m for 2023/24 consists of £224m to fund the Capital Programme (detailed in the Capital Budget – See Annex C to the 2023/24 Budget and MTFS to 2027/28) and £26m to fund capital investment in existing assets and new growth and service led expenditure (set out in Table 1).

2.14 This table shows the planned usage of capital receipts for capital expenditure. £76m of capital receipts from the sale of Council assets are assumed for financing expenditure from 2023/24 onwards. Receipts are only included as sources of financing when there is a high level of confidence over the value and timing of their delivery. This approach is taken to ensure a prudent estimate of borrowing is factored into capital plans and included in the revenue budget for finance costs.

2.15 Borrowing is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP).

2.16 Alternatively, proceeds from selling capital assets (known as capital receipts) may currently be used to replace debt finance. No use of receipts is currently assumed to repay existing debt.

2.17 Planned MRP is set out in the following table:

Table 3 - Repayment of Debt Finance through Minimum Revenue Provision

	2021/22 Actual	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
	£m	£m	£m	£m	£m	£m	£m
MRP	21	24	29	38	45	51	56

2.18 The Council's full MRP policy can be found in Annex G.

- 2.19 The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure on service delivery and on investments and reduces with MRP and capital receipts used to replace debt.
- 2.20 The CFR is expected to increase by £216m during 2023/24. Based on the above figures for expenditure and financing, the Council's estimated CFR over the medium-term is as follows:

Table 4 - Prudential Indicator: Estimates of Capital Financing Requirement

As at 31 st March	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m	£m	£m
Capital Programme	888	1,004	1,202	1,540	1,745	1,904	1,992
Investment Programme	451	443	460	452	446	437	427
TOTAL CFR	1,339	1,446	1,662	1,992	2,190	2,340	2,420

- 2.21 Our capital plans lead to a £974m increase in the estimated CFR over the five-year period, from £1.45bn to £2.42bn. The revenue implications of this are set out below in section 2.26 and in the TMSS section 4.
- 2.22 **Asset management:** To ensure that capital assets continue to be of long-term use, the Council has an Asset and Place Strategy. This sets out the Council's approach to the strategic management of its assets, how the sale of assets to fund capital expenditure will support service delivery and provide the income to promote growth and place shaping within Surrey.
- 2.23 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council currently has no plans to use flexible use of capital receipts from 2023/24 onwards.
- 2.24 The Council plans to receive £76m of capital receipts from 2022/23 onwards:

Table 5 - Capital Receipts Receivable

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Budget	Budget	Budget	Budget	Budget
	£m	£m	£m	£m	£m	£m	£m
Asset sales	2	26	17	11	7	15	-

Revenue Budget Implications

- 2.25 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans, and MRP are charged to revenue, offset by any investment income receivable. This is referred to as net financing costs.

2.26 Current projections show that net financing costs will be contained within the central income and expenditure budget projections over the MTFs, rising from £24m net in 2022/23 to £69m net in 2027/28. The gross and net costs of financing our capital plans are set out in the table, below.

Table 6 – Net Finance Cost Budget

	2021/22 Actual	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
	£m	£m	£m	£m	£m	£m	£m
MRP (not including PFI)	21	24	29	38	45	51	56
Interest Cost	17	19	24	29	29	32	35
Gross Finance Cost	38	42	54	67	75	83	91
Investment Income	(21)	(19)	(22)	(22)	(22)	(22)	(22)
Net Finance Cost	16	24	32	45	53	61	69

2.27 The proportion of net finance cost to net revenue budget is a key indicator of direction of travel relative to medium term revenue resources and provides insight into the affordability of finance costs. Full revenue implications of net finance cost are set out in the TMSS (section 4.46 onwards)

2.28 The Council's net finance costs are increasing as a proportion of the net revenue budget, which is expected with an expanding Capital Programme, rising from c.2% in 2022/23 to 6% in 2027/28. This increase is partially contained through schemes enabling delivery of revenue efficiencies or income generation that finance themselves and offset pressure on the central income and expenditure budget.

2.29 The below schemes are included in the Capital Programme on the basis of covering their own financing costs over the MTFs:

Approved Budget - £75m total spend over MTFs

- £29m – Children Looked After Schemes
- £24m – Independent Living (Batch 1)
- £7m - Surrey Outdoor Learning and Development - Thames Young Mariners
- £5m – Caterham Hill Library
- £5m – Unicorn Reprourement/Replacement
- £2m - Extra Care Housing
- £2m – Greener Futures 2030 (PSDS3a)
- £1m – Various smaller schemes totalling £1m

Pipeline –£235m (to be approved after scrutiny of value for money, sustainability and assessment of deliverability)

- £60m - Extra Care Housing
- £44m – Greener Futures – Net Zero 2030 target
- £31m - Agile Office Estate Strategy (including Quadrant Court)
- £30m - Greener futures - Net Zero 2050 target

- £27m - Libraries Transformation Phase 1
- £21m - Materials Recovery Facility
- £9m - Independent Living
- £5m - Surrey Outdoor Learning & Development (SOLD)
- £3m – Children Looked After Schemes
- £2m - Electric Vehicle Infrastructure
- £2m – Surrey farms investment plan
- £1m – Various smaller schemes totalling £1m

Financial Sustainability

2.30 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred over the MTFS will extend for up to 50 years into the future. The Section 151 Officer is satisfied that the proposed Capital Programme is prudent, affordable and sustainable because it remains proportional to the Council's overall revenue budget.

Environmental Sustainability

2.31 Capital expenditure over the next 5-year period includes c.£678m of schemes that will contribute to carbon reduction, action on climate change and enabling a greener future. Of this spend, c.£366m is included for schemes in the approved budget and a further c.£312m for schemes in the pipeline, which are subject to ongoing development, scrutiny and challenge before being approved. 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.

3. INVESTMENT OVERVIEW

- 3.1 In addition to service-led capital expenditure, the Council has invested its money for a further three broad purposes:
- To support local public services by setting up, lending to or buying shares in other organisations (service investments);
 - To earn investment income (known as commercial investments where this is the main purpose); and
 - As a result of surplus cash from its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments);

Service Investments: Loans and Equity

3.2 **Overview:** The Council invests money in its subsidiaries and other organisations to support local public services and stimulate local economic growth. Subsidiaries of this nature include:

- Hendeca Group Ltd (formerly S.E. Business Services Ltd) – a Local Authority Trading Company (LATC) wholly owned by the Council for the provision of business services.
- Surrey Choices Ltd – a LATC, wholly owned by the Council to deliver day services and community support options for people with disabilities and older people.

3.3 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk and ensure that total exposure to service loans remains prudent, decisions on service loans are made in the context of their value, the stability of the counterparty and an assessment of the risk of default. The current value of service loans is set out as follows:

Table 7 - Loans for service purposes in £ millions

Category of borrower	31.3.2022 actual			2023/24
	Balance owing £m	Loss allowance £m	Net figure in Accounts £m	Approved Limit £m
Subsidiaries	3	-	3	10

3.4 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's Statement of Accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum advanced and has appropriate credit control arrangements in place to recover overdue repayments. In the case of our service loans, these allowances are nil.

3.5 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding service loans by reference to their financial position, past experience and other factors. We wholly own our subsidiaries for service purposes and so their financial position is subject to the same rigour and control as that of the Council.

Commercial Investments: Property

3.6 **Overview:** The Council holds investments in local commercial property; office space, leisure and retail, with the intention of supporting Surrey's economy and generating a surplus that will be spent on local public services. The table below shows the value of our investments by main category, including those under construction where the ultimate use is to be determined.

Table 8 - Property held for investment purposes in £ millions

Property	Actual	31.3.2022 actual	
	Purchase cost £m	Gains or (losses) £m	Closing Value £m
Office	117	9	127
Retail	6	(3)	3
Leisure	1	0	1
TOTAL	124	7	131

- 3.7 **Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.
- 3.8 A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. The Council holds investment properties for long-term rental income, and short-term fluctuation in investment values can be expected. Our investment properties operate in a challenging commercial environment, with particular pressure on retail. We continue to explore mitigating actions to protect the capital invested, such as alternate uses where appropriate.

Commercial Investment – Equity Investments and Loans

- 3.9 **Overview:** The Council wholly owns Halsey Garton Property Ltd (HGP) which has a portfolio of national investment properties used to generate a return to the Council. The Council also wholly owns Halsey Garton Residential Ltd (HGR), which holds a portfolio of Surrey-based residential properties. The financial return from both companies takes the form of interest on the outstanding loan and dividend payments (where possible). The total value of our investment in HGP and HGR as at 31st March 2022 is set out below.

Table 9 - Equity and Loans to HGP and HGR in £ millions

Category of Investment	31.3.2022 actual		
	Balance outstanding	Loss allowance	Net figure in Accounts
	£m	£m	£m
Equity Shares	97	0	97
Loans	241	(1)	240

- 3.10 Accounting standards require the Council to set aside loss allowance for investments, reflecting an assessment of risk. The figures in the Council's Statement of Accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the

full sum advanced and has appropriate credit control arrangements in place to recover overdue repayments.

- 3.11 The Council also holds shares at a £0.5m initial cost in the UK Municipal Bonds Agency (UKMBA) whose aim is to reduce the long-term borrowing costs of Local Authorities who join together to issue local authority bonds. The Council does not currently have a bond-issue with UKMBA but is taking regular advice from its Treasury advisors, Arlingclose on the most appropriate source of finance for its long-term capital spending plans. The share value has been written out of the Council's balance sheet because the UKMBA set out a material uncertainty in its November 2020 accounts that would cast doubt on the company's ability to continue as a going concern.

Managing the debt used to finance subsidiary loans

- 3.12 In previous financial years, the Council has borrowed money to lend on to Halsey Garton Property, in order that Halsey Garton Property can invest in property to generate a revenue income for the Council to support service delivery. Alongside the equity shares, these loans are set out in Table 9, above.
- 3.13 The Council's MRP policy for 2021/22 was to charge MRP on individual properties where the market value had fallen below the outstanding loan, ensuring that the debt coverage was maintained. This was deemed a prudent approach and therefore compliant with current legislation because, despite individual properties carrying a market value below the debt, the value of the portfolio overall still exceeded the outstanding loans.
- 3.14 In November 2021, the Government issued a consultation on proposed changes to capital finance regulations. The potential change in stance arising from this consultation would have dictated that local authorities charge MRP on all subsidiary loans, to ensure the money is set aside to repay debt without relying on the subsidiary selling assets or negotiating new debt.
- 3.15 In anticipation of these changes coming into force for the 2023/24 financial year, as per the government's proposed timetable, the Council took the decision to adopt the regulations early and amended its MRP policy for 2022/23 to provide MRP on capital loans in full as it does for any other asset. This policy was approved by Full Council on 8th February 2022.
- 3.16 In June 2022, the Government issued an interim response to the consultation, which included an amended proposal in respect of capital loans. The amended proposal is that, where an authority has made a capital loan for service purposes, MRP need only be made to cover the expected credit loss required by IFRS 9. Zero MRP is acceptable if the outstanding CFR on the loan is no greater than the outstanding principal, less any expected credit losses.
- 3.17 The Council's current policy of providing for MRP in full means it is compliant with both the original and revised proposals. A full response to the consultation has not yet been issued and therefore there is not yet complete certainty over the final nature and timing of any changes, if indeed they are introduced.

- 3.18 Given these circumstances the Council considers it prudent to continue with the current policy of providing MRP in full on loans to subsidiaries in 2023/24, as outlined in the 2023/24 MRP Policy (Annex G). This will ensure that the Council's debt in relation to the loan to Halsey Garton is serviced over the life of the asset. When the subsidiary repays its loans, any resulting surplus would be recognised as gain (a capital receipt) at the point of repayment.

Security

- 3.19 The value of property owned by Halsey Garton Property Ltd at 31st March 2022 was assessed as being £38m lower than cost, representing an 12% reduction, largely due to pressures on the retail environment.
- 3.20 Halsey Garton is holding the assets for long-term rental income and short-term variations in fair value do not currently affect the value of the Council's investment. Over the long term, we would expect asset values to recover.

Risk Assessment and Liquidity

- 3.21 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding property or subsidiary investments through a thorough analysis of the market and economic conditions using external advisors where necessary. Separately, the Council has a comprehensive risk management strategy to mitigate risks of over-spend or income shortfalls to the base budget position.
- 3.22 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. The Council is not reliant on investments in property to maintain its liquidity and manages liquidity through other investments and borrowing. The Council has Reserves and Contingencies to maintain stability in the event of a period of lower returns from its investment portfolio.

Loan Commitments and Financial Guarantees

- 3.23 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.
- 3.24 We do not currently extend financial guarantees to other organisations, however if we chose to be part of a joint bond issue with UKMBA, we would be liable for defaults of other Local Authorities in proportion to the total amount of the bond. It is highly unlikely that another Local Authority would default and so the risk is theoretical rather than a practical reality.

