



2026/27  
Final Budget

## 1. EXECUTIVE SUMMARY

- 1.1 Surrey County 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. These priorities remain our focus in 2026/27, alongside implementing Local Government Re-organisation (LGR) to ensure both the best start for the new unitary local authorities in Surrey and ending Surrey County Council well.

### Developing the 2026/27 Budget

- 1.3 The purpose of the budget is to set out how the Council will use its funding and resources to deliver its priority objectives and core services. In light of LGR, this report focuses on setting a final budget of Surrey County Council for 2026/27. The budget planning principles utilised in setting this budget aim to protect the financial resilience of the new local authorities of the future, although the financial position of the new unitary authorities within Surrey, and the budgets from 2027/28 onwards, will be determined by decisions made by the new Shadow Authorities, due to be elected in May 2026.
- 1.4 Public sector borrowing has been put under substantial pressure by events over recent years, alongside high interest rates and slow national economic growth. Public finances look to be extremely challenging over the medium-term and Local Government funding will remain constrained. Many local authorities are highlighting difficulties in meeting the statutory requirement to set a balanced budget, making it even more important that the Council continues to direct its resources using the most efficient means possible towards achieving its purpose and priorities, whilst ensuring delivery of high-quality services to residents.
- 1.5 The outcome of Fair Funding Reform was published as part of the Provisional Local Government Finance Settlement (PLGFS) in December 2025, and results in significant and sustained reductions in Government funding for Surrey over the coming years. This places unprecedented reliance on council tax as the primary source of income. At the same time, the unitary councils will face escalating costs to maintain existing service levels, alongside substantial forecast increased demand for vital services, resulting in pressures increasing at a significantly higher rate than forecast funding. There continues to be exponential increases in demand for services, particularly within Adults and Children's Social Care.
- 1.6 The Council will continue to maintain a strong focus on financial accountability in its final year of operation. Due to the financial context, the Council will need to reduce costs and take difficult decisions to maintain financial resilience, protect vital services and continue to strive to ensure No One Left Behind.
- 1.7 As in previous years, the production of the 2026/27 budget has been an integrated approach, basing proposals around 'Core Planning Assumptions,' which set out likely changes to the external context in which we deliver our services, and ensuring 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 2026/27 Budget Report delivers a balanced budget for 2026/27.

### The Financial Outlook

- 1.9 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 and has remained high during 2025. Consumer Price Index (CPI) inflation climbed to a post-election peak of around 3.8% over summer 2025 before easing to 3.2% by November. Inflationary pressures, particularly in wages and contracted services, means it costs more every year to deliver the same.
- 1.10 The Spending Review in June confirmed that Local Government Funding was set to increase by £3.3bn in real terms by 2028-29. Analysis within the sector suggested that a significant proportion

of the anticipated increase was based on the assumption that local authorities will increase council tax by the maximum 5%. When Local Government Departmental Expenditure Limits were announced in the Autumn Budget, in November 2025, the sector reacted by suggesting these were insufficient with many local authorities highlighting difficulties in balancing the increasing cost of providing services against limited funding streams.

- 1.11 The Provisional Local Government Finance Settlement (PLGFS) was released on 17th December 2025 and set out that Core Spending Power, as calculated by the Government, would increase by £11.1bn nationally between 2025/26 and 2028/29, of which, 75% relies upon an assumption of full utilisation of the council tax and adult social care precept levels, rather than additional funding from Government. This proportion is higher, at 92%, for county councils in two-tier county areas.
- 1.12 Surrey County Council's Core Spending Power, as calculated by the Government, is set to increase for 2026/27 by just 0.6% and 1% by 2028/29 (in cash terms), after an assumed full council tax increase of 4.99%, including the adults social care precept. Reductions in government funding are being offset by increases in local taxation in order to avoid overall reductions in funding. The net outcome of the PLGFS indicates a net overall increase in the 2026/27 Budget of £12.6m, after a full council tax increase. This is discussed in further detail in Section 5 below. The final settlement is due in February 2026.
- 1.13 The overall outlook for 2026/27 remains challenging, as it has been for a number of years. The outcome of funding reform, along with substantial increases in the cost of maintaining current service provision and increased demand, results in pressures increasing at a significantly higher rate than forecast funding.
- 1.14 The final budget for 2026/27 proposes total funding of £1,265.9m; a small increase of £12.6m from 2025/26. 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 £1.77 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.

