THE SURREY WAY

SURREY COUNTY COUNCIL

2025/26 Final Budget & Medium-Term Financial Strategy to 2029/30

1. EXECUTIVE SUMMARY

1.1 This Council continues to focus on delivering the Community Vision for Surrey 2030 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 mission 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 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.

1.4 The purpose of the Budget and Medium-Term Financial Strategy is to set out how the Council will use its funding and resources to deliver its priority objectives and core services. These sit at the core of the budget process, driving our approach to the allocation of resources and developing investment plans.

1.5 The period covered in this report represents a challenging time for local authority finances, with inherent uncertainty in the planning process and significant pressures identified in relation to both cost increases in the short term and ongoing forecast increases in demand for key services. Public Sector borrowing has been put under substantial pressure by events over recent years, including government spending to combat Covid-19, high interest rates and slow national economic growth. Public finances look to be extremely challenging over the medium term, with Local Government unlikely to be spared the impact. There has been an increase recently in the number of local authorities suggesting they are struggling to meet the statutory requirement to set a balanced budget. 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 we deliver high quality to residents.

Developing the Budget and Medium-Term Financial Strategy

1.6 The 2025/26 Budget Report and Medium-Term Financial Strategy to 2029/30 delivers a balanced budget for 2025/26 alongside the challenge of ensuring sustainable and resilient medium-term financial plans in a challenging national economic environment.

1.7 As in previous years, the production of the 2025/26 budget is an integrated approach across Corporate Strategy & Policy, Design & Transformation and Finance. Basing proposals around 'Core Planning Assumptions,' which set out likely changes to the external context in which we deliver our services, ensures that revenue budgets, capital investment and transformation plans are aligned with each Directorate's service plans and the Corporate Priorities of the organisation.

1.8 The Council's financial position is anticipated to remain challenging over the medium term. While many of the demands we are experiencing are not unique to this Council, we cannot rely on Government, or partners, to solve the issue for us. We need to reduce our costs and take difficult decisions in order to ensure our ongoing financial resilience.

1.9 The Council will continue to maintain a strong focus on financial accountability across the organisation to ensure we can both protect and continue to drive improvements in our vital services and ensure No One Left Behind.

The Financial Outlook

1.10 The national economic environment influences the level of funding available to Local Authorities. Public Sector borrowing has been put under substantial pressure by events over recent years which, coupled with slow national economic growth, has had a damaging effect on the UK economy. Local Government funding remains highly uncertain and insufficient to combat increasing demand for vital services, with many local authorities highlighting difficulties in balancing the increasing cost of providing services against undefined and limited funding streams.

1.11 The new Government has launched a multi-year Spending Review which will conclude in Spring 2025. The Spending Review will set departmental spending plans for a minimum of three years. Whilst the Government have shown a commitment to multi-year-settlements for Local Government going forward, the Local Government Finance Settlement for 2025/26 remains a single year event, with multi-year settlements aligned to the multi-year Spending Review thereafter. This represents the sixth consecutive single year settlement.

1.12 The Provisional Local Government Funding Settlement (LGFS) was released on 18th December 2024, following on from the Government's Budget on 30 October 2024 and a policy statement issued by the Minister of State for Local Government and English Devolution on 28 November 2024. Both of these prior announcements provided some indications of what the settlement would include, including additional grant funding for local authorities, which the November Policy Statement indicated would be targeted at areas with higher deprivation and those less able to raise income through council tax increases. There were elements unconfirmed and a lack of detail on actual allocations to make funding estimates uncertain until the official announcement.

1.13 The LGFS shows the Council's Core Spending Power, as calculated by the Government, to be a 4.9% increase (in cash terms). Of this 4.9% increase, 90% relates to an assumption of full utilisation of the council tax and adult social care precept levels, rather than additional funding from Government. The net outcome of the provisional LGFS indicates a net change to government grant assumptions of £2.9m, this is discussed in further detail in Section 5 below. The final settlement is due in February 2025.

1.14 The Budget announcements on the 30 October included a rise in both the National Living Wage and in Employer's National Insurance Contributions. This will increase the Council's own wage bill, as well as that of many of our suppliers, which will feed through into increased costs. The direct impact on the Council's wage bill is factored into the budget proposals, along with an estimate of the compensation grant the Council will receive for the impact of National Insurance Contribution increases. This compensation funding was not confirmed in the Provisional LGFS and will not be confirmed until the Final Settlement in February 2025, increasing the budget planning risks.

1.15 The overall outlook for 2025/26 is a challenging one. Whilst there is an anticipated small increase in grant funding, substantial increases in the cost of maintaining current service provision and increased demand result in pressures increasing at a significantly higher rate than forecast funding. The Council continues to see exponential increases in demand for services, particularly within Adults and Children's Social Care and Home to School Travel Assistance, resulting in a need for further efficiencies within services and an increase Council Tax to ensure the budget can be balanced.

1.16 The final budget for 2025/26 proposes total funding of £1,264.1m; an increase of £55.7m from 2024/25. In order to achieve a balanced position, the budget includes the following recommendations to full Council on Council Tax and the Adult Social Care Precept;

- 2.99% increase in core Council Tax
- 2% increase in the Adult Social Care Precept

The increase in the total bill for a Band D property will equate to £1.69 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 finance, particularly during times of high cost of living.

1.17 The budget gap is expected to continue to grow over the medium term, based on current projections, to the order of £172m. The Council recognises that tackling this gap will require a medium-term focus and a fundamentally different approach.

Engagement

1.18 The Council has undertaken consultation and engagement with residents and other stakeholders, such as partner organisations and Members, to provide the Council with insights to inform budget setting for 2025/26 and into the Medium-Term.

1.19 The approach taken during 2024 was divided into two phases:

- The first phase took place in the summer of 2024. The objectives of this phase were to gather insight on what the most important priority outcomes were for stakeholders, their views on how the Council allocated its financial resources, approaches to balancing the budget and circumstances under which a council tax increase would be supported.
- The second phase was a consultation on the Council's draft budget. This phase sought to gauge support or opposition to the draft proposals for investment and closing the draft budget gap, at that time, of £17.4m for 2025/26. It was an opportunity for the Council to be transparent about its plans and source as much feedback from as many Surrey stakeholders as possible.

1.20 Over 2,200 stakeholders gave their views across both phases. The key insights are set out in Section 10.

1.21 Members were also engaged extensively through the budget development process. This included formal and informal briefings of Select Committees, all Member briefings and briefings offered for each of the political groups. Points raised by Members included:

- Assurance that the impacts of the proposed budget, such as equality and environmental impacts, have been identified and sufficient mitigations and monitoring is in place.
- Concerns about any service reductions on the quality of service provided.
- Questions on the affordability of the capital programme.
- Seeking confidence on how pressures on high demand services will be managed and mitigated.

More detail on the consultation and engagement activity that has informed this budget is included in Annex H.

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 Innovation, Transformation & Change approach (Section 3);
- Directorate Service Strategies, aligned to both of the above (Section 4);
- The Financial Strategy for 2025/26 (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);
- 2024/25 Financial Performance – revenue and capital (Section 7);
- The Medium-Term financial outlook to 2029/30 (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 2025/26 Budget and Medium-Term Financial Strategy to 2029/30 will be presented to Council for approval on the 4 February 2025.

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

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 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 help us create the conditions for Surrey to thrive. Our Organisation Strategy (2023-28) sets out four priority objectives which reflect where we can have the greatest impact on tackling inequality and improving outcomes for people living and working in the county.

2.4 Our main duty as a council is to deliver high-quality services, and these services are the building blocks for meeting our 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, high performing 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. Investment in prevention and early support is key to achieving those ambitions.

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 The four design principles that guide how our organisation operates, and the four commitments about how our people will work are detailed in full in our Strategic Framework – The Surrey Way. Key to this 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.

3. INNOVATION, TRANSFORMATION & CHANGE

3.1 In recent years our transformation programmes have shifted focus to a more cross-cutting approach that is rooted in the outcomes we were seeking for Surrey's residents and businesses and to enable a financially sustainable footing over the medium-term. To achieve this, we have developed a one-council approach to transformation with several cross-council programmes designed to optimise the way we work. These programmes focus on:

- Customer engagement and improvements to customer experiences and outcomes
- Organisation redesign to review 'the way we do things' across the whole council
- Data and digital to leverage emerging and innovative technology
- Place and communities support to improve outcomes for residents
- Developing the performance and culture that underpins the organisation

3.2 In addition, we have several major Directorate-led change programmes that are focussed on driving service excellence and making improvements to statutory and preventative services. These are driven and delivered alongside our cross-cutting work, emphasising the need and commitment for services across the council to work together to improve outcomes for Surrey residents, whilst reducing costs and ensuring a more efficient and modern organisation. With an emphasis on designing prevention-based services and supporting residents at the earliest possible stage of their customer journey, we aim to reduce demand in our critical services and support the sustainability of the Council.

3.3 The transformation programme investment is set out below, with a planned investment of £38.7m over the next three years, £24.6m in 2025/26. The investment comes from the transformation base budget of £6.5m, plus the temporary allocation of £5m of budget from Central Income and Expenditure and the approved use of reserves for Adults Wellbeing & Health Partnerships Transformation, Customer Transformation, the Data Team and a £2.5m contribution to the Additional Needs & Disabilities Recovery Programme in 2025/26.