Proportionality

- 3.25 The Council's revenue budget includes an element of profit generating investment activity to support services. Table 10 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Council is dependent on

achieving the expected net profit from investments over the lifecycle of the MTFS.

Investment activity is forecast to remain around 2% of the Council's net revenue budget over the medium-term. Should we fail to achieve the expected net return, the Council would manage the impact on budget through use of contingency in the current financial year and a re-assessment of financial plans for the remainder of the medium-term.

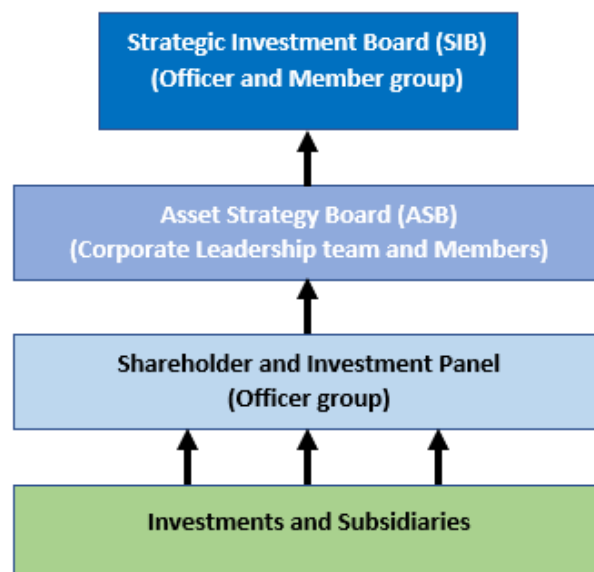
Table 10 - Proportionality of Investments

Investments net return	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual £m	Forecast £m	Forecast £m	Forecast £m	Forecast £m	Forecast £m	Forecast £m
Service investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial investments: Property	6.2	3.6	5.2	6.2	6.4	6.4	6.4
Commercial investments: Shares and Loans	15.1	14.9	14.9	14.9	14.9	14.9	14.9
Total Net Income from Investments	21.3	18.5	20.1	21.1	21.3	21.3	21.3
Proportion to Net Revenue Budget (%)	2.1%	1.8%	1.8%	1.9%	2.0%	2.0%	2.0%

Commercial Governance

3.26 Commercial investments are taken through a rigorous Officer and Member led process to ensure that decisions are taken with an adequate level of scrutiny. The diagram, below, shows the governance groups charged with delivering commercial investments:

Fig 2: Commercial Governance



- 3.27 At officer level, oversight is provided by the Shareholder Investment Panel (SHIP) with representation from Finance (Chair), Land & Property and Legal.
- 3.28 The Member led Strategic Investment Board (SIB) monitors the Council's investment properties and subsidiary companies to ensure satisfactory performance and effective risk management. The financial returns delivered by trading and investment help to ensure that we continue to deliver quality services to our residents.
- 3.29 SIB provides effective oversight, ensuring alignment with the strategic objectives and values of the Council. SIB safeguards the Council's interests and takes decisions in matters that require the approval of the Council as owner or as a shareholder of a company.

Investment Indicators

- 3.30 The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.
- 3.31 **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

Table 11 - Total investment exposure in £millions

Total investment exposure	31.03.2022	31.03.2023	31.03.2024
	Actual	Forecast	Forecast
	£m	£m	£m
Treasury management investments	141	20	50
Service investments: Loans	3	3	3
Commercial and Economic Growth investments: Property	131	132	158
Commercial investments: Loans	241	241	241
Commercial investments: Shares	97	97	97
TOTAL INVESTMENTS	613	493	549

- 3.32 **How investments are funded:** Government guidance states that our indicators should include an analysis of how investments are funded. Councils, including SCC, do not generally associate borrowing with individual assets, since we borrow as required to fund the whole portfolio of capital spend. However, the following investments could be described as being funded from capital sources, including borrowing and receipts. The remainder of the Council's investments are funded by Usable Reserves and income received in advance of expenditure.

Table 12 - Investments funded by borrowing in £millions

Total investment exposure	31.03.2022	31.03.2023	31.03.2024
	Actual	Forecast	Forecast
	£m	£m	£m
Commercial and Economic Growth investments: Property	131	132	158
Commercial investments: Loans	241	241	241
Commercial investments: Shares	97	97	97
TOTAL INVESTMENTS	469	470	496

3.33 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complexity of the Local Government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 13 - Investment rate of return (net of all costs)

Investments net rate of return	2021/22	2022/23	2023/24	2022/23
	Actual	Forecast	Forecast	Forecast
	£m	£m	£m	%
Service investments	0.0	0.0	0.0	0%
Commercial investments: Property	6.2	3.6	5.2	3%
Commercial investments: Shares and Loans	15.1	14.9	14.9	4%
ALL INVESTMENTS	21.3	18.5	20.1	4%

External context

3.34 In 2018, following concerns from the sector regarding the adoption of International Financial Reporting Standard 9 (IFRS 9) into the Code of Practice on Local Authority Accounting (the Code), the government introduced a statutory override to mitigate the risks highlighted by the sector. At that time, authorities had expressed concern that reporting changes brought in by IFRS 9 would mean that the fair value movements in certain assets would need to be reflected in budgets. This would have particularly affected investments in pooled investment funds, a type of investment widely held in the sector. Authorities argued that the increased volatility to budgets could impact service delivery or place undue burdens on council taxpayers.

- 3.35 The statutory override mitigates these putative risks by requiring authorities to remove the impacts of the fair value movements of pooled investment funds from their budgets and record them in an unusable reserve. The statutory override was time-limited to five years, from 1 April 2018 and ending 31 March 2023. At that time, the government said that it would keep use of the statutory override under review but made no further commitments.
- 3.36 In August 2022, the Government launched a consultation on whether to extend the override, make it permanent or allow it to lapse. The aim of this consultation was to collect the views of authorities and other stakeholders, and to collect additional information needed to understand the financial risks associated with both continuing the statutory override or allowing reversion to the Code of practice on local authority accounting. The responses to the consultation have now been considered, and Ministers have decided to extend the existing IFRS 9 statutory accounting override for a further 2 years until 31 March 2025. A full government response is expected in early 2023.

4. Treasury Management Strategy Statement 2023/24

Introduction

- 4.1 Treasury management at Surrey County Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.
- 4.2 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. A full set of Prudential Indicators is set out in Annex 1 and a number of Treasury limits and indicators are set out below.
- 4.3 Treasury management is the management of the Council's cash flows, borrowing, investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 4.4 The Council tends to be cash rich in the short-term as revenue income (e.g. Council Tax, Business Rates and Government Grants) is typically received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.
- 4.5 Managing the cost of the Council's borrowing is at the heart of the Treasury Management Strategy (TMS) and we work proactively with our Treasury Management advisor, Arlingclose on a continual basis, to ensure that our approach represents the best balance between minimising cost and managing the risk of interest rate changes. Regular meetings with Arlingclose coincide with Bank of England Monetary Policy Committee meetings, however our strategy is under constant review throughout the year, and we can call on Arlingclose's expertise whenever required.
- 4.6 **Interest rate risk mitigation:** The increases to interest rates made by the Bank of England, and anticipation of further rises in the immediate future also have an impact on the affordability of the capital programme. The Council is looking to maximise its internal and short-term borrowing strategy to reduce the need to enter into long term borrowing at higher rates of interest over the short term. The Bank of England and other market intelligence suggests that interest rates will be high over the next 18-24 months and then will need to reduce, as inflation and growth reduces, due to a projected period of recession. Therefore a balance needs to be made between increasing the base budget for high interest rates, resulting in a larger required efficiency target, and managing a short term peak in interest rates through other strategies as follows:

- Our borrowing strategy requires us to maximise internal borrowing by utilising internal balances held for the medium term
- Our borrowing strategy also enables us to borrow short term at cheaper rates to avoid 'locking' in long term interest charges when interest rates are high
- Historic trends suggest that pipeline conversion and capital programme spending will be less than the current profiling in the draft budget.
- The Council holds an interest rate risk reserve of £1.6m if interest payable in the year exceeds the revenue budget available, after the mitigations set out above.

Interest rate volatility has effectively been managed throughout 2022/23 to-date through this strategy and higher than forecast cash levels. Cash levels have benefited from significant grant income received upfront in the financial year and, more significantly, £50m of long term borrowing taken out in March 2022 (at 1.98%) before rates began to rise.

- 4.7 The Treasury Management Strategy is supported by four TMS annexes:
1. Prudential indicators – a Code requirement which supports our approach to borrowing, managing risk and highlighting our capital financing requirement.
 2. Detailed external context – a detailed summary from Arlingclose of the current and future economic climate, risks and opportunities along with detailed interest rate forecasts.
 3. Investment & Debt Portfolio Position as at 30 November 2022 – to highlight the current range of debt and investments.
 4. Glossary of Terms

External Context – as at November 2022 (Bank Rate update is as at December)

- 4.8 **Economic background:** The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Council's treasury management strategy for 2023/24.
- 4.9 The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6 3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.
- 4.10 The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

- 4.11 The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.
- 4.12 CPI inflation is expected to have peaked at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However, the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.
- 4.13 The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was - 2.7%. Looking forward, the November MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.
- 4.14 Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.5% in December 2022 to 4.25%-4.5%. This rise follows four successive 0.75% rises in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 7%. GDP grew at an annualised rate of 3.2% (revised up from 2.9%) between July and September 2022, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.
- 4.15 Inflation rose consistently in the Euro Zone since the start of the year, hitting a peak annual rate of 10.6% in October 2022, before declining to 10.1% in November. Economic growth has been weakening with an upwardly revised expansion of 0.3% (from 0.2%) in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.50% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and deposit facility rate to 2.0%.
- 4.16 **Credit outlook:** Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.
- 4.17 CDS price volatility was higher in 2022 compared to 2021 and the divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities has emerged once again.

- 4.18 The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.
- 4.19 There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.
- 4.20 However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.
- 4.21 **Interest rate forecast (December 2022):** The Council's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.
- 4.22 While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.
- 4.23 Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.
- 4.24 A more detailed economic and interest rate forecast provided by Arlingclose is attached in the TMS Annex 2.
- 4.25 For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 3%, and that new borrowing will be sourced at an average rate of 4% for 2022/23 and 2023/24, 3% in 2024/25 and 2% for the remainder of the MTFS period.

Local Context:

- 4.26 On 31 March 2022 the Council held £722m borrowing (£496m of long-term borrowing and £226m short-term borrowing) and £141m of cash investments. By 30th November 2022, this had dropped to £594m borrowing (£483m of long-term borrowing and £111m of short-term borrowing), with £100m of investments.

- 4.27 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 4.28 Internal borrowing allows the Council to utilise its internal cash balances (i.e. working capital and reserves) which are not required in the short to medium-term in order to reduce risk and keep interest costs low. Forecast changes in these sums are shown in the balance sheet analysis in Table 14 below.

Table 14 - Balance sheet summary and forecast

	31.3.22 Actual £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
General Fund CFR	1,339	1,446	1,662	1,992	2,190	2,340	2,420
Less: PFI and lease liabilities	(91)	(87)	(82)	(77)	(73)	(68)	(63)
Net CFR (underlying need to borrow)	1,248	1,360	1,580	1,915	2,118	2,273	2,357
Less: External borrowing (long term)	(496)	(484)	(474)	(466)	(458)	(449)	(444)
Internal borrowing (based on projection of level of reserves, balances and working capital)	(524)	(599)	(599)	(599)	(599)	(618)	(637)
Projected additional external borrowing requirement	228	277	507	850	1,061	1,205	1,276