- 1.15 The medium-term outlook for the new unitary authorities in Surrey will be extremely challenging. The Council continues to forecast exponential increases in demand for services, particularly within Adults and Children's Social Care, this coupled with further decreases to funding will result in a need for further efficiencies within services and increases to Council Tax to ensure the budget can be balanced.

## Consultation

- 1.16 The Council has undertaken consultation with residents and stakeholders on the Draft Budget. The exercise ran from 25 November 2025 through to 4 January 2026, commencing after the Cabinet considered the Draft Budget in November. The approach followed took into account the unique circumstances of LGR and the impact of Fair Funding Reforms and ensured compliance with the Council's statutory duty to consult, while acknowledging the resource and capacity constraints associated with the transition to new unitary authorities.
- 1.17 The consultation sought resident feedback on investment and efficiency proposals for 2026/27, potential changes to Council Tax levels, and considerations for the Council in the final year of service delivery. Consultation methods included an open and accessible survey for residents and stakeholders and targeted outreach to under-represented groups.
- 1.18 A total of 428 stakeholders responded to the consultation. The key insights are set out in Section 10, with more detail on the consultation activity that has informed this budget included in Annex H.
- 1.19 Elected members were also engaged throughout the process via a range of meetings including informal and formal Select Committees and all-member briefings and briefings offered for each of the political groups.

## Key Elements of this Report and Next Steps

1.20 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 2026/27 (Section 5);
- The Capital Programme, setting out the Council's plans to invest in Surrey's infrastructure, economy and create a greener future (Section 6);
- 2025/26 Financial Performance – revenue and capital (Section 7);
- Local Government Reorganisation & the Medium-Term financial outlook (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.

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

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

2.2 Our 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.



2.3 The design principles that guide how our organisation operates, and our commitments about how our people will work are detailed in full in our [Strategic Framework – The Surrey Way](#).

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.

## 3. INNOVATION, TRANSFORMATION & CHANGE

3.1 In recent years our transformation programmes have shifted focus to ensure they are rooted in the outcomes we were seeking for Surrey's residents and businesses and to enable a financially sustainable footing over the medium-term, alongside an ongoing focus on driving service improvement, with an emphasis on designing prevention-based services and supporting residents at the earliest possible stage of their customer journey.

3.2 Moving into 2026/27, the Council's focus has shifted again, with a need to ensure change capacity and capability is directed at the delivery of LGR. As a result of this, the Transformation Programme has undergone a thorough review to ensure the prioritisation of LGR and the deliverability of ongoing non-LGR Transformation Programmes over the remaining term of the Council.

3.3 The Council's continued commitment to transforming how we operate is demonstrated by a proposed investment in transformation and service improvement activity of £10.2m for 2026/27. This level of investment continues to drive future reductions in spend and significant cost containment.

**Table 1 – Transformation Programme Investment & Efficiencies**

|                                              | 2026/27<br>Investment<br>£m | Forecast Efficiencies |               |               |
|----------------------------------------------|-----------------------------|-----------------------|---------------|---------------|
|                                              |                             | 2026/27<br>£m         | 2027/28<br>£m | 2028/29<br>£m |
| Adults, Wellbeing & Health Partnerships      | 2.1                         | (14.4)                | (7.7)         | (11.5)        |
| Additional Needs & Disabilities Safety Valve | 1.2                         |                       |               |               |
| Children's Social Care                       | 1.3                         | (6.1)                 | (0.7)         | (0.8)         |
| Data & Digital                               | 2.1                         |                       |               |               |
| Children's Community Health Transformation   | 0.5                         |                       |               |               |
| Design & Internal Consultancy                | 0.7                         |                       |               |               |
| Twelve15 Programme                           | 0.5                         |                       |               |               |
| Orbis Review Implementation                  | 0.4                         |                       |               |               |
| IT Investment                                | 1.5                         |                       |               |               |
| <b>TOTAL TRANSFORMATION</b>                  | <b>10.2</b>                 | <b>(20.5)</b>         | <b>(8.4)</b>  | <b>(12.3)</b> |

- 3.4 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    | <b>114m</b> |

- 3.5 Alongside driving financial benefits, transformation activity delivers a large amount of non-financial benefits and improved outcomes for residents and the most vulnerable members of our communities.