3.4 This investment delivers £108m of the identified efficiencies across the MTFS as set out below:

Table 1 – Transformation Programme Investment & Efficiencies

	Overall Investment				**Efficiencies**					
	25/26 £m	**26/27 £m**	**27/28 £m**	**Total £m**	**25/26 £m**	**26/27 £m**	**27/28 £m**	**28/29 £m**	**29/30 £m**	**Total £m**
Core Transformation Programme										
Customer Transformation	3.6	3.1	0.2	**6.9**	(0.1)	(0.4)	0.0	0.0	0.0	**(0.5)**
Organisation Redesign	1.3	1.1		**2.4**	(8.9)	(3.0)	(0.2)	(0.0)	(0.0)	**(12.1)**
Adults Wellbeing Health Partnerships	3.8	0.5		**4.3**	(18.5)	(16.1)	(18.2)	(17.3)	(12.6)	**(82.7)**
Additional Needs and Disabilities Safety Valve	2.5	2.5	2.5	**7.5**						**0.0**
Data and Digital Transformation	2.7	2.1	1.1	**5.9**						**0.0**
High Performing Council Transformation	0.5			**0.5**						**0.0**
	14.4	**9.3**	**3.8**	**27.5**	**(27.5)**	**(19.5)**	**(18.4)**	**(17.4)**	**(12.6)**	**(95.3)**
Service Improvement Programme										
Additional Needs and Disabilities Recovery Plan	5.0			**5.0**						**0.0**
Children's Social Care	1.3			**1.3**	(3.6)	(6.9)	(1.5)	(0.7)	(0.1)	**(12.8)**
Design and Internal Consultancy	1.0			**1.0**						**0.0**
Data Team	1.0			**1.0**						**0.0**
Other smaller service improvement areas	1.9	0.5	0.5	**2.9**						**0.0**
	10.2	**0.5**	**0.5**	**11.2**	**(3.6)**	**(6.9)**	**(1.5)**	**(0.7)**	**(0.1)**	**(12.8)**
Total Transformation	**24.6**	**9.8**	**4.3**	**38.7**	**(31.1)**	**(26.4)**	**(19.9)**	**(18.1)**	**(12.7)**	**(108.1)**

3.5 In addition to the identified efficiencies, the transformation programme drives cost containment, most notably within the Additional Needs and Disabilities Programme, which drives the cost containment included in the Council's Safety Valve agreement:

	2023/24	2024/25	2025/26	2026/27	2027/28	**Total**
Safety Valve Cost Containment	£19m	£25m	£25m	£25m	£20m	**£114m**

3.6 Programmes such as Data and Digital and Customer enable efficiencies listed above against other programmes, such as organisational re-design. This demonstrates that our initiatives cannot be considered as individual, isolated programmes, but instead they are viewed as a portfolio of change programme that are connected and dependent on one another to enable us to successfully meet our strategic goals. Work is anticipated to generate further efficiencies, and therefore investment needs, over and above those currently included in later years of the MTFS.

3.7 Alongside driving financial benefits, the transformation programme is essential to achieving our strategic ambitions and objectives, as set out in The Surrey Way. Change activity delivers a large amount of non-financial benefits and improved outcomes for residents and the most vulnerable members of our communities. These benefits, and a desire to continue delivering improved outcomes, are critical for the Council to meet the social, financial and environmental challenges it faces over the next five years.

3.8 Due to the financial pressure we are facing, we will continue to review both the level of investment and the returns on that investment, with a view to identifying further efficiencies to support our financial sustainability.

4. SERVICE STRATEGIES

ADULTS, WELLBEING & HEALTH PARTNERSHIPS

Context

4.1 Adults, Wellbeing & Health Partnerships (AWHP) is made up of three main services:

- **Adult Social Care** (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. Surrey's ASC service works with over 24,000 residents and funds care packages for almost 13,000 residents.
- **Public Heath** (PH) – commissions preventative services targeted at reducing health inequalities including 0-19 services, sexual health services, substance misuse service, NHS health checks and healthy lifestyle services. PH also works to protect residents from communicable diseases and environmental hazards, as well as providing public health intelligence to inform local health planning.
- **Communities & Prevention services** (C&P) – provides a range of community functions to help join up services and prevent demand for SCC and partner services across towns and villages, supports and helps to coordinate Surrey's voluntary sector infrastructure and administers the Your Fund Surrey capital fund and Your Councillor Community Fund (revenue).

4.2 AWHP operates in an incredibly challenging environment with the current rate of rising demand for services and inflationary pressures exceeding available funding, significant legislative changes and uncertainty about future government policy, including future plans for the ASC charging reforms which have been postponed indefinitely by the new government.

4.3 In the context of these challenges AWHP is taking forward an ambitious programme to reduce the care package spending trajectory, by transforming and improving the customer journey through improved reablement services, expansion of technology enabled care services and supporting more people to stay at home, effective market shaping and commissioning of services, and enabling thriving communities across Surrey's towns and villages. In June 2024, Cabinet approved up to £8m of investment in this programme over 2024/25 to 2026/27.

Current 2024/25 budget position

4.4 At the end of November an overspend of £3.6m was forecast against AWHP's2024/25 budget. This was due to a forecast £3.9m overspend on care package spend and a £2.0m overspend on staffing & other expenditure budgets, partially mitigated by a forecast £1.6m underspend on wider support services, £0.5m additional ASC funding and a £0.2m underspend against the budget set for Public Health and Communities. AWHP continue to seek to identify mitigations to reduce the overspend.

4.5 The annual cost of all active care package commitments at the end of November 2024 was £8.3m higher than the 2024/25 budget. The full year effect of efficiencies planned in the rest of 2024/25 and included in the 2025/26 budget seek to significantly manage down this pressure, but a risk remains that pressures above what is currently planned for carry over into 2025/26. Workforce pressures in 2024/25 also have an ongoing impact, with £4.2m of staffing pressures included in 2025/26, in addition to pay inflation.

Financial pressures

4.6 The 2025/26 revenue budget for AWHP includes £53.0m of growth to cover pressures, with pressures of £215.9m included across the MTFS period to 2029/30. The largest pressures relate to increase demand for ASC care packages (£26.8m in 2025/26, £128.8m across the MTFS), care package and contract inflation (£23.0m in 2025/26, £82.0m across the MTFS) and workforce pressures including pay inflation and the estimated cost of increased National Insurance contributions (£8.0m in 2025/26, £16.2m across the MTFS).

4.7 Expenditure pressures are partially mitigated by inflation on ASC assessed fees & charges (£2.7m in 2025/26, £11.1m across the MTFS), £3m of budgeted increased income from Surrey's Better Care Fund for ASC in 2025/26, which is a high-level estimate based on prior years pending government announcements, and £0.4m of other funding increases.

Financial efficiencies

4.8 AWHP's 2025/26 revenue budget includes £33.0m of efficiencies, with £99.8m planned across the MTFS period to 2029/30. The majority of AWHP's planned efficiencies are reliant in part, or in full, on the successful delivery of AWHP's transformation and improvement programme (£18.5m in 2025/26 and £82.7m across the MTFS). This includes strengths-based practice and demand management efficiencies to bring the care package trajectory to a more affordable level, market shaping & commissioning activities to implement a new technology enabled care strategy and delivery of the Right Homes Right Support ASC accommodation programme and restructuring and refocus of AWHP's community functions.

4.9 AWHP plans for £14.6m of efficiencies in 2025/26, £17.0m across the MTFS, the delivery of which sits outside of the directorate's transformation and improvement programme. These include efficiencies planned to mitigate ASC price inflation (£7.8m in 2025/26), increase income from the NHS for ASC funded clients under Section 117 Aftercare or Continuing Health Care regulations (£3.9m across the MTFS), improved purchasing of older people nursing/residential packages (£1.9m across the MTFS), £1.6m related to planned changes to ASC charging policies and improved debt collection, £1.4m of efficiencies across the MTFS that relate to Public Health and Communities Services and £0.4m of leadership efficiencies.

Capital programme

4.10 There are three main areas of capital expenditure planned:

- The Right Homes Right Support programme to develop affordable extra care housing for older people, supported independent living and short breaks services for people with learning disabilities, autism and mental health conditions, and specialist nursing and residential care service for older people. £60.2m is included in the capital proposals across these workstreams, with £29.9m spent in prior years.
- Your Fund Surrey - a capital fund for large and small community projects. £10.0m is included in the capital programme for 2025/26.
- Community equipment – £1.5m per year across the MTFS.

Horizon scanning

4.11 Sustained and significant demand, inflation and workforce pressures, considerable uncertainty about future funding for ASC and PH services and ongoing legislative changes and reforms all make the future operating environment for AWHP incredibly challenging.

4.12 The directorate is focused on delivering its ambitious transformation programme, which is vital to future financial sustainability, as well as continuing to take all opportunities to operate more efficiently.