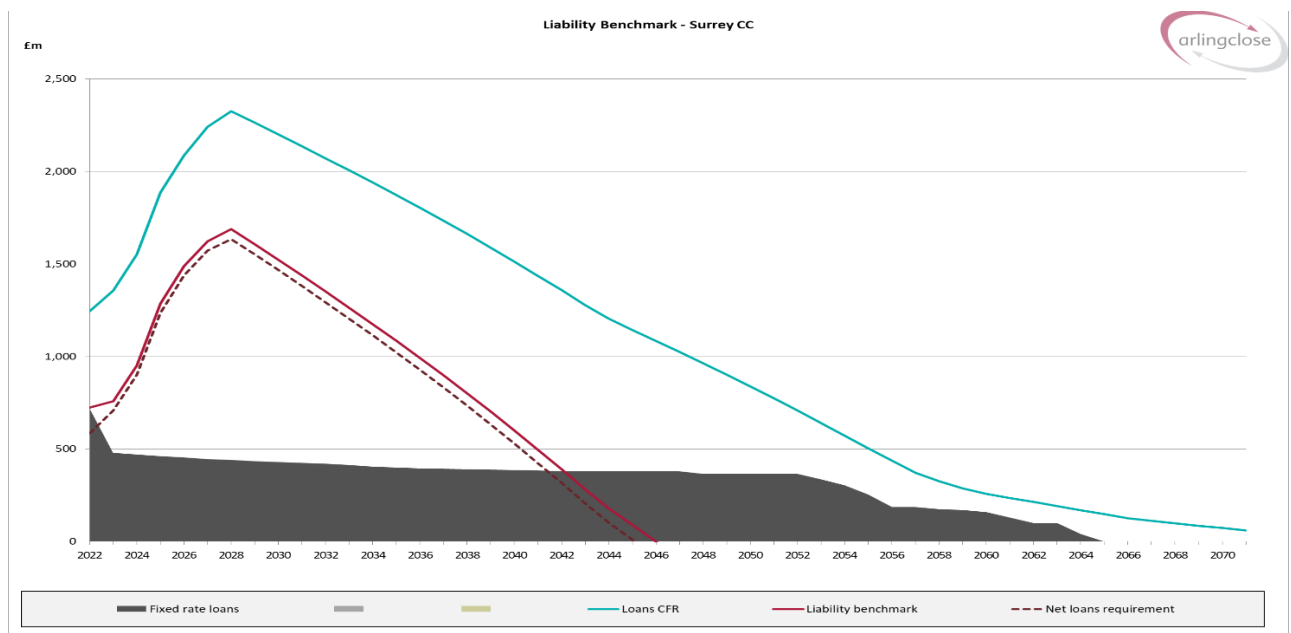
- 4.29 The Council has an increasing CFR over the period to 31 March 2028, due to the proposed Capital Programme and approved investment strategy projects. The maximisation of internal borrowing leads to a borrowing requirement above the Council's ability to utilise its internal resources to fund this capital expenditure. It will therefore be required to raise additional external borrowing over the forecast period.
- 4.30 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 14 shows that the Council expects to comply with this recommendation across the medium-term.
- 4.31 Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 14 above, but that cash and investment balances are kept to a minimum level of £50m at each year-end to maintain sufficient liquidity but minimise credit risk.
- 4.32 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus

and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 15 – Liability Benchmark

Position at 31 March	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual £m	Projected £m	← ----- Estimated -----> £m				
Loans CFR	1,248	1,360	1,580	1,915	2,104	2,258	2,342
External borrowing	(725)	(484)	(474)	(466)	(458)	(449)	(444)
Internal (over) borrowing	523	876	1,106	1,449	1,647	1,808	1,898
Balance sheet resources	(662)	(649)	(649)	(649)	(649)	(669)	(690)
Net investments / (new borrowing)	138	(227)	(457)	(800)	(998)	(1,139)	(1,208)
Treasury investments	138	50	50	50	50	51	53
New borrowing	0	277	507	850	1,048	1,190	1,260
Net loans requirement	587	711	930	1,266	1,455	1,589	1,652
Liquidity allowance	50	50	50	50	50	51	53
Liability benchmark	637	761	980	1,316	1,505	1,640	1,705

Graph 1: Liability benchmark



4.33 The long-term liability benchmark assumes:

- Capital expenditure funded by borrowing as per the 2023-28 Capital Programme, with no further assumed expenditure factored in beyond the MTFS period;
- Projects included in the Capital Programme (Budget and Pipeline) and approved investment strategy spend are included;

- Minimum Revenue Provision (MRP) on new capital expenditure is based on the attached MRP policy;
- Reserves and Balances are based on proposed and approved use over the life of the Medium-term Financial Plan (MTFS) and increase by inflation thereafter; and
- The benchmark is based on our assumptions on capital expenditure and the external loans requirement may not ultimately reduce to zero as future capital expenditure is approved.

- 4.34 Overall, the liability benchmark shows that we are currently borrowing exactly what we need, because the amount of external debt (grey shaded area) matches the liability benchmark (red line). As we progress over the medium term, the gap between total external debt and the liability benchmark grows, meaning that we need to borrow more money to meet our financing requirement. We aim to avoid a scenario where our external debt exceeds our liability benchmark, as it indicates that we are borrowing more than we need – i.e. borrowing to invest, carrying with it an increased risk of investment returns.
- 4.35 The difference between the CFR (underlying need to borrow – represented by the blue line) and actual external borrowing is funded from Reserves and Balances (internal borrowing). The current strategy to internally borrow continues to support the Council’s financial position in the short to medium-term.
- 4.36 As shown, the Council’s current debt portfolio is long dated and there are no significant repayments until the 2050s. An alternate strategy would be to increase our long-term fixed rate borrowing now. The liability benchmark illustrates that if we were to do so, it would be for a reasonably modest amount over a period of up to 20 years (to avoid a significant amount of fixed-rate debt exceeding our liability benchmark).

Borrowing Strategy

- 4.37 **Objectives:** The Council’s main objective when borrowing money is to strike an appropriate balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. To achieve this, the key aim is to maximise internal borrowing and use short-term borrowing to manage cashflow shortfalls, striking a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher. The authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.
- 4.38 **Strategy:** The Council is facing unprecedented financial pressures, principally driven by rising need for services from residents and the increasing costs of providing such services. Given these pressures, the Council’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The Council continues to maximise the use of internal resources (internal borrowing) and borrowing short-term to fund the additional requirement based on cash flow forecasts.
- 4.39 By doing so, the Council is able to suppress net borrowing costs (despite foregone investment income) and reduce market and credit risk in the investment portfolio. However, short-term

borrowing does increase the Council's exposure to changes in interest rates as when short-term loans mature, they may need to be replaced at a higher rate of interest.

- 4.40 The level and mix of internal, short-term, and long-term borrowing will be reviewed on a regular basis, taking account of the overall cash position and market forecasts. Arlingclose will assist in this review with 'cost of carry' and breakeven analysis, which will support decisions on whether to take additional longer-term external borrowing at fixed rates in 2023/24.
- 4.41 Alternatively, the Council may arrange forward starting loans where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost without suffering a cost of carry in the intervening period. Although is unlikely to be beneficial when prevailing interest rates are higher than forecast future rates.
- 4.42 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- HM Treasury's Public Works Loan Board (PWLB);
 - any institution approved for investments (see below);
 - banks or building societies authorised to operate in the UK;
 - UK Local Authorities;
 - UK public and private sector pension funds (except the Surrey Pension Fund);
 - capital market bond investors; and
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable Local Authority bond issues.
- 4.43 The Council has previously raised the majority of its long-term borrowing from the PWLB. For short-term borrowing, the Council has, and will continue, to use other sources of finance, such as loans from other Local Authorities, pension funds and other public bodies as these are often available at more favourable rates. These short-term loans leave the Council exposed to the risk of interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.
- 4.44 Under the new Prudential Code, an authority must not borrow to invest primarily for financial return. It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose. Authorities with commercial land and property may invest in maximising its value, including repair, renewal and updating of the properties. This Strategy certifies that the Council's capital spending plans do not include the acquisition of assets primarily for yield.
- 4.45 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
 - hire purchase
 - Private Finance Initiative (PFI)
 - sale and leaseback

All such sources of finance are subject to a robust options appraisal.

- 4.46 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to Local Authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow through the Agency will therefore be the subject of a separate report. Our current strategy generally favours PWLB borrowing for long term debt due to ease of access to borrowing and certainty of low rates, however this is periodically reviewed with Arlingclose and when a decision for increased long-term borrowing is made all options will be scrutinised.
- 4.47 **Debt rescheduling:** The PWLB allows Local Authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost efficiency or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

Borrowing Costs

- 4.48 Gross borrowing costs include interest payable and the statutory charge on the general fund for MRP. The borrowing costs associated with the 2023/24 to 2027/28 Capital Programme increase from £42m in 2022/23 to £91m by 2027/28.
- 4.49 Paragraph 1.18 of Annex 1 shows the ratio of gross borrowing costs against the net revenue stream (the amount funded from council tax, business rates and general government grants). Gross borrowing costs as a proportion of net revenue stream increases over the MTFs period from 4.1% in 2022/23 to 8.4% in 2027/28.
- 4.50 Net borrowing costs are calculated after offsetting interest and investment income and over the same period, net borrowing costs grow from £24m in 2022/23 to £69m in 2027/28.
- 4.51 Paragraph 1.19 of Annex 1 shows net borrowing costs against the net revenue stream increasing from 2.3% in 2022/23 to 6.4% in 2027/28.
- 4.52 Offsetting the increase in borrowing costs; many of the capital schemes are crucial to delivering revenue efficiencies, cost containment or income generation. After accounting for interest, investment and rental income to be generated by pipeline projects, net borrowing costs are projected to be contained within the budget envelope for the MTFs period.

Treasury Investment Strategy

- 4.53 The Council holds invested funds representing income received in advance of expenditure plus reserves. For the first half of 2022/23, the Council held average balances of £135m, compared with £58m for the equivalent period in 2021/22. The average return for the first half of 2022/23 was 1.17%. Cash balances are expected to reduce during the remainder of 2022/23 and over the MTFS.
- 4.54 **Objectives:** The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 4.55 **Strategy:** Due to the continuation of the strategy to maximise internal borrowing and use short-term borrowing to manage cash flow shortfalls, investment levels are expected to reduce during 2023/24. The majority of the Council's surplus cash continues to be invested in money market funds and short-term unsecured bank deposits. Money Market Funds offer same-day liquidity, very low or no volatility and also ensure diversification to reduce the security risk of holding the majority of cash deposits with a limited number of UK banks.
- 4.56 While the Council's investment balances remain low (less than £150m), Money Market Funds and short-term bank deposits will be utilised, with a cash limit per counterparty/fund of £25m. If the economic situation changes, which results in a decision to undertake additional borrowing, resulting in higher cash balances, other investment counterparties may be considered and the counterparty limits set out below would apply.
- 4.57 **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 4.58 **Business models:** Under International Financial Reporting Standards (IFRS 9), the accounting for certain investments depends on the Council's "business model" for managing them. The standard requires entities to account for expected credit losses in a timely manner; from the moment when financial instruments are first identified. These investments will continue to be accounted for at amortised cost.

4.59 **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in Table 16 below, subject to the cash limits (per counterparty) and the time limits shown.

4.60 **Table 16 - Approved investment counterparties and limits**

Credit rating	Banks unsecured	Banks secured	Government*
UK Govt	n/a	n/a	£ Unlimited 50 years
AAA	£10m 5 years	£20m 20 years	n/a
AA+	£10m 5 years	£20m 10 years	n/a
AA	£10m 4 years	£20m 5 years	n/a
AA-	£10m 3 years	£20m 4 years	n/a
A+	£10m 2 years	£20m 3 years	n/a
A	£10m 13 months	£20m 2 years	n/a
A-	£10m 6 months	£20m 13 months	n/a
None	£1m 6 months	n/a	n/a
Pooled Funds	£25m per fund		

* UK Local Authorities

This table must be read in conjunction with the notes below.

4.61 **Minimum credit rating:** Treasury investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

4.62 **Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

4.63 **Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the

collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

- 4.64 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and Local Authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- 4.65 **Pooled funds:** Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 4.66 **Bond, equity and property funds** offer enhanced returns over the longer term but are more volatile in the short-term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
- 4.67 **Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB - and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1m where practical. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The Council's bank, HSBC, has a credit rating of AA-.
- 4.68 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

- 4.69 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 4.70 **Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis. No investments will be made with an organisation if there are substantive doubts about its credit quality.
- 4.71 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills or with other Local Authorities.
- 4.72 **Investment limits:** The Council’s revenue reserves and balances available to cover investment losses are forecast to be approximately £102m on 31st March 2023, consisting of the Budget Equalisation Reserve, the Revolving Investment and Infrastructure Fund and the Interest Rate Reserve. There are currently no plans to draw down on these reserves in 2023/24. In practice, a default is highly unlikely. In order that no more than 30% of available reserves will be put at risk in the case of a single default, the maximum that will be invested with any one organisation (other than the UK Government) will be £20m and the limit for any one pooled fund will be £25m.

Table 17 – Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£20m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£20m per group
Any group of pooled funds under the same management (including Money Market Funds)	£25m per manager
Money Market Funds (Total)	Unlimited
Unsecured investments with Building Societies	£10m in total

- 4.73 **Liquidity management:** The Council uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

Treasury Management Prudential Indicators

- 4.74 The Council measures and manages its exposures to treasury management risks using the following indicators.
- 4.75 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	60%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	25%

Time periods start on the first day of each financial year. The maturity date of borrowing is the date of the loans are due to be repaid.

- 4.76 **Long-term treasury management investments:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£40m	£20m	£10m	£40m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Other Items

- 4.77 There are a number of additional items that the Council is obliged by CIPFA and DLUHC to include in its treasury management strategy.
- 4.78 **Policy on the use of Financial Derivatives:** Local Authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk

(e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over Local Authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

- 4.79 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 4.80 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 4.81 **Markets in Financial Instruments Directive:** The Council has opted in to “professional client status” with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Section 151 Officer believes this to be the most appropriate status.
- 4.82 **Treasury Management Advice:** Surrey County Council has appointed Arlingclose Limited as Treasury management advisers and receives specific advice on investments, debt and capital finance matters.
- 4.83 **Treasury Management Training:** Member and Officer training needs are assessed regularly as part of the staff appraisal process. Additional training will be provided as and when there is a change in roles and responsibilities. The Council also benefits from the Orbis partnership Centre of Expertise, which provides a robust Treasury team providing day to day treasury management operational activities to Surrey County Council, Brighton & Hove City Council and East Sussex County Council.