CHILDREN, FAMILIES AND LIFELONG LEARNING

Context

4.13 The Children, Families and Lifelong Learning Directorate (CFLL) covers all children's social care, corporate parenting and education budgets and provides budgets for all state funded schools across Surrey. Much of CFLL relates to the provision of statutory services, including care packages, corporate parent responsibilities, supporting families and the provision of services for children with additional needs and disabilities both in the home and in school. Core services are funded through Council resources via the general fund, whilst funding for children in school is through the Dedicated Schools Grant (DSG).

Current 2024/25 budget position

4.14 The budget position at the end of November 2024 is a forecast overspend of £8.8m. The largest area of pressure relates to the cost of home to school travel assistance (£7.0m), which links to the significant growth in the number of children with additional needs and disabilities in specialist provision and the statutory transport requirements for those children. Increased costs of social care placements account for the majority of the remaining pressures.

Financial pressures

4.15 Like many authorities across the country, the provision of support for children with additional needs continues to be one of the biggest challenges and pressure for the Council. Much of the cost is met through the high needs block of the dedicated schools grant (DSG), whilst the staffing pressures relating to assessments, management and associated transport costs cause pressures in the general fund.

4.16 In addition, the costs of social care placements continue to be a budget pressure across the MTFS period. Although the number of children in our care has fallen, the cost of very specialist placements continues to rise, in a highly competitive commercial market.

Financial Efficiencies

4.17 The Directorate is reviewing all areas for potential efficiencies, with particular focus on:

- Detailed review of Home to School Travel Assistance, where stricter adherence to our policy of not funding transport for young people outside of the statutory entitlement has been introduced alongside regular reviews of single use taxis and passenger assistants.
- Prevention has been a particular focus across all areas of CFLL with additional funding and support introduced to ensure that the need for children and families to have a statutory social work intervention can be prevented wherever safe to do so.
- Ensuring, where possible, children can return to their families has been a focus of the reunification project which supports the return of children successfully to home, so they are no longer in our care.
- Building and investing in Surrey owned and managed provision for both children's homes and supported accommodation allows us to have more control over the market and ensure children are placed closer to their family and community.
- A full review of all management structures and spans of control is taking place to ensure the most efficient and cost-effective structure across the Directorate.
- A review of all non-statutory services has been undertaken and a review of the Directorate's business administration function is under way.

Capital budgets

4.18 CFLL has a direct Capital budget of £2.4m, however it has significant interest in several projects delivered through Land and Property, specifically focussed on building new SEN school provision and provision for young people in Children's Homes and supported living.

Horizon scanning

4.19 Work is continuing to identify efficiencies within the service as well as looking at early intervention opportunities to reduce longer term costs. The costs relating to children with additional needs and disabilities continue to be a pressure, as in the rest of the Country, and ensuring best use of our resources in supporting these children in their communities continues to be a priority.

PLACE

Context

4.20 The Place Directorate is a future-focused Directorate which aims to shape places, improve the social, economic, built and natural environments, and support delivery of environmental, sustainability and climate change targets. Place provides many "universal services and spaces" which many or all residents can access - including highways, waste management, Public Rights of Way and the Surrey County Council countryside estate. Key service areas include:

- Maintenance and improvement of highways, footways, street lighting and other highway assets;
- Public transport;
- Waste management, including recycling or disposal of household waste and operation of community recycling centres;
- Transport infrastructure and place development;
- Access to the countryside, including Public Rights of Way;
- Planning & Development;
- Supporting the County's and Council's response to environmental improvement and climate change including climate resilience, flooding and water quality, carbon reduction, biodiversity and nature recovery
- Provision and maintenance of the Council's land & property estate; and
- Supporting economic growth.

4.21 Over the period of the Medium-Term Financial Strategy, Place's key priorities are to:

- **Financial Sustainability:** Strengthen financial stability by leveraging funding opportunities, exploring commercial ventures, fostering partnerships, and innovating service delivery to maximise value for money.
- **Transport Investments:** Prioritise funding for enhanced bus services, half-price travel schemes, digital demand-response transport, and EV network expansion to align with climate goals and resident needs.
- **Highways Improvements:** Ensure efficient allocation of resources to improve the quality of works, foster innovation, and enhance operational effectiveness with highways contract providers.
- **Economic Growth:** Allocate resources strategically to support businesses, develop skills, and create employment opportunities as part of the economic strategy.
- **Waste Management Efficiency:** Fund initiatives aimed at reducing domestic waste and increasing recycling rates to improve environmental performance.
- **Climate and Nature Goals:** Invest in carbon reduction, climate resilience, and nature recovery targets through strategies like the Surrey Transport Plan, Surrey ADEPT, the Climate Change Delivery Plan and the Local Nature Recovery Strategy.
- **Capital Programme Delivery:** Secure and allocate funding for key projects, including highways maintenance, infrastructure improvements, and Land & Property developments, while building a pipeline for future schemes.
- **External Funding Maximisation:** Continue to identify and secure grants, developer contributions, and other income streams to support revenue and capital activities.
- **Targeted Investment in Communities:** Direct funding to areas with the greatest need, ensuring alignment with Council priorities and the No One Left Behind agenda.
- **Placemaking and Partnerships:** Align investments to deliver the Surrey Place Ambition and support partnerships with anchor institutions for shared outcomes in local government initiatives.

Current 2024/25 budget position

4.22 Place's current annual revenue budget is £187.4m. 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 managing the Council's land and property estates.

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

4.24 At month 8 Place forecasts an overspend of £8.1m mainly due to:

- pressures within Land and Property (£4.3m) due to facilities management, one off back dated energy costs, one off dual running operation of office buildings and reduced rental income,
- pressures within Highways and Transport (£2.6m) due to additional verge maintenance works. Further pressures associated with parking and traffic enforcement, and transport costs including concessionary fares, are mitigated within the wider service budget, and
- pressures within Environment (£1m) including increased waste management costs, primarily due to market costs of managing dry mixed recyclables and other changes in contract costs, and costs associated with managing ash dieback.

Financial pressures

4.25 The Place 2025/26 draft revenue budget includes pressures of £17.5m, £38.5m across the whole MTFS period to 2029/30, including:

- Inflation: significant spend within Place is delivered through medium- and long-term contracts including bus services, highway maintenance, facilities management and waste management. Most contracts include provision for an annual inflationary uplift, e.g. to recognise that materials and labour costs are increasing. The draft budget assumes non-staffing inflation at 2% (£2.3m) for 2025/26. Pay inflation is also included at 3% (£1.5m) for 2025/26. Changes to National Insurance contributions result in a cost of £1.1m which is expected to be funded through additional Government Grant.
- Waste pressures of £3.5m, after taking account of changes in grant funding, include increased net costs of managing dry mixed recyclables, changes to contract costs (offset by efficiencies) and costs associated with and funded through the Extended Producer Responsibility (EPR) grant (see below).
- Highways & Transport pressures include improvements to verge maintenance, weed control and other visual improvements (£5m), changes to the timing of bus and digital demand responsive transport services and grant funding (£2.1m net pressure), increased parking contract costs linked to inflation (£0.5m), a one-off sum to address a backlog of highway tree works (£0.5m), and an expected pressure following national changes to reimbursement of bus operators for concessionary travel (£0.6m).
- The MTFS reflects changes in line with Government waste reforms, including the EPR grant and associated costs. EPR aims to transfer the cost of managing packaging waste from the taxpayers to packaging producers, with incentives on those producers to reduce unnecessary and more difficult to recycle waste. As part of these changes the Council will be compensated for the cost of managing packaging waste through an EPR grant, and it has been provisionally notified it will receive grant of £9.3m in 2025/26. This will be used to offset the cost of managing packaging, as well as supporting the maintenance and development of future infrastructure required to manage recycling effectively and efficiently, and the procurement of new contractual arrangements. EPR grant is expected to reduce over time, as producers make improvements and reduce the amount of packaging. EPR is part of wider national waste reforms including changes aimed at simplifying and standardising recycling, and the expansion of the Emissions Trading Scheme to include the waste sector, which will introduce charges for the fossil-based emissions arising from incineration and energy from waste treatments. While

further details are awaited, however this is currently expected to result in higher costs for the Council from 2028/29.

Financial Efficiencies

4.26 The Place 2025/26 revenue budget includes efficiencies totalling £10.6m, £16.5m across the MTFS period to 2029/30, including:

- Waste efficiencies including retender of residual waste, dry mixed recycling and other contracts (£4m), which together with wider inflation reductions during 2024/25 (£1m) offset linked changes in contract costs above.
- Other proposed efficiencies include undertaking some highways repairs from existing capital budgets (£5.3m), a review of greener futures activity (£0.5m), and smaller efficiencies including maximising income and staffing changes.
- These are offset by unachieved prior year Agile programme efficiencies (£1.3m).

Capital budgets

4.27 Place 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. Place's draft 5-year capital programme and pipeline totals £1.4bn across the MTFS period. Key programmes and schemes include:

- Structural maintenance of roads, bridges and other highway assets
- Highways and transport improvement schemes and programmes such as the A320 improvements, Farnham infrastructure programme, supporting the introduction of low emission buses, and the Surrey Infrastructure Plan
- Provision for waste management infrastructure including a materials recovery facility and maintenance & improvements to other waste sites.
- The Council's carbon reduction plan through investment in electric vehicles, EV charging networks and decarbonising SCC's real estate.
- Investment in the Council's Land and Property estate, developed in close consultation with front line services to ensure 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.

Horizon scanning

4.28 In future years further opportunities are anticipated in a few areas.

- 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 over the MTFS period and beyond.
- The revised National Planning Policy Framework (NPPF) and ongoing consultations are heralding a return to Spatial Planning, likely to be over a county level geography, as a minimum. Taking the form of a Spatial Development Strategy (SDS), this will guide investments and development securing positive social, environmental and economic outcomes.
- The Government have recently published the white paper on Local Government Reorganisation, and although we don't know yet how the detail of this may impact Surrey as a County, there are clear opportunities that could ensue which will have an impact on the Place agenda, not least by simplifying local government and devolving more powers locally.

COMMUNITY PROTECTION & EMERGENCIES

Context

4.29 The Community Protection & Emergencies Directorate (CP&E) 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 His

Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HIMCFRS), CP&E has put in place major improvement programmes which was, in part, 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.

4.30 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. Surrey Fire & Rescue Service also aim to work collaboratively with other emergency services, District and Borough Councils and closer working with businesses to support the Surrey economy.

4.31 Other services within the Community Protection & Emergencies Directorate are Trading Standards, Safer Communities and Emergency Management.

Current 2024/25 budget position

4.32 CP&E currently has an annual revenue budget of £43.9m. At month 8 ,forecast expenditure is in line with budget, with pressures including fleet costs and abortive prior year spend (for which recovery is under investigation) being offset by efficiencies generated through shared support costs of Joint Fire Control.

Financial Pressures

4.33 The CP&E 2025/26 revenue budget includes growth for pressures of £2.3m, with pressures of £7m included across the MTFS period to 2029/30; including:

- Expected growth through pay inflation, primarily anticipated growth from nationally agreed firefighter's pay awards, totalling £1.4m next year.
- National Insurance increases, expected to be funded through Government funding, £1m.
- Other adjustments total a net reduction of £0.1m, with non-pay inflation and communications systems costs being offset by cessation of time-limited growth introduced in previous years.

Financial Efficiencies

4.34 The CP&E revenue budget includes efficiencies of £0.8m in 2025/26, rising to £1.3m over the MTFS, including staffing reviews and efficiencies across the wider Group, sharing Joint Fire Control support costs with partners and an allowance to reflect the interval between staff leaving and new joiners starting.

Capital budgets

4.35 CP&E currently has a Capital Programme of £23m across the 5-year MTFS period which includes replacement of fire appliances, other vehicles and equipment.

Horizon scanning

4.36 Efficiency measures subject to further development include developing a shared use offer for future training and fleet maintenance facilities.

RESOURCES

Context

4.37 The Resources Directorate sits at the heart of the Council, predominantly responsible for enabling services across the Council, but also for some front-line services. The directorate is committed to providing highly effective support to colleagues across the council, spanning the breadth of our functional responsibilities, but in a way that feels joined up and responsive.

4.38 The aim of the Resources Directorate is to be seen as a 'True Business Partner' by all colleagues and customers. This means supporting and enabling service colleagues to achieve as the primary objective of 'One Council', because through them Resources is contributing to great outcomes for Surrey and Surrey residents. The directorate also aims to embody the culture of Surrey County Council as a successful and effective organisation; demonstrating the same agility and responsiveness that we all aim to provide to residents; thinking primarily about the customer perspective and issues, rather than Resources own organisational structure and arrangements.

4.39 The Directorate has a key role in managing the overall financial resources of the Council, managing risk and ensuring a correct path to decision making through procurement rules and regulations, governance and audit and ensuring a strategic integrated planning process is followed.

4.40 The directorate's focus in the medium term is:

- Delivering highly effective and value for money services
- Delivering high impact collaborative support, to enable the organisation to deliver high quality services and good outcomes for residents.
- Empowering our people to reach their full potential across the organisation, ensuring no one is left behind.
- To deliver excellent financial management by ensuring a balanced and sustainable budget, providing insight and solutions, supporting robust commercial activity and investing in the services that matter to our residents.
- Supporting the organisation to become agile and dynamic in our ways of working.
- Providing efficient systems and governance to enable the organisation to deliver high quality services and good outcomes for residents.
- Continually challenging ourselves and others to improve and innovate for the benefit of our residents.
- The Directorate also provides a diverse range of high quality, high profile and wide reaching/impact services for our residents, whilst also being at the forefront of shaping and delivering the Council's priority ambitions of making Surrey a great place to live, work, and learn, ensuring no one is left behind.
- The directorate works in close partnership with other Council directorates, services, and external partners to ensure successful service delivery of its work plans and programmes.

Current 2024/25 budget position

4.41 The budget position at the end of period 8 is balanced, £1.3m of underspends relating to holding vacant posts are offsetting forecast overspends. Where these variances will continue into 2025/26 they are built into the budget.

Financial Pressures

4.42 The 2025/26 revenue budget for the Directorate includes growth to cover pressures of £6.3m. The majority of these are inflationary pressures of £3.2m. Uplifts in Microsoft licences and continued support of MySurrey adds further pressures of £0.6m.

4.43 The main non-inflationary budget pressure relates to the Fleet Team and funding National Insurance policy changes, which represents a budget pressure of £2.1m in 2025/26.

Financial Efficiencies

4.44 The directorate has identified £4.3m of efficiencies in 2025/26:

- the majority of these relate to Organisational Redesign and Customer Transformation (£2.6m) to be delivered through staffing reductions and council wide reductions in IT licences due to staffing changes;
- maximising income through rate and volume increases should deliver £0.5m;
- the re-procurement of the wide area network and Woodhatch bus service will deliver savings of £0.4m;
- mobile phone reductions will deliver £0.25m;
- plans to reconfigure the welfare offer provided by the Crisis Fund are also included (£0.2m);
- Cultural Services efficiencies include uplifts in charges for services and staffing reductions as well as non-staffing operational efficiencies, such as subscriptions (£0.2m);
- Various smaller efficiencies across services (£0.1m), including cross cutting Coroner's staffing reductions.

Capital budgets

4.45 The Directorate has significant capital investment and delivery plans relating to the Council's IT&D services over the MTFS period (£17.1m). These investment plans support staff to carry out their responsibilities.

4.46 The capital 2025-30 pipeline and budget contains £13.3m of 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.

4.47 The capital pipeline and budget also includes £1.2m to develop the mortuary and £2m to invest in Registration buildings.

Horizon scanning

4.48 The Directorate contains the Design & Transformation service, which drives further financial efficiencies across the organisation through the ambitious and forward-looking transformation programme, Organisation Redesign and Customer programmes and therefore will make a significant contribution to achieving the financial sustainability required, so that the Council can deliver priorities, resulting in better outcomes for Surrey residents.

5. FINANCIAL STRATEGY AND BUDGET FOR 2025/26

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.

Hallmark	Self-Assessment
The budget has a Medium-Term focus which supports the Strategic Plan	• 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 MTFS continues to forecast budget gaps in future years, due to projected budget pressures being in excess of anticipated funding increases and identified efficiencies. The continuation of medium-term planning and transparency over the scale of the challenge enables the Council to look across multiple years and continue to focus attention of the identification of efficiencies in the medium term. • The budget process has been coordinated across Directorate Leadership Teams, Corporate Strategy & Policy, Transformation and Finance. The Council continues to try to strengthen this integrated approach and links between these core activities to ensure that the budget is focussed on delivering corporate priorities, is linked to the core planning assumptions and Directorate business plans. • The Council continues to look for cross-cutting opportunities to drive efficiencies to ensure that dedicated focus, resource, and adequate time is given to solving the medium-term budget gap and well as a focus on balancing the budget for 2025/26. Transformation programmes such as Organisational Redesign, Data & Digital and Customer Transformation continues this focus.
Resources are focused on our vision and our	• The Strategic and Integrated Planning Group aims to ensure integration with the Organisation Strategy, the transformation programme and corporate and Directorate priorities.

priority outcomes	• The budget has been subject to numerous iterations through Cabinet and CLT over the last twelve months to narrow the gap and clarify and update assumptions. • Core planning assumptions are developed using the comprehensive application of a recognised PESTLE+ framework to review the likely environment for budget setting and service delivery, contributed to 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 financial stability	• Earmarked Reserves and the General Fund are reviewed to ensure they remain appropriate to meet the assessed risk environment and specific pressures to ensure our continued financial resilience, despite an increasingly volatile and uncertain external environment. • Reserves are assessed in the context of the risk environment in which we operate but also with reference to levels recommended by external auditors, looking at the direction of travel (ie are reserve levels increasing or decreasing over the medium term) and utilising comparisons and benchmarking data to compare to similar authorities. • The Budget Report annually sets out agreed principles for the management of reserves, setting a minimum level compared to the total net revenue budget, as well as agreeing the use of reserves for one-off or time-limited purposes. • The integrated approach to budget setting 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. • Business cases for investment are built around corporate priorities; focussing on benefits realisation and deliverability across transformation, invest to save and capital.
The budget is transparent and well scrutinised	• The Council's Select Committees are involved early in the budget process to set out the approach, covering the Core Planning Assumptions, funding projections and baseline financial planning assumptions. • Select Committees have been asked to identify areas of focus to enable more robust and detailed scrutiny of specific areas of pressure and/or risk. 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. Formal scrutiny of the Draft Budget was carried out in December 2024. • Opposition Groups have been engaged earlier in the budget setting process since 2023/24. They have been consulted on the core planning assumptions, funding projections, key areas of risk and underlying financial planning assumptions. They have been asked to contribute suggestions to close the budget gap. • Two All Member briefings have been delivered to ensure wider engagement and opportunities for input by all Councillors.
The budget is integrated with the Capital Programme	• The Capital Programme (see Section 6) is developed alongside the revenue budget and is overseen by the Capital Programme Panel to ensure it demonstrates delivery of corporate and service priorities and sets out the impact and linkages with the revenue budget. • Dedicated capital sessions have been held with CLT and Cabinet to assess the deliverability, affordability and proportionality of capital investment. Senior Leaders and Cabinet Members have been involved in the prioritisation of capital projects taking into account parameters such as alignment to corporate priorities and impact on the revenue budget.