Knowledge and Skills

- 4.84 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Council pays for officers to study towards relevant professional qualifications including CIPFA.
- 4.85 All officers involved in the treasury and investment management function have access to relevant technical guidance and training to enable them to acquire and maintain the appropriate level of expertise, knowledge and skills to undertake the duties and

responsibilities allocated to them. The Council currently employs treasury management advisors through Arlingclose (who commenced a new four-year contract from 1st January 2022) and seeks external legal and property related advice and due diligence as required. The Council's investment Strategy is supported by guidance from our advisors, Montagu Evans. The Council's Treasury Management and borrowing strategies are supported by guidance from our advisors, Arlingclose. Both are on hand to guide key decisions and provide proactive advice in response to emerging market trends.

- 4.86 Those charged with governance (Members of the Audit and Governance Committee and the Resources and Performance Select Committee) recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively. The Section 151 Officer will ensure that elected members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.
- 4.87 The Orbis partnership enables the creation and development of specialist resources. Centres of Expertise have been established for key areas of finance, and central teams of pooled expertise have been created to provide robust services which are resilient to meet the changing service needs of partners.
- 4.88 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Financial Implications

- 4.89 The budget for cash investment income in 2023/24 is £1.5m, based on an average investment portfolio of £50m at an interest rate of 3%. The budget for debt interest paid in 2023/24 is £24.8m, which is based on a mix of short-term borrowing and the existing long-term fixed rate debt portfolio.
- 4.90 The CIPFA Code does not prescribe any particular treasury management strategy for Local Authorities to adopt. The Section 151 Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

TMS Annex 1

Prudential Indicators 2023/24

- 1.1 The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of Local Authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.
- 1.2 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice.

Estimates of capital expenditure

- 1.3 The Council's planned capital expenditure and financing is summarised in table 1. This prudential indicator is a summary of the Council's annual capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Table 1 - Actual and estimated capital expenditure	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Projected £m	← ----- Estimated -----> £m	£m	£m	£m	£m
Capital programme expenditure (incl pipeline)	249	416	551	439	323	221
Approved investment strategy spend	1	26	2	3	0	0
Financed By:						
- Government grants and third party contributions	108	145	153	174	110	75
- Capital Receipts	0	41	20	13	2	0
- Revenue and reserves	6	7	6	6	6	6
Net financing need for the year*	135	249	373	248	206	141

*Capital expenditure to be met by borrowing

The Council's borrowing need (the capital financing requirement)

- 1.4 Table 2 sets out the Council's estimated capital financing requirement (CFR). The CFR represents capital expenditure funded by external debt and internal borrowing and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. The CFR therefore measures a Council's underlying need to borrow for a capital purpose. Any capital expenditure which has not been funded from locally determined resources will increase the CFR. The CFR will reduce by the Minimum Revenue Provision (MRP).

- 1.5 The MRP is a statutory annual revenue charge which reduces the borrowing need in a similar way to paying principal off a household mortgage.
- 1.6 The CFR includes any other long-term liabilities, e.g. PFI schemes, finance leases. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes and they therefore do not form part of the Council's underlying need to borrow.
- 1.7 The CFR is increasing over the MTFS period which results in an increase in external debt (after we have maximised internal borrowing) and therefore an increase in the revenue cost of borrowing.
- 1.8 This is reflected in an increased Operational Boundary and Authorised Limit as shown in Tables 4 and 5. Table 6 - Ratio of financing costs to net revenue stream, shows that the revenue cost of debt is an increasing but remains a relatively low proportion of our overall budget. The impact of funding the Capital Programme is built into the revenue budget and MTFS.

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Projected	← ----- Estimated ----->				
	£m	£m	£m	£m	£m	£m
Opening CFR	1,339	1,446	1,662	1,992	2,190	2,340
Movements:						
- Minimum revenue provision	(24)	(29)	(38)	(45)	(51)	(56)
- Application of capital receipts to repay opening CFR	0	0	0	0	0	0
- PFI & finance leases	(4)	(5)	(5)	(5)	(5)	(5)
- Net financing need	135	249	373	248	206	141
	107	215	331	198	150	79
Closing CFR	1,446	1,662	1,992	2,190	2,340	2,420

Gross borrowing and the capital financing requirement

- 1.9 In order to ensure that over the medium-term borrowing will only be for a capital purpose, the Council should ensure that its debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next 2 financial years. This allows some flexibility for early borrowing in advance of need, but ensures that borrowing is not undertaken for revenue purposes. This is a key indicator of prudence.
- 1.10 Total debt is expected to remain below the CFR during the forecast period.

The Council's operational boundary for external debt

- 1.11 Table 4 sets out the Council's operational boundary. The operational boundary is an indicator against which to monitor its external debt position. It is based on the Council's estimate of the most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the CFR and cash flow requirements and is a key management tool for in-year monitoring.
- 1.12 Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified. Other long-term liabilities comprise finance lease, PFIs and other liabilities that are not borrowing but form part of the Council's debt position.
- 1.13 The operational boundary is not a limit and actual borrowing could vary around this boundary for short periods during the year. It should act as an indicator to ensure the authorised limit is not breached. The operational boundary increases over the MTFS period to reflect an increasing underlying need to borrow linked to the Capital Programme. We monitor against the indicator throughout the year.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Agreed	Agreed	← ----- Estimated -----			----- Estimated ----- →	
	£m	£m	£m	£m	£m	£m	£m
Borrowing	833	908	1,150	1,510	1,688	1,819	1,876
Other long term liabilities	91	87	82	77	73	68	63
Total	924	994	1,232	1,588	1,761	1,887	1,938
Estimated external debt	724	761	981	1,316	1,519	1,655	1,720

The Council's authorised limit for external debt

- 1.14 Table 5 sets out the Council's authorised limit for external debt. This key prudential indicator represents a control on the maximum level of borrowing. It is a statutory limit determined under section 3(1) of the Local Government Act 2003 and represents a limit beyond which external debt is prohibited. It is the maximum amount of debt that the Council can legally owe.
- 1.15 The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised since the introduction of the Prudential Code.
- 1.16 The Authorised limit provides headroom over and above the operational boundary for unusual cash movements and potential additional borrowing to meet the ambitions of the Council in respect of its investment strategy.
- 1.17 As with the operational boundary, the limit separately identifies borrowing from other long-term liabilities such as finance leases and PFIs. The authorised limit increases over the MTFS period to reflect an increasing underlying need to borrow linked to the Capital Programme.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Agreed	Agreed	← ----- Estimated ----- →				
	£m	£m	£m	£m	£m	£m	£m
Borrowing	941	1,054	1,320	1,705	1,858	1,984	2,031
Other long term liabilities	91	87	82	77	73	68	63
Total	1,032	1,141	1,402	1,782	1,930	2,052	2,094
Estimated external debt	724	761	981	1,316	1,519	1,655	1,720

Estimated ratio of gross financing costs to net revenue stream

1.18 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Ratio of Gross Financing Costs to Net Revenue Stream	3.7%	4.1%	4.9%	6.0%	6.9%	7.7%	8.4%

Estimated ratio of net financing costs to net revenue stream

1.19 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet net financing costs (net of investment income).

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Ratio of Net Financing Costs to Net Revenue Stream	1.6%	2.3%	2.9%	4.0%	4.8%	5.6%	6.4%

1.20 The revenue implications of potential, yet to be identified, investment opportunities that meet the Council's long-term capital strategy criteria, will be funded from the investment returns of such investments. If there is a delay in the realisation of sufficient returns, then costs will be funded from the Council's Revolving Infrastructure & Investment Fund reserve.

Net income from commercial and service investments to net revenue stream

1.21 This is an indicator of affordability and highlights the net financial impact on the authority of its entire non-treasury investment income.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Total net income from service and commercial investments	21.3	18.5	20.1	21.1	21.3	21.3	21.3
Proportion of net revenue stream	2.1%	1.8%	1.8%	1.9%	2.0%	2.0%	2.0%

TMS Annex 2

Arlingclose Economic & Interest Rate Forecast – December 2022

2.1 Underlying assumptions:

- The influence of the mini-budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.
- Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.
- The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.
- The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.
- Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.
- While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB seems to harbour (worryingly) few doubts about the short term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.

Forecast:

- The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.
- The MPC will cut rates in the medium term to stimulate a stuttering UK economy, but will be reluctant to do so until wage growth eases. We see rate cuts in the first half of 2024.
- Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.25	3.25
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.00	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.50	3.40	3.40	3.40
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.43	3.60	3.80	3.80	3.80	3.70	3.60	3.50	3.40	3.30	3.30	3.30	3.30
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.47	3.50	3.60	3.60	3.60	3.60	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.86	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

TMS Annex 3

Investment & Debt Portfolio Position as at 30 November 2022

	Actual Portfolio £m	Interest Rate %
External borrowing:		
Public Works Loan Board	458	3.60
Market	10	5.00
Local Authorities (Incl. Surrey Police)	111	1.89
Other	15	0.00
Total external borrowing	594	
Other long-term liabilities:		
Private Finance Initiative	91	
Total other long-term liabilities	91	
Total gross external debt	685	
Treasury investments:		
Banks & building societies (unsecured)	-	
Government (incl. Local Authorities)	-	
Money Market Funds	100	2.93
Total treasury investments	100	
Net debt	585	

TMS Annex 4

Glossary of Terms

CFR – Capital Financing Requirement

CIPFA – Chartered Institute of Public Finance Accountancy

CPI – Consumer Price Index

DLUHC – Department for Levelling Up, Housing and Communities

DMO – Debt Management Office

ECB – European Central Bank

GDP – Gross Domestic Product

LB – Liability Benchmark

MMF – Money Market Fund

MPC – Monetary Policy Committee

MRP – Minimum Revenue Provision

PWLB – Public Works Loan Board

TMSS – Treasury Management Strategy Statement

Annual Minimum Revenue Provision (MRP) Policy Statement 2023/24

1. The Council is required by statute to make a prudent provision for the repayment of its debt. It is also required to 'have regard' to guidance on how to calculate this provision, issued by the Department for Levelling Up, Housing and Communities (DLUHC). The Council has assessed the Minimum Revenue Provision and are satisfied that the guidelines for their annual amount of MRP, set out within this policy statement, will result in their making a prudent provision.
2. Where capital expenditure was incurred before 1 April 2008, the guidance suggests writing down the remaining Capital Financing Requirement by providing MRP of 4% per annum. The Council agreed in 2016/17 to write this amount off over the next 50 years, resulting in the whole balance being provided for over a finite period and far sooner than under the 4% reducing balance method.
3. As suggested in the guidance, for capital expenditure incurred on or after 1 April 2008 and funded through borrowing, the Council will calculate MRP by charging expenditure over the expected useful life of the relevant assets, on an annuity basis. MRP will be first charged in the year following the date that an asset becomes operational.
4. For the following types of capital expenditure, the Council has determined that an alternative methodology for determining the annual MRP charge should be adopted:
 - For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability, or over the life of the asset.
 - Where loans are made to other bodies for their capital expenditure, e.g. subsidiaries of Surrey County Council, MRP is charged as with any other asset. This is a continuation of the policy adopted in 2022/23 to make MRP more prudent in response to fluctuating values of assets held within a subsidiary, following external audit recommendations and a Government consultation on potential changes to capital financing regulations.
 - MRP for investment property purchases is based on an estimated useful life of 50 years, on an annuity basis, in order to appropriately match MRP to the period of time that the assets are expected to generate a benefit to the Council. This is in recognition that these assets are held for income generation purposes and that the Council holds a saleable asset, the capital receipt from which will be used to repay any outstanding debt when sold.
 - The Council will determine MRP on equity investments based on a 20 year life. However, for equity investments in asset backed companies, a 50 year life will be assumed to match the Council's policy for investment assets.
5. The Council reserves the right to determine alternative MRP approaches in particular cases, in the interests of making prudent provision, where this is material, taking account of local circumstances, including specific project timetables and revenue-earning profiles.
6. Each year a new MRP statement will be presented.

ANNEX H: 2023/24 Draft Budget Consultation Response Summary

A budget consultation was open online to Surrey residents, business, and organisations from 22 November to 19 December 2022. The aim of the survey was to gain resident and stakeholder views on Surrey County Council's proposed budget for 2023/2024.