	• The full borrowing costs of 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.
The budget demonstrates how the Council has listened to consultation with local people, staff and partners	Two approaches to consultation have been taken (see Section 10): • An engagement exercise asking stakeholders what their most important outcomes were, what they wanted the council to focus most on, what they wanted the organisation to deliver, how the council's financial resources should be allocated, how the budget should be balanced and the circumstances under which residents would most likely support or oppose any increases in council tax. • When the Cabinet considered the Draft Budget in November 2024, a further consultation exercise was launched, to provide residents and organisations with information on key proposals within the Draft Budget and seek their views on the financial efficiencies that the Council is pursuing.

Budget Principles

5.2 For successive years, the MTFS 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 2025/26 budget. The principles are:

- Developing and continuing to strengthen the 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 or 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;
- Ensuring a culture of budget responsibility where managers are accountable for their budgets – budgets are agreed and acknowledged annually by Accountable Budget Officers through Budget Accountability Statements;
- Cost and demand pressures contained within budget envelopes to ensure ownership and accountability; and

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

- Developing and iterating five-year plans, across the Council, integrated with transformation and capital investment;
- 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;
- Assurance that all efficiencies, pressures and growth are owned by Executive Directors and efficiencies are cascaded to all management layers to ensure delivery, including for 2025/26 the enhanced expectation that detailed delivery plans are in place for all;
- Pay and contract inflation is to be managed within Directorate budget envelopes;
- Fees and charges are reviewed and benchmarked;
- A corporate transformation fund is held centrally;
- A corporate redundancy provision is held centrally; and
- There is a budgeted contribution to reserves to enable funding of one-off and transformational activity and to continue to improve overall financial resilience.

Revenue Budget Headlines

5.3 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. The revenue budget has been developed during a period of significant uncertainty; with a change in Government leadership, policy changes, uncertainty over funding, the continued impact of increased cost-of-living, economic uncertainty and forecast increased demand for services in 2025/26. Understanding this context is integral in helping inform and shape how we plan and respond as an organisation to possible future scenarios.

5.4 The Council develops a set of Core Planning Assumptions to help manage this uncertainty, setting out assumptions about the Council's most likely operating context. The assumptions are 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.

5.5 Directorate growth pressures have been subject to a number of iterations and changing assumptions, particularly in relation to forecast inflation and the ongoing impact of in-year changes to demand pressures; culminating in the final budget, with the following main changes from 2024/25:

- An increased budget of £55.7m
- Total pressures of £122.1m, comprising
  - Staffing pressures of £21.7m (including £8.4m relating to increases in National Insurance contributions)
  - Contract & Price inflation of £37.2m
  - Demand and other pressures of £63.2m, including capital financing costs of £10.4m; and
- Efficiencies of £66.4m

5.6 In setting the budget for 2025/26, pay, contract and price inflation has been calculated by Directorates, informed by corporate assumptions. Pay inflation at 3% has been calculated by 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 2025/26 will be decided by the People, Performance and Development Committee after formal consultation. Any further pressure or reduction from the 3% 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 2% for 2025/26, with variations for specific contracts and market variations where appropriate. Inflation has been included in Directorate envelopes.

5.7 The revenue budget envelopes for Directorates, Central Income and Expenditure and Funding are summarised in the table below. Overall, net expenditure has grown by £55.7m (4.6%):

- Pressures and Efficiencies are set out in further detail in **Annex A**
- A breakdown of the 2025/26 budget by Directorates and Services in **Annex B**.

Table 2: Summary Budget Position for 2025/26

Directorate	Restated 2024/25 Budget £m	Pay Pressures £m	Contract & Price Inflation £m	Demand & Other Pressures £m	Efficiencies & Funding £m	Total Movement £m	Budget 2025/26 £m
Adult, Wellbeing & Health Partnerships	506.0	4.7	20.3	27.9	-33.0	20.0	**526.0**
Children, Families & Lifelong Learning	294.9	6.7	5.6	19.4	-12.6	19.1	**314.0**
Place	190.5	2.6	2.8	12.1	-10.6	6.9	**197.4**
Community Protection & Emergencies	44.1	2.4	0.2	-0.3	-0.8	1.5	**45.6**
Resources	78.5	5.3	-0.1	1.1	-4.3	2.0	**80.5**
Total Directorate Budgets	**1,114.0**	**21.7**	**28.9**	**60.2**	**-61.4**	**49.4**	**1,163.4**
Central Income & Expenditure	94.4	0.0	8.3	3.0	-5.0	6.3	**100.7**
Total Net Expenditure	**1,208.4**	**21.7**	**37.2**	**63.2**	**-66.4**	**55.7**	**1,264.1**
Business Rates (including related grants)	-154.6				1.8	1.8	**-152.8**
Grants	-135.2				-2.9	-2.9	**-138.1**
General Council Tax	-784.1				-37.3	-37.3	**-821.4**
Adults Social Care Precept	-130.8				-20.1	-20.1	**-150.9**
Collection Fund (Surplus) / Deficit	-3.7				2.8	2.8	**-0.9**
Total Funding	**-1,208.4**	**0.0**	**0.0**	**0.0**	**-55.7**	**-55.7**	**-1,264.1**

National Funding Context

Autumn Budget & Local Government Finance Settlement

5.8 On 30 October 2024, the Chancellor of the Exchequer, delivered her first Budget Statement before the House of Commons, setting out the Government's fiscal rules and policy decisions on taxation and spend. The statement included an indication that council tax referendum principles would continue and that there would be more funding forthcoming for Social Care. In addition, it was confirmed that the Employers National Insurance threshold would reduce and the rate would increase to 15% as well as increases to the National Living Wage (NLW).

5.9 The Policy Statement issued on 28 November suggested Council Tax referendum levels would continue and there would be a new Children's Social Care grant in addition to the increase in the existing Social Care grant, but at the same time some grants would significantly reduce. It was made clear, that the government would target the additional funding on the most-deprived local authorities, as well as on those authorities with social care responsibilities and that adjustments would be made to reflect a council's ability to raise income through council tax increases.

5.10 The Provisional Local Government Finance Settlement (LGFS) followed on the 18 December and provided more details for 2025/26. Government figures indicate an average increase in Core Spending Power (CSP) nationally of 6% (cash terms) in 2025/26, 3.5% (real terms). A significant proportion of this increase comes from the presumption that all councils will levy the maximum increase in council tax permitted.

5.11 Announcements included £1.3 billion of additional funding for local authorities, including at least £880 million for social care. Surrey County Council saw increased funding through the increase in the Social Care Grant and through the new Children's Social Care Prevention Grant. However, the Funding Guarantee and Services Grant, worth £9.1m and £0.8m respectively to the Council in 2024/25, were significantly reduced. As such, the net overall change to grant funding since the draft budget for the Council was only £2.9m.

5.12 The Budget announcements on the 30 October included a rise in Employers National Insurance Contributions. This will increase the Council's own wage bill, as well as that of many of our suppliers, which will likely feed through into increased costs. The direct impact on the Council's wage bill is factored into the budget proposals, along with an estimate of the compensation grant the Council will receive for the impact of National Insurance Contribution increases. This compensation funding was not confirmed in the Provisional LGFS and will not be confirmed until the Final Settlement in February 2025. There remains a risk that funding is not sufficient to offset the increase in the Council's wage bill experienced through this change.

Final Funding for 2025/26

5.13 Total funding for 2025/26 for Surrey County Council is set out in the sections below.

Council Tax Funding £977.7m (Council Tax £972.3m plus collection fund surplus £5.5m)

5.14 The Policy Statement, released at the end of November 2024, confirmed that core council tax referendum principles would continue for 2025/26. This means councils can increase core council tax by up to 3% without the need for a referendum and can raise up to 2% in an additional adult social care precept.

5.15 In setting the budget, the Council has built in a 2.99% increase in core council tax and a 2% increase in the Adult Social Care precept, resulting in a proposed increase in council tax of 4.99% in 2025/26. This equates to an increase of £1.69 per Band D Property per week (£87.75 per year, £52.58 core and £35.17 social care precept).

5.16 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, growth equates to 1.2% increase to the tax base.

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

5.18 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, based on information received from the Borough and District Councils, as collection authorities.

Table 3: Council Tax Requirement

Council tax	2024/25 £m	change £m	2025/26 £m
Core council tax	784.1	37.3	821.4
ASC precept	130.8	20.1	150.9
Council tax requirement	914.9	57.4	972.3
Collection fund surplus(+)/deficit(-)*	6.2	(0.7)	5.5
Council tax budget	**921.1**	**56.6**	**977.7**

* As a precepting authority, Surrey County Council are required to use the forecasts adopted by the billing authorities for collection fund surplus/deficits. These are received too late in the budget setting process to enable robust analysis or testing of assumptions and volatility in future collection fund figures is exacerbated by economic uncertainty and increased cost of living which could impact collection rates. The Council therefore takes a prudent approach, making a transfer to reserves where forecasts are unusual, as there is a high possibility of a correction next financial year. The 2025/26 collection fund surplus is net of a £8m transfer to reserves.

Business Rates Funding £148.2m (Business rates £152.8m less collection fund deficit £4.6m)

5.19 As part of the Autumn Budget and the Provisional Local Government Finance Settlement, the Government confirmed that local authorities will be compensated for a continued freeze in the small business rates multiplier and will see an increase in the total of baseline funding levels (BFLs), as if both had increased by CPI. This has been modelled into our assumptions for business rates funding.

5.20 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 is an estimated £4.6m).

Table 4: Business Rates

Business Rates	2024/25 £m	change £m	2025/26 £m
Business Rates income	118.1	2.5	120.6
Business Rates grants and reliefs	36.5	(4.3)	32.2
Collection fund surplus(+)/deficit(-)	(2.6)	(2.0)	(4.6)
Business Rates budget	**152.1**	(3.9)	**148.2**

Grant Funding £138.1m

5.21 All grant assumptions have been updated to reflect the information provided through the provisional Local Government Finance Settlement.

5.22 In total general **grants have increased by £2.9m** from 2024/25. The increase is broadly driven by:

- Increase in Social Care Grant, £10.7m
- Children's Social Care grant, £2.1m
- Increase in Public Health Grant (to be confirmed), £0.7m

offset by:

- Removal of the Funding Guarantee (£9.1m)
- Removal of Services Grant (£0.8m)
- Reduction in other smaller grants, for example New Homes Bonus (£0.7m)

5.23 The **total £138.1m general grant funding in the budget** includes the following main elements:

- Social Care Grant - £80.4m
- Public Health Grant - £42.6m (to be confirmed)
- PFI credit funding for Streetlighting - £6.0m
- Dedicated Schools Grant Funding for Council services £5.5m
- Children's Social Care grant £2.1m
- Other Smaller grants (including the New Homes Bonus) £1.5m

Overall Funding

5.24 The funding picture set out above, results in overall funding as follows; with funding for 2025/26 £55.7m higher in total than 2024/25:

Table 5: Funding assumptions:

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Council tax	921.1	977.7	996.4	1,024.4	1,053.1	1,082.7
Business Rates	152.1	148.2	158.0	160.5	159.4	138.4
Grants	135.2	138.1	116.7	86.9	61.5	54.3
Total Funding	**1,208.4**	**1,264.1**	**1,271.1**	**1,271.8**	**1,274.0**	**1,275.3**

5.25 For a number of years, the most significant anticipated influence on the Council's funding has been the long-awaited implementation of fundamental Government funding reform. Government has confirmed its commitment to implementing a revised assessment of needs and resources and the current planning assumption is that these will be implemented from 2026/27 and that reform would see the Council's Government grant funding drop significantly over the medium-term. Current assumptions also include an expectation of transition arrangements to smooth the impact of any significant funding variations, resulting in a largely flat funding forecast across the Medium-Term planning period. Section 8 sets out the main factors influencing medium-term funding projections.

Reserves & Risk Mitigation Strategy

5.26 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.

5.27 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.

5.28 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.

5.29 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;
- Reserve contributions should be reviewed annually to ensure contributions are equal to planned use over the medium-term;

- Budgets such as the Transformation Fund (£6.5m) and Capital Feasibility Fund (£5m) should be seen as contributions to reserves, with any use drawn-down from the reserve when needed;
- 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. As such, the budget proposes a planned contribution to reserves of £20m to enable further funding of one-off and transformational activity and/or continue to improve overall financial resilience;
- Reserves should ideally not drop below 10% of the net budget. It is proposed to implement a 2% buffer over the 10% threshold that establishes 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, 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 budgeted contribution to reserves.

5.30 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.

5.31 **General Fund** - The Council has traditionally maintained a low General Fund balance (c2% of the net revenue budget). 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 level of General Fund balance is low by comparison to other authorities. We have held an ambition to increase it over time and as at 31 March 2024, the General Fund Balance stood at £49.1m (4.1% of the 24/25 net revenue budget).

5.32 For 2025/26, a thorough review and repositioning of all earmarked reserves has been undertaken. A number of historic reserves are proposed to be re-purposed for future commitments and to align Cabinet approvals for the use of reserves for specific items of expenditure. A summary of the earmarked reserves and a forecast of the reserves and balances as at 31 March 2025, can be found in Annex D.

5.33 Following the review of earmarked reserves, the balances available to provide financial resilience against unforeseen events stands at £70.9m. Taken alongside the forecast General Fund position, this results in £121.4m, or 10% of the 2025/26 net revenue budget, of cover to mitigate against future risk and uncertainties.

5.34 On the basis of the above, and the planned contribution to reserves of £20m in 2025/26, the Section 151 Officer considers the 2025/26 Budget to be robust.

Staffing Position

5.35 As part of the Council's transformation plans, there is a continued commitment to reduce the Council's overall staffing cost. These budget proposals include efficiencies of £13.7m over the medium-term planning period, linked to an estimated reduction in FTE (full time equivalent) of 207.

5.36 In addition, there is a further FTE reduction target of £3.5m within Central Income and Expenditure to be delivered in-year through the Organisational Re-design Programme. This efficiency will be allocated out to Directorates based on further analysis driven through the programme. It is estimated that this will increase the figure above by approximately 80 FTE, bringing the total to 287 FTE.

Fees & Charges

5.37 A commercial review of all services generating fees and charges income has been undertaken during 2024/25. As a result, Fees and Charges income in 2024/25 is forecast to be c£57m with an increase to c£59m in 2025/26, largely due to inflationary price increases and expected increases in demand for some services. The main areas of income generation from this source are:

- £9.2m in Children, Families, Learning and Community mainly for Surrey Outdoor Learning and Development and Surrey Online School,
- £8.6m in Customer & Communities including the Registration and Nationalisation Service, Surrey Arts and the Library Services,
- £19.6m in Place including parking income, highways and transport development planning
- £21.3m in Resources relating mainly to Twelve15 (schools catering and services).

5.38 When setting 2025/26 fees and charges, most services will apply an assumed inflation rate of 2%. However, each service is expected to recover the full cost of provision, which may affect the rates set. Where it has been found that services are not recovering the full cost of provision, an action plan has been agreed to achieve recovery in future years.

CIPFA FM Code of Practice

5.39 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.'

5.40 It is for individual authorities to determine whether they meet the standards and to make any changes that may be required to ensure compliance. Officers have carried out a review of practices in place for the 2024/25 financial year against the guidance and concluded that:

- the Council can demonstrate overall compliance with the standards;
- as a result of the focus on financial management capabilities as part of the Finance Improvement Programme, the Council has improved its budget accountability arrangements, and further improvements continue to be made; and
- evidence could be strengthened for a small number of indicators, including long term sustainability and medium term scenario planning;

5.41 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.

6 CAPITAL PROGRAMME 2025/26 TO 2029/30

Overview & Approach

6.1 Over recent years the Council's capital ambition and delivery has grown significantly, in recognition of historic under-investment in our assets and in order to improve the condition of the infrastructure in the County. The capital programme is aligned to the Council's corporate priorities and invests in the areas of most importance to our residents.

6.2 Our aspirations remain high and the Capital Programme for 2025/26 – 2029/30 remains ambitious and proposes ongoing investment in priority areas such as highways infrastructure, improving the condition of our property estate, creating additional school places including for children with special educational needs and disabilities, the green agenda, transforming our libraries and investing in Adult Social Care accommodation with care and support.

6.3 Despite these continued ambitions, the economic environment has changed over recent years. Recent high construction inflation has driven up the cost of scheme delivery and successive interest rate rises have increased the cost of financing borrowing. While it is widely anticipated that interest rate rises have peaked, there remains uncertainty on the path of interest rates.

6.4 In order to sustain our financial resilience, we have undertaken prioritisation of the capital programme, re-setting our capital expenditure approach and significantly reducing the borrowing requirement, to ensure the affordability, sustainability and proportionality of our capital programme in the medium term.

6.5 The Capital Programme planning process began in April 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.

6.6 The Council continues to operate a capital pipeline, in addition to the capital programme. Pipeline schemes act as a placeholder for schemes in early stages of development which are moved into the approved budget only when their benefits and deliverability are adequately demonstrated. The nature of the pipeline is to be a flexible portfolio of schemes that contribute to the Council's strategic objectives.

6.7 Pipeline schemes have also been reviewed as part of the work recently carried out and a number of schemes have been re-scoped and re-prioritised, seeing an overall decrease in the borrowing requirement from pipeline schemes. This dampening of our ambitions is required to ensure the ongoing deliverability and affordability of the remaining, significant capital investment.