The survey was advertised through various forms of communication in a bid to reach both residents and key stakeholders from across the county. Of the 358 respondents, 94.1% were residents, with a majority of respondents over the age of 45 and 34% retired. Respondents were overwhelmingly white with just 7 respondents reporting as non-white. Approximately 15% of respondents reported having a disability or a health issue. It is therefore important to note, although the responses to this survey will be taken into account when forming the council's final budget for 2023/24, due to the small number of responses and the lack of diversity in many of the recorded demographics, this data cannot be seen as representative of the Surrey population. However, it did offer an opportunity for residents and stakeholders who wanted to comment on the budget to do so, and the findings complement the statistically representative research that was carried out in 2021.

When asked about the budget as a whole, over a third (36.8%) had a neutral response to the budget, 23.7% of the respondents were somewhat or strongly in favour of the budget proposals and 39.3% either strongly or somewhat opposed.

Survey respondents were asked for their thoughts on council tax increases to help fill the remaining budget gap and ensure services continued to run. A combined 41.9% of respondents were in favour of increasing council tax either to the limit permitted without a referendum or a more significant increase following a referendum. A further 22.4% of respondents were in favour of a moderate increase in council tax followed by more cuts to service budgets. Lastly 23.7% were in favour of no increase to council tax at all.

In the qualitative responses, a strong theme around the cost-of-living crisis was clear in responses opposing the increase in council tax with residents voicing concerns for the additional pressure on household finances posed by a potential rise in tax. However, there were also a large number of responses opposing further cuts to service budgets, particularly adult's and children's social care, and environment, transport and infrastructure. This indicates that despite worry around a rise in tax, many residents are willing to explore this as an option to fill the budget gap in order to ensure essential services continue to run and the most vulnerable in Surrey are not subject to extensive service cuts.

To ensure the budget consultation was accessible to residents, the online survey was provided in an easy read format. In addition, the draft budget report was taken to the Learning Disabilities Partnership forum to be discussed. Outcomes from the forum largely aligned with the responses of online respondents, with themes of cost-of-living pressures and tax rises being balanced by a fear of further cuts to social care and the impact that would have on service quality and availability. Specifically, there was a focus on making all

services inclusive and accessible for people with learning disabilities and autism, thereby reducing demand and financial pressure on Adult Social Care.

Annex I: Surrey County Council Budget 2023/24 – Equality Impact Assessment

1. This report sets out the potential equality impacts on residents and Surrey County Council staff with protected characteristics arising from setting a budget for the financial year 2023/24 that is intended to improve services for residents and secure better value for money through greater efficiency. It also includes actions proposed to maximise any positive impacts of budget decisions and minimise any adverse ones.
2. Where a decision to change or reduce a specific service or part thereof has been made or is proposed to be made, the relevant Equality Impact Assessments (EIAs) have been or, where detailed proposals are still being formulated, will be produced and made available for either individual lead Cabinet Members, Cabinet collectively and/or Council to review.
3. This paper must therefore be read in conjunction with the 2023/24 Final Budget and Medium-Term Financial Strategy 2023/24 – 2027/28 (MTFS) and the Cabinet report of 31 January 2023.
4. The information in this report is intended to ensure that Members are able to pay due regard to the equality implications of the proposed budget for 2023/24.

Summary

5. In December 2020, Council adopted a refreshed Organisation Strategy 2021-2026 that set out a single guiding principle for everything we do – tackling inequality to focus on ensuring no-one is left behind. The Organisation Strategy has been refreshed, with a report to Cabinet on 31 January 2023 (Organisation Strategy 2023 – 2028) that will reaffirm our commitment to this principle. With regard to our budget, this means every pound spent by the council needs to be used as efficiently as possible, so we can concentrate our resources on supporting some of Surrey’s most vulnerable residents.
6. Given the scale and complexity of change required to deliver better outcomes while balancing our budget, the council’s efficiency proposals for 2023/24 have been analysed to understand positive and negative impacts on both residents and staff with protected characteristics, particularly where they may be impacted by multiple efficiency proposals. The following groups have been identified:
 - Disabled adults, including those who have learning disabilities, and their carers
 - Children and young people, including those with additional needs and disabilities, and their families
 - Older adults and their carers

7. Certain efficiency proposals will lead to more positive outcomes for some of Surrey's residents by either reducing discrimination, advancing equality of opportunity for people with protected characteristics or furthering good relations with other members of the community. For example, improved practice to support looked after children will support them and their families to live better lives, as well as improving the efficiency of services. Whilst not a protected characteristic, looked after children will also benefit by increased capacity of some services. Care leavers may also benefit from greater levels of choice over care and freedom for those who are more able to live independently. It is believed that the changes in practice in Adult Social Care will potentially lead to better outcomes, such as reshaping our learning disability services and encouraging more community-based care options, helping to support people to move from residential to supported independent living.
8. Some efficiency proposals are in a formative stage, and as proposals are finalised, the specific equality impacts will be considered by the relevant Cabinet Member and Executive Director before any final decisions around implementation are made.

Our Duties

9. This analysis ensures Cabinet complies with the Public Sector Equality Duty in section 149 of the Equality Act 2010 which requires them to have due regard to the need to:
 - eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
10. Members are also required to comply with Section 11 of the Children Act 2004, which places a duty on the council to ensure service functions, and those contracted out to others, are discharged having regard to the need to safeguard and promote the welfare of children.
11. Members of the Cabinet must read each individual EIA (listed in paragraph 15) in full and take their findings into consideration when determining whether to approve the 2023/24 budget, based on the impacts of the efficiency proposals outlined in this report and corresponding EIAs. Having 'due regard' requires Members to understand the consequences of the decision for those with relevant protected characteristics and consider these alongside other relevant factors when making decisions. In addition, consideration of equality is an ongoing process and needs to take into account evidence from consultation and engagement activity and other data sources where appropriate.

12. 'Due regard' also means that consideration given to equality matters should be appropriate in the context of the decision being taken. This means Members should weigh up equality implications against any other relevant factors in the decision-making process. In this case the most significant other matters are:
- a. the statutory requirement to set a balanced budget;
 - b. the ambitions the council has for Surrey, which are set out in the [Community Vision for Surrey in 2030](#) and the Organisation Strategy 2021-2026¹;
 - c. the [demographic pressures](#) facing the council's services including a rising population with projected increases in the number of older residents and children and young people. Increases in these age groups are placing, and will continue to place, additional demands and pressures on adult and children's social care services and local schools.

Surrey County Council Efficiency Proposals 2023/24 – Individual Equality Impact Assessments
--

13. Officers have reviewed all efficiencies proposed for 2023/24 to determine which proposals require EIAs and which do not. For those changes where residents are most likely to see differences in the way services are delivered, and where the equality implications are well defined at the time of setting the budget, individual EIAs have been made available for review. Other proposals not included in this report where the potential for equalities impact is identified, will require the completion of an EIA and the necessary approval before formal decisions are taken by the relevant Cabinet Member and Executive Director.
14. This year completed EIAs from Children, Families and Lifelong Learning (CFLL), Customer and Communities (C&C), Adult Social Care (ASC), and the Surrey Fire and Rescue Service (SFRS) Directorates have been published. The Environment, Transport and Infrastructure (ETI) Directorate and lead officers for cross-cutting efficiencies have identified that some efficiencies will potentially require EIAs in future and outlined initial thinking about what the potential impacts might be. The Resources, Public Service Reform (PSR), Partnerships, Prosperity and Growth (PPG), and the Communications and Engagement Directorates have not identified any efficiencies that require an EIA.
15. Fourteen EIAs have been made available to assist Cabinet and Council to give due regard to the proposals outlined in the budget. Some of these have

¹ Cabinet is considering a report at the meeting on 31 January that appends the refreshed Organisation Strategy 2023 - 2028

been reviewed by Cabinet to inform decision-making previously. EIAs available for review which can be found [online](#) are:

- Adult Social Care Medium-Term Financial Strategy 2023/24 (approved by Cabinet Member for Adults and Health 25 November 2022)
- Customer Services: Cease mediation of routine highways reports by the contact centre (Approved by Cabinet Member 1 December 2022)
- Proposed reduction to the Library Book Budget (Approved by Cabinet Member 1 December 2022)
- Proposed transfer of financial responsibility to the Community Partnered Libraries (Approved by Cabinet Member 1 December 2022)
- SFRS Overtime Reduction – Centralised Crewing (Approved by Cabinet Member 24 November 2022)
- LAC Capital Programme (Approved by Cabinet Member 16 January 2023)
- Looked After Children Demand/inflation - Reunification Project (Approved by Cabinet Member 16 January 2023)
- Short breaks contract (Approved by Cabinet Member 16 January 2023)
- Block booking of bed spaces (Approved by Cabinet Member 16 January 2023)
- Houses of Multiple occupancy (Approved by Cabinet Member 16 January 2022)
- [Single View of a Child Programme – replacement of existing case management infrastructure EIA](#) (approved by Programme Board 29 November 2021)
- [Home to School Transport](#) (approved by Cabinet Member 11 April 2022)
- Stopping SFRS Cadets programme (Approved by Cabinet Member 24 November 2022)
- SFRS Training School restructure (Approved by Cabinet Member 24 November 2022)
- Annual procurement plan savings (Approved by Cabinet Member 16 January 2023)

16. Some efficiencies within the 2023/24 budget will not have any direct effect on residents or service delivery (such as budget adjustments and removal of vacant posts), and therefore are not considered within this report.

17. The following section assesses the proposed efficiencies for 2023/24 in a cross-cutting way and considers the cumulative impact of some of these changes on people with protected characteristics. As part of the EIA process, we also take impacts on non-statutory issues (such as socio-economic status) into consideration, to ensure we take a more comprehensive approach to equality.

Surrey County Council Efficiency Proposals 2023/24 – Cumulative Impact

18. Analysis of the EIAs, as well as potential impacts identified by officers as efficiencies are in development, shows that the groups with the potential to be affected by multiple changes by efficiencies in the 2023/24 budget are:
- Older adults and their carers
 - Disabled adults of all ages, including adults with learning disabilities and their carers
 - Children and young people, including those with special educational needs and disabilities, and their families

Older adults and their carers, and adults of all ages with physical, mental and learning disabilities and their carers

Adult Social Care

19. There will be many positive equality impacts for people who use services and their carers arising from the on-going transformational changes being implemented across ASC to drive through the efficiencies in the 2023/24 MTFS. We will build upon people's strengths and help them stay connected to their community; review and adapt our therapy-led reablement offer; and continue to reshape our learning disability services to be more creative, vocational and community-based.
20. We will continue to improve mental health services and embed technology enabled care (including the 'telehealth' and 'telecare') to enable people to remain independent at home with the reassurance they and their family need. There will also be positive impacts as we redesign our front door to provide a seamless and consistent offer and embed a strengths-based hospital discharge-to-assess model so people receive targeted support following their discharge to reduce their long-term care needs etc.
21. However, with the need to save a further £19.8m in 2023/24, it is acknowledged that whilst actions are in place to mitigate and minimise negative impacts it will be difficult to do so in all cases. Potential negative impacts will affect people with age, disability, race and carers protected characteristics.

Potential negative equality impacts for older adults, adults with disabilities and their carers
Some decisions on placements for older and disabled people needing residential and nursing care that are offered at a distance may lead to concerns for their family and support network, who may struggle to reach them as easily as before. The lack of connection to family members and existing support networks may have an impact on the emotional and mental wellbeing of those in care. There may also be concern about how care provided by family, friends and community networks can be quality assured and any safeguarding issues addressed.
Honest conversations with older people, their families and carers about what ASC can do and what they need to do for themselves. These conversations

<p>may be a source of significant stress and anxiety and might have practical difficulties particularly if there are language or cultural barriers.</p>
<p>Increasing demands upon the voluntary, community and faith sector to support people in the community putting them under further pressure at a time when they are recovering from the pandemic and struggling with the demands arising from the cost-of-living crisis. The increasing pressures on the system therefore mean the most disadvantaged, particularly those from lower income backgrounds or in more isolated settings may struggle to receive the support they need.</p>
<p>Carers may be concerned about what these changes mean for them and the people they care for and their wellbeing. They may feel obligated to take on more of a caring role, which could lead to issues in work-life balance and/ or have a more detrimental impact on their health if they are an carers.</p>
<p>Risk of reduced access to information, advice and services for digitally excluded residents, such as some older people (who are disproportionately less likely to have internet access), those from lower income households and those who live in more rural and isolated locations with poorer quality internet access who do not have access to equipment or are unable to receive support remotely.</p>

Libraries

22. The Library service is proposing to make £182,733 of financial efficiencies from 2023/24. The bulk of the required efficiencies will come from the allocation of resources to the 42 libraries in the main Surrey Libraries network, with the remaining £80,554 to come from the transferring of financial responsibility to the 10 Community Partnered Libraries (CPL) over the Library Transport Budget, The Library Book Budget and the Summer Reading Challenge.
23. The changes to resourcing provision in some key areas will mean that the Library Service will be scaling back certain online resources and reducing the level of certain categories of stock, including DVDs, newspapers, adult fiction and non-fiction. The change will affect all residents and users of the service, though given the make-up of the library service users, there may be some groups more affected than others.