6.8 An officer-led, Capital Programme Panel (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. 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.

6.9 Governance of the Capital Programme is led by 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.

Capital Programme 2025/26 – 2029/30

6.10 The Capital Programme 2025/26 – 2029/30 of £1,398.8m is set out in more detail in **Annex C**. This consists of £1,016.8m in the capital programme and a further £382.0m in the capital pipeline.

Capital Budget

6.11 A total of **£1,016.8m of schemes are included in the proposed approved capital budget over the MTFS (excluding pipeline).** 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 6 below shows a breakdown of budget schemes by the three SCGs and Commercial over the MTFS period:

Table 6: MTFS Capital Budget by Strategic Capital Group (excluding pipeline):

Strategic Capital Group	**MTFS Budget (£m)**
Infrastructure	487.5
Property	510.1
IT	14.8
Commercial	4.4
Total Budget	**1,016.8**

6.12 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 70% of the total estimated budget:

- £238m - Highway Maintenance – improvements to roads and footways across the County
- £111m - SEND Strategy – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £106m - Schools Basic Need – increasing school places and building schools across the County
- £61m - Recurring Capital Maintenance: Corporate (non-schools) estate – County wide maintenance of service buildings, community facilities and offices

- £44m - Recurring Capital Maintenance: Schools – County wide schools maintenance programme
- £41m - Bridge/Structures Maintenance – improvements and safety maintenance of specialist infrastructure
- £40m – Alternative Provision Strategy – investment in Pupil Referral Unit places and improvements for improved pupil support.
- £26m - A320 North of Woking and Junction 11 of M25 – Homes England grant funded road and junction improvements
- £25m – Surrey Flood Alleviation, wider schemes
- £20m – corporate parenting – children homes / care leavers

2025/26 Capital Budget (excluding pipeline)

6.13 £344m is included in the capital budget for 2025/26, as set out in the table, below.

Table 7: 2025/26 Capital Budget by Strategic Capital Group:

Strategic Capital Group	**2025/26 Budget (£m)**
Infrastructure	166.6
Property	170.3
IT	32.9
Commercial	4.2
Total Budget	**344.0**

6.14 Successful delivery of the 2025/26 budget is a key part of ensuring the Capital Programme overall remains on course. The focus of the 2025/26 budget will be on the schemes that comprise the majority of forecast spend. The top 10 schemes account for 63% of the 2025/26 budget:

- £66m - Highway Maintenance – improvements to roads and footways across the County.
- £35m - SEND Strategy – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £21m - A320 North of Woking and Junction 11 of M25 – Homes England grant funded road and junction improvements
- £18m Recurring Capital Maintenance: Schools – County wide schools maintenance programme
- £17m - Recurring Capital Maintenance Corporate (non-schools) estate – County wide maintenance of service buildings, community facilities and offices
- £16m - Schools Basic Need – increasing school places and building schools across the County
- £12m – Supported Independent Living (Learning Disabilities Phase 1)
- £11m – Local Highways Schemes
- £11m – Alternative Provision Strategy – investment in Pupil Referral Unit places and improvements for improved pupil support
- £8m – Bridge/Structures Maintenance – improvements and safety maintenance of specialist infrastructure.

Pipeline Schemes

6.15 **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 a set of proposals to support key strategic priorities and safeguard the future for Surrey residents. The table below shows a breakdown of pipeline schemes by the SCGs over the MTFS:

Table 8: MTFS Capital Pipeline by Strategic Capital Group:

Strategic Capital Group	MTFS Pipeline (£m)
Infrastructure	303
Property	67

IT	2
Your Fund Surrey	10
Total Pipeline	**382**

6.16 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. 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.

6.17 The pipeline is key to the Council achieving its long-term objectives. 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 PMOs in Property and Infrastructure is a direct response to increase pipeline conversion and deliver priorities.

6.18 The top 10 pipeline schemes based on estimated spend over the MTFS period are shown below:

- £139m - Farnham Infrastructure Programme A31 Hickleys Corner
- £21m – Surrey Infrastructure Plan (Placemaking Schemes)
- £21m – Materials Recovery Facility – construction of MRF in Surrey to deal with dry mixed recyclable material arising from kerbside collections
- £18m – Reigate Priory School
- £16m – Farnham Infrastructure Programme (Town Centre)
- £15m – Surrey Infrastructure Plan (Local Cycling and Walking Infrastructure Plans)
- £14m – Slyfield Community Recycling Centre
- £13m – Surrey Infrastructure Plan, category two
- £12m – Supported Independent Living (Learning Disabilities batch 2)
- £11m – Surrey Infrastructure Plan, contribution to A320 HIF

Environmental Sustainability

6.19 The capital programme contains £188m for schemes that contribute to reducing carbon emissions, tackle climate change and enable a greener future for residents. A further £165m is included in the capital pipeline, bringing the total to c.£353m.

7 FINANCIAL PERFORMANCE 2024/25

7.1 The Month 8 Financial report is presented to Cabinet on 28th January 2025. Headline performance is set out below.

7.2 **Revenue:** As at November 2024 (Month 8), Directorates are projecting a full year overspend of £18.6m. The Directorate positions continue to be challenging, recognising the impact significant demand pressures and price increases have on the cost of delivering vital services, particularly in relation to adult social care, children's placements and Home to School Travel Assistance. In addition, the Council is forecasting overspends in Land and Property relating to the re-procurement of the facilities management contract and one-off costs relating to utilities and office running costs.

7.3 The Council remains committed to budget accountability and therefore Directorates are expected to put in place mitigating actions in the remainder of this financial year to offset the forecast overspend position.

7.4 It is imperative that the forecast level of overspend reduces before the financial year end, otherwise there could be a material negative impact on the level of the council's reserves at a time when the level of external financial risk is extremely high.

7.5 **Capital:** The 2024/25 Capital Budget was approved by Council on 6th February 2024 at £404.9m. The Capital Programme Panel, working alongside Strategic Capital Groups, undertook a detailed review of the programme to validate and ensure deliverability. The re-phased capital programme stands at £321.4m at the end of November.

7.6 The forecast at M8 is for full year spend of £325m, representing a £3.6m variance against the re-set capital budget, which is the net effect of acceleration in some areas and slippage against other schemes.

7.7 More information on the revenue and capital position can be found in the 2024/25 Month 8 (November) Financial Report to Cabinet on 28th January 2025.

7.8 Many of the factors impacting the 2024/25 expected outturn position for both revenue and capital will continue into 2025/26 and the medium term. Budget estimates for 2025/26 provide for the ongoing impact of Directorate variances from the current financial year, where they are expected to continue. Demand pressure trajectories have been modelled into 2025/26 in relation to those services experiencing pressures over and above the budget assumptions in 2024/25, specifically within adult social care and children's services. This provides confidence that the underlying budget, overall, should be realistic and deliverable. These increased pressures in-year significantly escalate the efficiency requirement in 2025/26.

8 MEDIUM TERM FINANCIAL OUTLOOK TO 2029/30

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 2029/30, the Council will need to close a gap of c.£172m. This is driven by:

- Growth pressures: including demand and inflation: c£370m;
- Increased borrowing costs of the capital programme: £35m;
  Partly offset by:
- An overall increase in funding: c£67m;
- Less efficiencies identified to date: c£167m.

8.2 The council needs to focus attention on the medium-term. Transformation and service delivery plans are being developed now to identify opportunities to improve our medium-term financial outlook. These proposals will continue to iterate as plans and projections gain more certainty.

Table 9: MTFS Gap to 2029/30

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Brought forward budget	1,208.4	1,264.1	1,298.9	1,341.2	1,391.5	
Directorate Pressures	111.7	63.4	61.5	67.4	66.2	**370.2**
Increased borrowing costs of Draft Capital Programme	10.4	9.2	6.3	5.8	3.4	**35.1**
Identified Efficiencies	(66.4)	(37.8)	(25.5)	(23.0)	(14.0)	**(166.6)**
Total Budget Requirement	**1,264.1**	**1,298.9**	**1,341.2**	**1,391.5**	**1,447.1**	**238.7**
Change in net budget requirement	55.7	34.8	42.3	50.2	55.7	238.7
Opening funding	**1,208.4**	**1,264.1**	**1,271.1**	**1,271.8**	**1,274.0**	
Funding (reduction) / increase	55.7	7.0	0.7	2.3	1.3	66.9
Funding for Year	**1,264.1**	**1,271.1**	**1,271.8**	**1,274.0**	**1,275.3**	
Overall Reductions still to find	**0.0**	**27.9**	**69.5**	**117.4**	**171.8**	
Year on Year - Reductions still to find	0.0	27.9	41.6	47.9	54.4	171.8

Council Tax, Business Rates & Local Government Funding Reform

8.3 A neutral scenario for Council Tax has been modelled assuming a Band D rate increase of 2.99% and an Adult Social Care Precept increase of 2% for 2025/26 and Band D rate increase of 1.99% over the remaining planning period. From 2026/27, the tax base has been modelled at 0.80% growth on an ongoing basis.

8.4 No assumption is currently made on the level of Adult Social Care precept from 2026/27.

8.5 It is important to note that the Council's main funding source is Council Tax. On average, this funds 77% of net revenue expenditure, the impact of the increased cost-of-living on residents affecting their ability to pay Council Tax makes 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.

8.6 On the basis that the Government has committed to multi-year settlements and launched a spending review to conclude in 2025, Funding Reform has been modelled to take effect from 2026/27. Confirmation over the timing of the reform is crucial to planning, not least because of the anticipated reduction in overall funding. Currently, transitional arrangements are assumed to phase and mitigate the impact of the reduction expected from resource equalisation. Fair Funding Reform could have a very significant impact on the Council's future funding position and is likely to increase the Council's reliance on Council Tax.

8.7 The Government has pledged to reform the business rates system, initially appearing to be aimed at levelling the playing field between the high street and online retailers. With limited detail on the potential impact on local authorities, the current planning assumptions remain in line with previous assumptions on funding reform. That is, once funding reform is implemented the Council anticipates an initial increase to Business Rate retention, offset by a significant decrease to grant income. 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.

Grant income

8.8 Post reform, it is likely the majority of grant income will be rolled into baseline funding. The scale and pace of this will form part of the reform principles and any transitional arrangements put in place to smooth the anticipated impact over the MTFS period.

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 10 outlines the proposed Total Schools Budget for 2025/26 of £1,392m including a planned overspend of £31m on the High Needs Block, £9m "safety valve" contribution from DfE and approximately £5.1m sixth form grant for school sixth forms (yet to be confirmed). From this, an estimated £653m is paid directly by DfE to academies and colleges, leaving a net schools budget of £739m which is included within the Council's overall budget.

Table 10 - Analysis of Total Schools Budget for 2025/26

	Schools' & nurseries delegated budgets £m	Centrally managed budgets £m	Total £m
Gross DSG allocated to Surrey in 2025/26	1,125.4	221.1	**1,346.5**
Sixth form grant	5.1		**5.1**
Anticipated DFE safety valve contribution		9.0	**9.0**
Planned overspend		31.0	**31.0**
Total Schools Budget incl funding allocated directly to academies	1,130.5	**261.1**	**1,391.6**
less paid directly by DfE to academies and colleges (est)	(652.9)		**(652.9)**
Net Schools Budget	**477.6**	**261.1**	**738.7**

9.3 For this purpose, centrally managed budgets 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 (apart from place funding for 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 In 2025/26 total DSG includes an estimated increase of £64m, most of which is for the full year impact of the extension of funded early education and childcare to children aged 9 months to three years of working parents, and for the further extension of funded early education and childcare for this age group from 15 hours a week to 30 hours from September 2025.

9.5 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 2025/26 school funding formula on 17 December 2024. The funding rates for schools for 2025/26 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.

9.6 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).

9.7 In 2024/25 schools received additional grants towards increased teacher pay and pension costs, most of which have been merged into Dedicated Schools Grant in 2025/26. Schools also received recovery premium and school led tutoring grant for the summer term only, alongside a range of other grants for example to support infant free school meals and physical education and sport in primary schools At the point of setting the Council's budget, these grants have yet to be confirmed for the academic year 2025/26.

High Needs Block (HNB)

9.8 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.

9.9 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.

9.10 The Safety Valve agreements currently 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).

9.11 In November 2021, the DfE invited Surrey County Council, and a number of other local authorities, to enter a second round of negotiations, and in March 2022, the Surrey agreement was formalised. Surrey's Safety Valve agreement includes additional DfE funding worth £100m over five years.

9.12 The Council provides regular monitoring reports on the 'safety valve' agreement to the DfE which include financial projections and risk management. To date, the council has received £82m of the £100m committed.

9.13 The Safety Valve return submitted by the Council in November 2024, identified that despite meeting all the expected cost containment measures identified in the Safety Valve submission, the Council is no longer on track to meet the original planned end date due to the significant increases in demand.

Recovery work in completing outstanding Education Health and Care Plan (EHCP) backlogs and transition reviews in the early part of 2024/25 have highlighted that the ambitious budget reductions in the initial safety valve programme are under growing pressure for delivery this year. Additional state funded places through the DfE Free Schools programme have been delayed in becoming available whilst costs and demand have grown at a faster rate than in the original assumptions and higher than the Dedicated Schools Grant. In common with many other Safety Valve authorities Surrey has requested an increased timeline to meet the target position.

9.14 The 2025/26 HNB budget includes another £9m of DfE contribution as well as a 1% (c£9m) transfer from the schools DSG block to the High Needs Block (subject to formal agreement by the Secretary of State).

9.15 The Council has a General Fund reserve to off-set the high needs block deficit. This stands at £144m and is to be used to balance the HNB deficit at the end of the Safety Valve Agreement.

10 CONSULTATION AND ENGAGEMENT

10.1 The Council has undertaken consultation and engagement with a wide range of stakeholders to inform the shape of this final budget. Due to the current financial context, a prudent approach was taken. By using internal survey tools, costs for these exercises were limited to the creation of accessible formats of consultation and engagement materials. However, this means the results illustrate the preferences of those who chose to take part and consequently, are not fully representative of the population of Surrey.

10.2 While this section of the report summarises the insights gathered from consultation and engagement on the draft budget, council services regularly consult and engage with residents and other stakeholders throughout the year and on an ongoing basis to inform their service decisions.

10.3 The approach this year was divided into two phases:

- The first phase took place in the summer of 2024. The objectives of this phase were to gather insight on what the most important priority outcomes were for stakeholders, how the budget should be allocated, approaches to balancing the budget, and conditions for supporting a council tax increase. Data was gathered from nearly 1,600 stakeholders using different methods:
    - An open survey on the Surrey Says platform (28 August – 30 September 2024) with 1,495 respondents.
    - Community events and reference groups, engaging nearly 90 residents.
    - Promotion via social media, the Surrey Matters newsletter, and local council members.
- The second phase was a consultation on the Council's draft budget after this was considered by the Cabinet at its meeting on 26 November 2024 (26 November – 31 December 2024). The purpose of this exercise was to provide residents and other stakeholders with information on the key proposals, and to seek their views on the financial efficiencies that the Council is pursuing. There were 718 respondents to this phase, of which 689 were residents.

10.4 Across both phases, over 2,200 stakeholders have shared their views including residents, partner organisations from the Voluntary, Community and Social Enterprise (VCSE) sector, businesses and elected Members.

10.5 The key insights generated across both phases were:

- Respondents' top three priorities:
    - Better roads and pavements (79%)
    - Providing care for adults and children who need us most (76%)
    - Making our communities safer (74%)
- Respondents wanted to prioritise spending to:
    - the majority of residents (54%), in contrast to services that benefit those with the greatest needs

    - all areas of Surrey (64%), in contrast to local areas with the highest number of people with poor health
    - meet the needs of residents today (50%), in contrast to meeting the long-term future needs of residents
- Respondents supported increasing:
    - Working with partners to provide services (80%)
    - Equipping staff to work with partners and communities (70%)
    - Providing local communities with the tools to support themselves more (63%)
- Respondents supported increases to Council Tax:
    - To protect services for the most vulnerable (67%)
    - After exhausting streamlining opportunities (66%)
- 45% of respondents recognised legitimate circumstances for an increase to Council Tax, with 38% opposing a rise
- Respondents supported the proposals to close the budget gap (49%) in contrast to opposing them (23%). Other respondents were neutral (23%) or didn't know (5%)
- Respondents to the open text questions wanted to see:
    - More money for essentials like adult social care and support for vulnerable groups, such as people who have learning disabilities
    - Better support for children and particularly those with special educational needs
    - More spending on maintaining highways
    - Better protection for the countryside and biodiversity
    - More support for the voluntary sector

10.6 Further detail on the outcomes of the consultation and engagement process that was undertaken with all stakeholders can be found in Annex H.

11 EQUALITY, DIVERSITY & INCLUSION

11.1 A high-level equality analysis on the revenue efficiencies proposals has been undertaken and is set out in Annex I. Full Equality Impact Assessments (EIAs) on specific efficiency proposals are signposted to on the Council's website through this document, reflecting their advanced stage of development. Further EIAs will be produced 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 Members are required to have 'due regard' to the objectives set out in section 149 of the Equality Act – the Public Sector Equality Duty, 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 (such as Age or Disability) and those 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.

11.3 Having due regard does not necessarily require 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.

11.4 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 2024/25 budget are:

- Older adults and their carers, adults of all ages who are disabled, are experiencing mental health difficulties or have learning disabilities and their carers.

- Children and young people, including those with special educational needs and disabilities (SEND), and their families.
- Surrey County Council Officers, particularly women, working in support services and those from lower-income or socio-economically disadvantaged households.

11.5 The budget overall will also have significant positive impacts, particularly where it focuses on expansion of some services, or changes to service that focus on prevention and early intervention. Despite the challenging financial climate facing the council, we will continue prioritising investment decisions that are targeted at supporting the most vulnerable of Surrey's residents, so no-one is left behind.

11.6 For any potential negative impacts, a summary of mitigating activity is provided in Annex I. These include measures focusing on ensuring engagement and consultation with service users and staff that will likely be impacted, as well as activity that prioritises early-intervention/ prevention approaches. We will also engage partner organisations when working to implement any efficiencies or planned activity where their support and insight in delivery will be useful.