<p>Potential negative equality impacts for older adults, adults with disabilities and their carers</p>
<p>Limited stock across libraries may force people with mobility issues to travel further from their home to access the resources they need.</p>
<p>Older residents often have a greater reliance on written materials, which cost two-to-three-times more than digital format library resources. Physical resources therefore are more likely to be cut from the stock, making it harder for older people to access them. They also often have a harder time accessing digital materials, which may provide a further obstacle. They are also more reliant on books in other formats such as large print and audio/e-audio which</p>

on average cost 2-3 times as much as a standard format book. If the CPLs fund their own book stock they may not have the experience, skill or time to purchase stock in alternative formats, meaning Residents will struggle to access what they need.

Customer Services

24. We have been working to improve our 'front-door' services for the past couple of years, especially in the digital space. We offer a range of easy-to-use, self-serve options via our website. These are well used by customers and currently around 75% of routine transactions take place through digital channels. This includes library book renewals, birth and marriage registrations appointments, blue badge applications and highways reports.
25. We are proposing to cease offering the option to call the contact centre to report routine highways defects, and instead offer the option to do so online. This approach echoes the route taken by several other similar local authorities, including Essex and Hampshire County Councils.
26. For those who are digitally enabled, online reporting is often a preferred option. Currently 75% of routine transactions take place through digital channels. Customers who self-serve are not limited to making reports during office hours and can choose times and places that suit them. However, despite this, there may still be adverse impacts on groups who may be digitally excluded.
27. The contact centre will continue offering a discrete mediated service for those who are unable to use digital channels or need additional support to do so. Our Interactive Voice Response (IVR) messaging will advise customers who telephone and are unable to access the website that their call will be answered.

Potential negative equality impacts for older adults, adults with disabilities and their carers

In 2020, only 84% of **disabled people** in the UK were recent internet users, compared to 91% of non-disabled people, with the greatest disparity being among the more elderly populations. Further digitisation of front-door services could lead to further digital exclusion of **older people**.

Whilst some **people with hearing or speech related impairments** may find it easier to make reports through digital channels and at times and places that suit them. For others who are less familiar with digital processes or may have trouble accessing the right equipment, self-serving may be more of a challenge. This includes adults who have lower levels of computer literacy including some **older adults** and others from **lower income households**.

Cross-Cutting Efficiencies

28. Some of the cross-cutting efficiencies proposed for the 2023/24 budget will have equality implications for Surrey's residents and the council's staff. These efficiencies remain in development and full Equality Impact Assessments (EIAs) are being produced for each of them. We have started equality analyses which have identified that some of these changes will impact certain protected characteristics. Some disabled staff, for example, may face detrimental changes to working conditions in the event changes to working style and structure are adopted. As EIAs are completed mitigating actions for impacts such as these will be developed.
29. The Freedom to Travel programme seeks to design and deliver a low cost, integrated approach to planning, commissioning and delivery of travel assistance and transport for residents that need them most. It aims to improve approaches to the management of supply and demand for travel assistance that leads to greater resident independence, lower carbon emissions from transport and more efficient use of vehicles and other transport assets across the county.
30. It is anticipated there will be positive impacts of this change, including for adult social care clients, particularly **working age adults with learning disabilities** who are most likely to use council commissioned transport.
31. Our estate is a sizeable financial and operational asset and how and where we deliver services and strengthen our partnerships continues to evolve. The Land and Property service will continue to implement a new operating model up until the end of 2024/25, as part of our 'asset planning for the future' programme. The restructure involves an overall reduction in staffing levels and also reflects efficiencies created from IT investment.
32. The 'Efficiency and Effectiveness' project aims to support our ambitions to optimise productivity, create greater value and reduce the costs of existing activities. This will be achieved by increasing our understanding of how resources in the council are utilised and adopt an approach that maximises benefits across existing change programmes, such as the Agile Organisation Programme, Digital and Workforce of the Future.
33. The Contract Management as a Service (CMAS) initiative is an extension to the current procurement Team. CMAS Teams will be piloting a new approach to contract management. The Procurement Team will review contracts with services and deliver a structured and consistent approach to manage all our contracts proportionate to the size and value of each contract. EIAs will be developed on a case-by-case basis depending on the nature of the contract and potential impacts on residents and staff.

34. There are some efficiencies happening in the Surrey Fire and Rescue Service which may have equalities impacts on staff. These include the Training School restructure, which is aiming to increase the range of operational training that is delivered to Surrey Fire and Rescue Service (SFRS) staff and longer term to improve the training resources available. Ultimately though this may mean significant changes to some staff members' current working patterns and therefore have higher levels of impacts on some groups, over others.
35. There is hope that there may be some more positive impacts in the long run though, as multiskilling staff in a greater range of areas will make roles less transient and more stable/ secure. This will ensure greater resilience of training delivery due to changing commitments/availability of Bank Trainers.
36. Another efficiency centred around overtime reduction, seeks to further reduce the service's dependency on overtime staff. This will be done via the introduction of a Centralised Crewing Team (CCT), which will consist of a pool of approx.12 operational frontline staff. This pool will enable the continued reduction in the use of overtime.

Potential negative equality impacts for older adults, adults with disabilities and their carers

SFRS staff who are currently working as trainers and Learning and Development coordinators and who are **neurodiverse** may feel an impact of a restructure more than other members of staff, due to higher support needs for learning and often having problems when their learning is disrupted for any reason than those who have more typical/ mainstream learning requirements.

The impacts on overtime and on certain work patterns may have higher impacts on those from **lower income households**, which during a cost-of-living crisis will be felt acutely. We know from research conducted throughout the council that some people who share protected characteristics are at risk of being in households with lower incomes than others.

Children and young people, including those with special educational needs and disabilities (SEND), and families

Looked After Children (LAC)

37. All local authorities have a statutory duty to provide care and accommodation for children looked after in the local area (the 'sufficiency duty'). We operate nine in-house children's homes in Surrey (as of November 2022). In addition, a number of independent children's homes providers operate children's homes in the county. Overall, sufficiency of residential children's home placements remains low in Surrey with most children placed outside of the county.

38. This is in the context of national challenges for local authorities to secure residential children's home placements. To address sufficiency and increase capacity in Surrey, we plan to develop new children's homes as part of the Looked After Children (LAC) Capital Programme. Property will be developed in-house with care to be delivered in-house and/or via strategic partnerships with trusted providers. In addition, we propose to explore block contracts with high-quality external providers of children's homes in Surrey, to secure more of the capacity that is in county for Surrey's looked after children.
39. The Reunification Project further seeks to ensure that looked after children can return to the care of their parent(s) [or other close relative] at the earliest opportunity if safe to do so and in their best interests. Changing homes is a stressful experience for any child and thus 'Reunification' allows them to return to a stable, consistent environment, with routines they know and understand.
40. One of the key positive impacts of this project is that it promotes better mental health, reduced anxiety, and happier lives for children, particularly those who are SEND or neurodivergent. Successful reunification will create long-term savings for the local authority in reduced placement costs for children.
41. The Big Fostering Partnership is another initiative that will have potential impacts on looked after children. The aim of the change is to enable more looked after children to move from residential children's homes into foster placements with families.
42. Finally, as part of our 'Block Booking Bed Spaces' programme, we are looking to make the best use of children's home provision in Surrey for the county's looked after children. This includes both capital development of new provision and strengthened contractual relationships with local providers, including block contracts.
43. We are doing this as a continued focus on quality assurance and reviewing placements is required to ensure that children and young people placed outside of Surrey are in the best placement to meet their needs and that wrap-around support services are provided where children are placed.

Potential negative equality impacts for children and young people
The main potential negative impact identified for looked after children across these programmes of work is that access issues and suitability of the accommodation may not meet the full needs of disabled children and young people. As supply of accommodation is limited there is a risk that properties that are acquired may not immediately fit the needs of disabled children and therefore may need to be adapted.
There also are likely accessibility issues for those who are from different cultural or ethnic backgrounds as communication, particularly for those with English as a second language, may become an issue.

Whether or not **looked after children** have suitable accommodation (for example access to single-sex spaces) may also require further attention as properties and beds are being acquired.

For changes that require people to move to a new area, **access to places of worship** may also potentially be restricted or made significantly more difficult.

Care Leavers

44. The changes around **houses of multiple occupancy** is a project that aims to create up to 24 beds for care leavers, including former Unaccompanied Asylum-Seeking Children, in Surrey using SCC capital funding and commissioning a provider to deliver floating support. Floating support refers to a type of 'in and out' care, where carers provide targeted help as and when, as opposed to constant care.

45. This represents a new accommodation pathway for care leavers that supports both their ability to progress towards independence and provide homes in Surrey for care leavers. There is a financial efficiency associated with this model of delivery as well as supporting care leavers to achieve greater independence and free up capacity for more targeted interventions of those with the highest level of need for specialised care/ interventions.

Potential negative equality impacts for children and young people

There are concerns that some properties may have potential accessibility issues that might not immediately meet the needs of some **disabled young people**.

Less monitoring of how the services users are doing in their accommodation may make it harder for them to report instances of **racism or prejudicial treatment**.

As with services relating to looked after children, **cultural or language differences** may make communication and social cohesion more difficult.

Similar to some issues raised for looked after children, access to appropriate accommodation (such as **single sex spaces**) may be an issue.

Other Children and Young People

46. The introduction of Liquidlogic's Early Years Management Education System (EYES) will support a link to be made with Liquidlogic Children's Services (LCS) and Early Help Module (EHM), which will enable Children's Services to have a single view of the child. This means children, young people, and their families only have to tell their story to services once, increasing their chances of getting the right support from the right services at the right time.

47. In April 2022, Cabinet agreed to changes to the Home to School Travel Assistance Policy to enable the council to discharge its statutory and discretionary powers to provide school and college travel assistance for eligible children and young people. It also aimed to manage increasing costs and demand within resources available. The EIA that accompanied the

Cabinet report suggested there were potentially positive and negative impacts based on protected characteristics.

48. Extensive benchmarking with other local authorities was carried out to review other local authorities' home to school travel assistance policies and provision. This established that the majority of local authorities had either never provided for, or have withdrawn, the provision of free home to school transport for children and young people below statutory school age. Most local authorities apply an annual contributory charge to the parents of children and young people in receipt of post 16 home to school transport provision, to support the costs to the local authority for the provision of this transport. Some local authorities have reduced their discretionary offer and no longer provide travel assistance once a young person is in Year 12 (Post 16 education).
49. Surrey County Council are also working towards renegotiating with incumbent providers to reduce the overall cost of services. The Annual Procurement Forward Plan (APFP) Savings in 2024/25 would require reassessment of the need for the service to understand if there are opportunities to streamline the current scope. This includes reviewing if the service is being provided elsewhere, if the current level of service is required and if an alternative service can be procured that meets needs at lower cost. We also intend to group services together into a broader prospectus of services which aims to increase competition between providers which in theory should bring about more competitive rates. One area where this will be explored is the provision of services relating to our post-16 cohort within SEND and Education.
50. It is believed that contracts for longer durations, providing stability for providers, rather than working year-to-year which often takes time away from the actual delivery of services should broaden the potential pool and encourage more providers to bid for work. This too will give providers the time and motivation to innovate within their specialities to bring about efficiencies within their delivery. The approach will require the council to set prices which factor in inflationary uplifts at appropriate intervals to remain attractive to providers. Setting prices with clearly defined inflationary uplifts reduces the need to renegotiate contract values upwards during the term of the contract. The longer-term transparency of prices will help improve budgeting for future years. It's collectively recognised that it's a false economy to try and stifle inflationary uplifts across the contract base, and counter-intuitive if the ambition is to secure longer duration contracts in the future.
51. Surrey's need to manage the budget effectively is imperative in order to deliver services which meet the needs of all children, and young people in Surrey, whilst ensuring value for money across the commissioned services portfolio. Any reduction in budget is likely to impact the quantity of any service delivered but it is the Council's ambition to redesign services which take advantage of more cost-effective alternative delivery models.
52. The Surrey Fire and Rescue Service are undergoing a change which will require the ceasing of their SFRS Cadet Programme. The programme aims to

support young people in their education and public service life. It was designed according to national standards and pro-social modelling (where supervisors act as a positive and motivating role model). To enable SFRS to consider its impacts on both the public and SFRS, a limited trial of 10 cadets and volunteers was commissioned based at Guildford Fire Station (FS). This pilot started in September 2021 and is due to end in June 2023. The pilot is supported by five volunteers working for SFRS.

53. The removal of the Cadet Programme from Guildford Fire Service and more widely, not offering it as a service to the remainder of the county will not impact on the current young cadets. They will continue to receive their qualifications and come to a natural end on the programme. The main group likely to be impacted will be in potential cadets who were looking to join.

54. Finally, the aforementioned efficiencies involving libraries (including Community Partnership Libraries (CPLs)) will likely see some disproportionate impacts of the changes to their service by virtue of their membership base. The library service has 323,694 registered members (membership data as of March 2022). As part of the registration process the service does not collect data regarding members dates of birth so we are unable to provide exact data, however, users are placed into certain categories such as Child, Young Person, Adult, Concession and Open Ticket (our card for vulnerable users). The Library Service has over 63,000 children on the 0-11 years concession, showing a significant over representation, compared to the population at large.

Potential negative equality impacts for children and young people
Younger children , particularly those who are disabled, may face challenges with accessing their education setting and impacts on health and wellbeing from disruption to existing service provision.
Children of non-statutory school age will no longer be eligible for free transport, except in exceptional circumstances.
Changes to the way contracts are procured may result in a reduction of services for all protected characteristics however, the aim is to improve the procurement process itself and not to reduce services. Although recommissioning of services will ask check 'if that level of service is required', which may see a reduction/change in non-statutory service delivery. EIAs will be produced for each contract on a case-by-case basis.
Younger people from socio-economically disadvantaged households may be disproportionately impacted by a reduction in some services running at their current capacity, which could have secondary impacts on their wider wellbeing.

Cost of living

55. The cost of living across the UK has been increasing since early 2021, with inflation currently at around 11% and indications that it could rise further still². This is predominantly due to rising food and energy prices and is inevitably affecting the affordability of goods and services for households and businesses. The impacts of these cost increases have been felt most acutely by lower income households who spend a greater proportion of their income on food, fuel and energy.
56. In Surrey, the effects of this are already being felt. Whilst the majority of Surrey residents are not in crisis situations at the moment, many are beginning to make cutbacks. It is also important to note that there are some residents in crisis already before the full effects of inflation and the winter months are felt.
57. As was highlighted in a November [Cabinet Report](#)³, over 500 new clients registered with Surrey Citizens Advice between April – June 2022 and support was given on over 1,600 cases, in particular around benefits, debt, housing and foodbanks.
58. Further, the demand for food support is also increasing, with some foodbanks across Surrey stating they have seen a 300% increase of demand on their services over the past two years. As a local authority, these mounting pressures may require us to act more strategically and re-direct more resourcing into crisis services.
59. As announced in the Chancellor’s Autumn Statement in November, local authorities in England will now be able to increase council tax by 3% without need for a referendum. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year. It is important to consider the impact of raising council tax on residents in the context of the cost-of-living crisis they are facing, particularly as the Government’s energy support package is expected to be scaled back from April 2023.

Potential negative equality impacts
The increasing demand on services like Citizens Advice appears to be coming from particular groups within the county, with 66% of claimants identifying as disabled or having a long-term health condition , and two-thirds of clients identifying as female, showing that the cost-of-living crisis is potentially having a disparate impact on Surrey’s residents.
There is significant evidence to suggest that in times of higher inflation and fuel costs, those most affected are older people and disabled people and their carers . This is due in part to the greater need for heating, higher energy use

² Trading Economics (retrieved December 2022): [United Kingdom Inflation Rate - November 2022 Data - 1989-2021 Historical \(tradingeconomics.com\)](https://tradingeconomics.com/uk/inflation-rates)

³ Cabinet Report, 29 November: <https://mycouncil.surreycc.gov.uk/mgChooseDocPack.aspx?ID=8467>

and increases in care costs caused by higher costs faced by carers to carry out their roles.

There is a risk of a disproportionate impact on residents from **ethnic minority backgrounds**, due largely to their over-representation in statistics on economic disadvantage.

Furthermore, people from **ethnic minority communities** are less likely to come forward for help⁴ and are more wary of services and institutions offering help.

Mitigations

60. Services have developed a range of mitigating actions that seek to offset impacts of efficiency proposals on residents and staff with protected characteristics. Further details on specific mitigating activities linked to individual efficiencies can be read in the EIAs listed in Paragraph 15 of this report.

61. In general terms, the council's approach to mitigating impacts has been, or will be as strategic principles are developed into more formative proposals, to adopt one or more of the following:

- a. Putting service users and staff at the heart of service re-design, using co-design, consultation and engagement methods to produce services that are responsive and focus on supporting people that need them most. This means bringing together the right people early in the process to understand the issues and then deciding what can be done collectively to improve outcomes.
- b. Investing in preventative activity and early-intervention measures to help enable better outcomes earlier and avoiding having to resource high-cost intensive activity that leads to greater pressures on our budget.
- c. Undertaking ongoing evaluation of the impacts of changes to services so we can build further evidence, and update our EIAs, on who is affected by them, to refine and strengthen the mitigations that are in place and to document and respond to unforeseen negative impacts.
- d. Providing tailored information to service users that are impacted negatively by efficiency proposals so they can draw on their own resources or seek further support either from the council or partner organisations.
- e. Increasing opportunities for residents to access council services in new and easier formats, such as through the use of digital technologies.

⁴ BMJ report: <https://bmjopen.bmj.com/content/6/11/e012337>

Additional support will be provided for residents who may need help to adapt to the new formats, such as some older or disabled people. Work is also ongoing across services to ensure that our digital services are as accessible as possible, including improving the language to the appropriate reading age and ensuring style and layout are implemented in a way that is inclusive of those with additional needs.

- f. Ensuring any changes to staffing levels or staff structures are completed in accordance with the council's human resources policies and procedures and take account of the impact these changes have on the workforce profile. In particular, there may be positive career opportunities for staff with protected characteristics as a result of this activity.
- g. Ensuring that staff with protected characteristics are fully supported with training and adjustments as appropriate to allow them to access the new ways of working the transformation proposals give rise to and for all staff to be equipped to support residents to do the same.
- h. Engaging with the Voluntary, Community and Faith Sector (VCFS) to help support potential gaps in services that might be created as a result of efficiencies. These charities and voluntary organisations have proven themselves effective in identifying where issues can arise in current service provisions as well as in their ability to deliver early intervention work.
- i. Working with District and Borough Councils to ensure their Council Tax Support Schemes are able to assist economically vulnerable households to offset any significant financial difficulties that might arise as a result of Council Tax increases.

Conclusion

62. As part of our continued efforts to ensure the council remains financially sustainable, we are changing the way we deliver some services to residents. Some of these changes require EIA to identify any groups with protected characteristics who may be impacted by these proposals. When taking a decision to set the budget, Members must use this paper to so they can discharge their duty to pay due regard to the equality implications of agreeing this package of efficiencies to balance the budget.

63. This report has summarised the main themes and potential impacts on residents arising from efficiency proposals for the 2023/24 year, as well as mitigating activity. The council continues to go through significant transformation, and we will continue to consider how these changes affect the most vulnerable residents and how we can support them to ensure that no-one is left behind.

64. **This report must be read in conjunction with each individual EIA**, listed in paragraph 15 and found online: [Ensuring our decisions are fair - Equality Impact Assessments - Surrey County Council \(surreycc.gov.uk\)](https://www.surreycc.gov.uk/equality/ensuring-our-decisions-are-fair).

This page is intentionally left blank

Standard	Statement		Score (out of 5)	Improvement areas
1 The responsibilities of the CFO and leadership team	A	The leadership team is able to demonstrate that the services provided by the authority provide value for money <i>'Putting place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.'</i>	4	Further embed a clear and consistent understanding of VFM through the Finance Academy and Budget Accountability Statements.
	B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government	5	n/a
2 Governance and financial management style	C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	5	n/a
	D	The authority applies the CIPFA/SOLACE (Society of Local Authority Chief Executives) Delivering Good Governance in Local Government: Framework (2016)	4.5	Tightening of the robustness of the assurance process to support the AGS, including self-assessment review of the governance principles and reviewing external best practice. Implement actions to address identified future risk areas from the recent Centre for Governance and Scrutiny evaluation of organisational governance.
	E	The financial management style of the authority supports financial sustainability	4.5	Continuing to improve financial literacy and accountability across the organisation through ongoing commitment to the Finance Academy. Implement agreed actions relating to improvements as part of the Integrated Business Planning Project.
3 Long to medium term financial management	F	The authority has carried out a credible and transparent financial resilience assessment	5	n/a
	G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	4.5	Further develop a robust approach to financial scenario planning, including modelling of the impact of the Fair Funding Review and other Government Policy Changes.
	H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities	5	
	I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	4	Develop process to undertake more sensitivity analysis around key cost drivers as part of the budget planning process.
4 The annual budget	J	The authority complies with its statutory obligations in respect of the budget setting process	5	n/a

	K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves	5	n/a
5 Stakeholder engagement and business plans	L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	5	n/a
	M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions	4	Develop and enhance current capital guidance, learning and development offer as part of The Finance Academy, to include full options appraisal, business cases, revenue implications, capital profiling, projections and capital funding.
6 Monitoring financial performance	N	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	4	Enhance approach to performance reporting alongside existing financial reporting, including insights from similar organisations.
	O	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	5	n/a
	P	The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom	5	n/a
	Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions	5	n/a

Leadership	Accountability	Transparency	Standards	Assurance	Sustainability
A	D	L	H	C	E
B	P	M	J	F	G
O	Q		K	N	I

Key to principles:

- Organisational **leadership** - demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

**MINUTES OF THE MEETING OF THE CABINET
HELD ON 20 DECEMBER 2022 AT 2.00 PM
AT COUNCIL CHAMBER, SURREY COUNTY COUNCIL, WOODHATCH
PLACE, 11 COCKSHOT HILL, REIGATE, SURREY, RH2 8EF.**

These minutes are subject to confirmation by the Cabinet at its next meeting.

Members: *= Present

*Tim Oliver (Chairman)
*Natalie Bramhall
*Clare Curran
*Matt Furniss
*David Lewis
*Mark Nuti
*Denise Turner-Stewart
Sinead Mooney
*Marisa Heath
*Kevin Deanus

Deputy Cabinet Members:

*Maureen Attewell
*Rebecca Paul
*Paul Deach
*Jordan Beech

Members in attendance:

John O'Reilly, Chairman of Communities, Environment and Highways Select Committee
Nick Darby, Chairman of Resources and Performance Select Committee
Will Forster, Liberal Democrats Group Leader and Local Member for Woking South

**PART ONE
IN PUBLIC**

191/22 APOLOGIES FOR ABSENCE [Item 1]

An apology was received from Sinead Mooney.

192/22 MINUTES OF PREVIOUS MEETING: 29 NOVEMBER 2022 [Item 2]

These were agreed as a correct record of the meeting.

193/22 DECLARATIONS OF INTEREST [Item 3]

There were none.

PROCEDURAL MATTERS [Item 4]

194/22 MEMBERS' QUESTIONS [Item 4a]

There were three member questions. The questions and responses were published as a supplement to the agenda.

195/22 PUBLIC QUESTIONS [Item 4b]

There were none.

196/22 PETITIONS [Item 4c]

There were none.

197/22 REPRESENTATIONS RECEIVED ON REPORTS TO BE CONSIDERED IN PRIVATE [Item 4d]

There were none.

198/22 REPORTS FROM SELECT COMMITTEES , TASK GROUPS, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL [Item 5]

A report was introduced by the Chairman of the Communities, Environment and Highways Select Committee (in relation to item 8 on the agenda - Development and Introduction of Your Fund Surrey - Small Community Projects Fund) and he thanked the Cabinet Member for Community and Community Safety for her response to it. In addition, he requested that an annual report be provided for all councillors detailing all the projects under Your Fund Surrey.

The Cabinet Member for Community and Community Safety thanked the Communities, Environment and Highways Select Committee for the interest and time spent in looking at Your Fund Surrey and thought the suggestion for an annual report was a good one. She also praised the Community Link Officers for the good work undertaken in the community and said that support for the new fund would be kept under review.

RESOLVED:

That the report be noted.

199/22 LEADER / DEPUTY LEADER / CABINET MEMBER/ STRATEGIC INVESTMENT BOARD DECISIONS TAKEN SINCE THE LAST CABINET MEETING [Item 6]

RESOLVED:

That the decisions taken since the last Cabinet meeting be noted.

200/22 CABINET MEMBER OF THE MONTH [Item 7]

The report was introduced by the Cabinet Member for Education and Learning. The following key points were made:

- That the council had no responsibility for schools which were all independent of the council. The Cabinet Member responsibility regarding schools was one of being a champion.
- The Surrey Education Strategy which includes the School Organisation Plan and Sustainability Strategy was progressing well and would be presented to the next Cabinet meeting.

- There had been a focus on Special Education Needs and Disability (SEND) over the last few months and visits to schools had been inspiring and uplifting, highlighting the skills of staff. There were 800 new school places, so pupils did not need to go out of the area.
- There was also a focus on inclusion whereby mainstream support would be provided rather than going to specialist schools.
- A review on home to school transport was underway and a re-organisation of the service which would put it on a more stable footing.

RESOLVED:

That the Cabinet Member of the Month update be noted.

201/22 DEVELOPMENT AND INTRODUCTION OF YOUR FUND SURREY - SMALL COMMUNITY PROJECTS FUND [Item 8]

The report was introduced by the Deputy Leader and Cabinet Member for Community and Community Safety who explained that there was £50k per member of the Council and that from February 2023 there was to be a simplified, faster process for smaller projects. She also thanked the previously responsible Cabinet Member for the foundation work he had done.

The Deputy Cabinet Member for Environment requested that details of all approved project be published for all councillors in order to garner inspiration and ideas. The Leader urged all 81 councillors to actively seek suitable projects within their communities.

RESOLVED:

1. That the introduction of a new subsidiary fund, 'Your Fund Surrey – Small Community Projects' be approved.
2. That the process, criteria and framework for Your Fund Surrey – Small Community Projects be agreed.
3. That Your Fund Surrey (YFS) be renamed as Your Fund Surrey – Large Community Projects to enable residents to differentiate between the funds.

Reasons for decision:

The proposed improvements to the Fund build on the learning of running YFS over the past two years. Since the Fund was launched, the financial climate has changed which has shifted the focus of the fund away from the initial "think big" branding.

The objectives of allocating a portion of YFS funding for smaller-scale projects are to:

- Support smaller capital projects which might otherwise not have met the YFS criteria due to size or lack of wider community benefits
- Make the process quicker, easier and more accessible for smaller community organisations
- Ensure every Division benefits from YFS funding
- Utilise the local knowledge of Divisional members to identify the needs within their communities and direct their support

202/22 DIRECT PAYMENTS STRATEGY 2023-2028 [Item 9]

The report was introduced by the Cabinet Member for Adults and Health who explained that consultation was taking place on this strategy and the final paper would be presented to cabinet during 2023. The strategy aimed to provide more choice for residents and was not being enforced. Thanks was given to staff for their hard work.

RESOLVED:

That the production and publication of a Surrey Direct Payments Strategy covering the period 2023 to 2028 be supported.

Reasons for decision:

Direct Payments provide individuals with greater choice and control over their care and support arrangements than can be the case where services are directly commissioned by the Council. This Strategy presents Surrey County Council's ambition to increase resident take up of the system enabling them more autonomy and ownership of their lives. It sets out how we will seek to provide a stable, unified way of approaching direct payments which will resolve current issues and streamline the process, making it easier and more appealing to a wider resident base. Ultimately, we want to see our uptake rate increase to at least 40% by April 2028.

203/22 AGILE OFFICE ESTATE - NORTH-WEST AND SOUTH-WEST CORPORATE OFFICE WORKSPACE [Item 10]

The report was introduced by the Cabinet Member for Property and Waste who described the need for agile, flexible and sustainable workspaces for the council and its partners. She explained the new hubs and centres being made available and that costings were in the Part 2 report. Members welcomed the provision of working spaces that were fit for purpose.

RESOLVED:

1. That further consolidation into existing corporate estate, maximising the use of Hubs and ensuring minimal spokes and optimisation of wider locality assets be agreed.
2. That the business case recommendations for the provision of Agile workspace in the north-west and south-west of Surrey, to vacate Quadrant Court, Woking and the St Francis Centre office facilities in Guildford and release the sites to generate best returns for the Council, subject to ensuring service continuity and delivering best value be approved. The full business case is commercially sensitive at this time and is set out in the Part 2 report.
3. That a proposal will be submitted to Cabinet in due course for the optimum approach to deliver corporate office space in the north-west and south-west of Surrey be noted.

Reasons for decision:

Approving the recommendations in this report will build on the Agile Office Estate strategy and all associated benefits to:

- Continue to progress delivery of the Agile Office Estate programme through definition of the north-west and south-west elements.
- Optimise the existing corporate office estate, increasing colocation of services and further reducing the overall estate footprint, to deliver greater efficiencies.

204/22 CHOBHAM AND LINGFIELD FIRE STATIONS - REDEVELOPMENT SCHEMES [Item 11]

The report was introduced by the Deputy Leader and Cabinet Member for Community and Community Safety and explained the upgrading of stations to provide stations fit for purpose following a review. The planning process would start in March 2023. Projects at Reigate, Epsom and Dorking would follow.

The Leader thanked the Chief Fire Officer who was present for the support given to Ukraine.

RESOLVED:

1. That the allocation of capital funding from the pipeline to redevelop the existing fire stations in Chobham and Lingfield, and design and construct two new fire stations on the existing building footprints be approved. The capital funding required to redevelop the two buildings is commercially sensitive at this time and is set out in the Part 2 report.
2. That procurement of appropriate design and construction partners to deliver the design, build and fit out of the two new buildings in accordance with the Council's Procurement and Contract Standing Orders be approved.
3. That, regarding the procurement of design and construction partners, the Executive Director for Resources and the Director of Land and Property are authorised to award such contracts in consultation with the Cabinet Member for Communities and Community Safety, up to +5% of the budgetary tolerance level was noted.

Reasons for decision:

It is essential to redevelop both Chobham and Lingfield Fire Stations in order to:

- Address and mitigate constraints the current buildings present to the SFRS service and personnel based in these fire stations.
- House the new, larger fire appliances used by SFRS.
- Improve the health and safety provision and welfare facilities for SFRS staff.

205/22 ARRANGEMENTS FOR CIVIL PARKING AND MOVING TRAFFIC ENFORCEMENT IN SURREY FROM 2023/24 [Item 12]

The report was introduced by the Cabinet Member for Highways and Community Resilience and explained the contract for the management of parking enforcement across the county from April 2023. Consultation had taken place with district and borough councils. Recruitment and retention could be difficult, so he was happy that there was a commitment to working

with Surrey charities to assist the long term unemployed. Costs were expected to be met by income.

The Cabinet Member for Transport and Infrastructure spoke in favour of this report and explained the investment and support into public transport and the social value gained from this contract was excellent.

RESOLVED:

1. That the award of a contract that covers the whole county for parking and moving traffic enforcement services commencing in April 2023 following the expiration of the current agency agreements for Civil Parking Enforcement (CPE) be approved.
2. That the appointment of the preferred supplier following a competitive tender which was undertaken through a mini-competition process as named in Part 2 of the report and award the Call-Off Contract to that supplier in consultation with the Cabinet Member be approved.
3. That any one-off costs for service transfer and ongoing contributions to the Guildford Park & Ride and Woking Town Centre Maintenance Agreements are drawn from any operational financial surplus and the remainder is factored into the Council's medium term financial strategy be approved.
4. That the management of operational parking and moving traffic enforcement policy be delegated to the Director for Highways and Transport in consultation with the Cabinet Member for Highways and Community Resilience.

Reasons for decision:

An effective and cost-effective parking and moving traffic enforcement service will enable the Council to help achieve its Community Vision 2030 objectives, including that:

- Residents live in clean, safe and green communities, where people and organisations embrace their environmental responsibilities; and
- Journeys across the county are easier, more predictable and safer.

In addition, as part of the Council's organisational strategy, Surrey County Council wants to work in partnership with residents, businesses, partners and communities to collectively meet challenges and grasp opportunities. The effective enforcement of highway restrictions helps in making travel and transportation schemes more effective and could be a key tool in helping deliver the Council's strategic objectives to reduce congestion and to improve facilities for buses, cycles and pedestrians, particularly vulnerable road users.

206/22 ANNUAL PROCUREMENT FORWARD PLAN FY2023/24 [Item 13]

The report was introduced by the Cabinet Member for Finance and Resources who explained the need to produce this plan as well as the agreement process. Items that needed to come back to Cabinet were identified.

RESOLVED:

684

1. That procurement for the projects listed in Annex 1 of the submitted report – “Annual Procurement Forward Plan for FY2023 24” in accordance with the Council’s Procurement and Contract Standing Orders be approved.
2. That where the first ranked tender for any projects listed in Annex 1 of the submitted report was within the +5% budgetary tolerance level, the relevant Executive Director, Director or Head of Service (as appropriate) be authorised to award such contracts.
3. That the procurement activity that will be returned to Cabinet prior to going out to market (see Annex 1 of the submitted report) be agreed.
4. That projects to be presented to Cabinet or the Strategic Investment Board for approval of the business case (see Annex 1 of the submitted report) be agreed.

Reasons for decision:

- To comply with the Procurement and Contract Standing Orders agreed by Council in May 2019 and further revised in October 2022.
- To provide Cabinet with strategic oversight of planned procurement projects for FY2023/24.
- To ensure Cabinet oversight is focussed on the most significant procurements.
- To avoid the need to submit multiple individual requests for Approval to Procure as well as individual contract award approvals for work taking place in FY2023/24.

207/22 MONTHLY BUDGET MONITORING- 2022/23 MONTH 07 [Item 14]

The report was introduced by the Cabinet Member for Finance and Resources who set the context for the difficult financial situation and included the following in his highlights:

- Directorates were working strongly within their budget envelopes and additional efficiencies would be identified.
- He was confident that the financial gap would close over the year and reported that the Home to School transport gap had closed by £2m from last month.
- Adult Social Care was overspent by £5m which would be offset by further savings of £6m
- Capital budget was £210m with a further £70 to draw down.

The Chairman for Performance and Resources Select Committee sought assurances that Cabinet were fully up to date on the IT project and were happy that value for money would be got for the £8m. The Cabinet Member for Finance and Resources responded that lessons had been learned and that whilst nothing was risk free, he was assured that the project would deliver. The Leader added that he had regular briefings with the Director for Finance and that whilst the project was behind it was important for it to be completed. The Leader did not expect to see any further request for funding until the next financial year.

RESOLVED:

1. That the Council's forecast revenue and capital budget positions for the year and the commitment to develop Directorate budget recovery plans be noted.
2. That the introduction of a new fee to charge Adult Social Care providers for work that the Council needs to undertake to enable the payment of VAT for care services under a Self-Billing arrangement, compliant with HMRC regulations be approved.
3. That Legal Services be authorised to execute and seal any future Deeds of Novation or any other legal documentation, as appropriate, in respect of Adult Social Care Providers.
4. That authority be delegated to the Director of Education and Lifelong Learning in consultation with the Executive Director of Children, Families and Lifelong Learning, the Executive Director of Resources and the Cabinet Member for Education and Learning to determine the mechanism for funding schools and the use of the proposed contingency from the DfE Homes for Ukraine Education and Childcare grant.
5. That the use of earmarked reserves of £1.1m and an increase in the capital budget of £7m, representing the additional costs associated with the moving of the go live date for the Council's new finance, HR, payroll and procurement systems be approved.

Reasons for decision:

To comply with the agreed policy of providing a monthly budget monitoring report to Cabinet for approval of any necessary actions.

208/22 EXCLUSION OF THE PUBLIC [Item 15]

RESOLVED: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information under the relevant paragraphs of Part 1 of Schedule 12A of the Act.

209/22 AGILE OFFICE ESTATE - NORTH-WEST AND SOUTH-WEST CORPORATE OFFICE WORKSPACE [Item 16]

The Cabinet Member for Property and Waste introduced the Part 2 report which contained information which was exempt from Access to Information requirements by virtue of Paragraph 3: information relating to the financial or business affairs of any particular person (including the authority holding that information).

RESOLVED:

See Exempt Minute [E-30-22]

Reasons for Decisions:

See Minute 203/22

210/22 CHOBHAM AND LINGFIELD FIRE STATIONS - REDEVELOPMENT SCHEMES [Item 17]

The Deputy Leader and Cabinet Member for Community and Community Safety introduced the Part 2 report which contained information which was exempt from Access to Information requirements by virtue of Paragraph 3: information relating to the financial or business affairs of any particular person (including the authority holding that information).

RESOLVED:

See Exempt Minute [E-31-22]

Reasons for Decisions:

See Exempt Minute [E-31-22] and Minute 204/22

211/22 ARRANGEMENTS FOR CIVIL PARKING AND MOVING TRAFFIC ENFORCEMENT IN SURREY FROM 2023/24 [Item 18]

The Cabinet Member for Highways and Community Resilience introduced the Part 2 report which contained information which was exempt from Access to Information requirements by virtue of Paragraph 3: information relating to the financial or business affairs of any particular person (including the authority holding that information).

RESOLVED:

See Exempt Minute [E-32-22]

Reasons for Decisions:

See Minute 205/22

212/22 ANNUAL PROCUREMENT FORWARD PLAN FY2023/24 [Item 19]

The Cabinet Member for Finance and Resources introduced the Part 2 report which contained information which was exempt from Access to Information requirements by virtue of Paragraph 3: information relating to the financial or business affairs of any particular person (including the authority holding that information).

RESOLVED:

See Exempt Minute [E-33-22]

Reasons for Decisions:

See Minute 206/22

213/22 PUBLICITY FOR PART 2 ITEMS [Item 20]

It was agreed that non-exempt information may be made available to the press and public, where appropriate.

Meeting closed at 3.22 pm

Chairman