## 4. SERVICE STRATEGIES FOR 2026/27

### ADULTS, WELLBEING & HEALTH PARTNERSHIPS

#### Context

- 4.1 Adults, Wellbeing & Health Partnerships (AWHP)'s ambition is to **support residents to live their best lives** through connecting them to their communities, embracing supportive technology and accessing joined up support and care when needed. 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 23,000 residents and funds care packages for almost 13,000 residents.
  - **Public Health (PH)** – provides leadership to improve health outcomes, 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 in partnership to create healthier, more active places, 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, supports coordination of immigration services in Surrey, facilitates community engagement via Neighbourhood Area Committees and administers the Your Fund Surrey capital fund, Your Councillor Community Fund revenue fund and SCC's Crisis Fund as part of Surrey's welfare offer.
- 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 NHS 10 year Health Plan, the future of ASC funding as part of the government's planned changes to the Better Care Fund, wider ASC market sustainability and the impact of a new ASC Fair Pay Agreement that the government is consulting

on, all set in the context of planning for the future of high quality ASC services in Surrey's Local Government Reorganisation.

- 4.3 In the context of these challenges AWHP is continuing to implement an ambitious programme to bring down the care package spending trajectory, which represents over 90% of AWHP's budgeted pressures, by transforming and improving the customer journey, including through redesigning ASC's front door and introducing a new Connect to Community model across the ASC workforce, improving reablement services, expanding technology enabled care services, focussing on a preventative model and supporting more people to stay well at home. This requires effective market shaping and commissioning of services and enabling thriving communities across Surrey's towns and villages. This programme is supported by £8m of funding from reserves approved by Cabinet in June 2024, which will be fully spent by the end of 2026/27.

### **Current 2025/26 budget position**

- 4.4 AWHP's current annual revenue budget is £530.3m. At the end of November 2025, an overspend of £1.3m (0.2%) was forecast for 2025/26. This variance is primarily due to:
- £2.8m (0.6%) overspend forecast for Adult Social Care including an overspend of £7.6m (1.7%) for the care package budget, a £2.9m underspend on wider support services, a £1m forecast underspend on ASC's staffing budget, and a £0.8m net benefit related to the Better Care Fund including drawdown of funding carried forward from last year.
  - £1.4m underspend forecast for Public Health, utilising the grant to fund services provided by other parts of the Council that meet public health outcomes.
  - £0.1m underspend forecast for Communities & Prevention services related to staff vacancies.

### **Financial pressures & efficiencies for 2026/27**

- 4.5 The 2026/27 final revenue budget includes £46.5m of pressures for AWHP. Expenditure pressures of £53.4m are budgeted including £22.9m for care package demand prior to demand management efficiencies, £18.6m for budgeted care package and AWHP contract inflation prior to efficiencies, £6m for cost increases related to supported living packages beyond general inflation, £4.4m for pay inflation and other staffing cost pressures, £0.5m for the increased cost of Deprivation of Liberty Safeguard assessments and £1m of other expenditure pressures.
- 4.6 Expenditure pressures are budgeted to be partially mitigated by net growth of £2.9m for ASC assessed fees & charges income, taking into account budgeted inflation on charges and increased debt, a £2.9m budgeted increase to Better Care Fund income for ASC following publication of funding levels for 2026/27 by NHS England, £0.3m use of increased Public Health grant funding to meet part of the cost of PH contract pressures and a £0.8m 1.66% budgeted increase to SCC's Public Health grant.
- 4.7 The 2026/27 final revenue budget includes £19.5m of efficiencies for AWHP. The majority, £14.4m, are reliant in part or in full on the successful delivery of AWHP's transformation and improvement programme. This includes strengths-based practice and demand management efficiencies to bring the care package trajectory to a more affordable level, strengths-based reviews of existing care packages, market shaping & commissioning activities to implement a new technology enabled care strategy and deliver the Right Homes Right Support ASC accommodation programme, and the full year effect of the completion of AWHP's support functions review.
- 4.8 In addition, £5.1m of other efficiencies are budgeted, including £1.8m relating to planned mitigation of ASC price inflation, £1.8m for commissioning efficiencies to realign budgets for wider support services based on current service requirements and end funding for services where this is not an evidence base that they directly prevent or delay ASC eligible care package expenditure, £1.1m of increased income budgeted for the changes to the ASC charging policy being considered by Cabinet in November and £0.5m related to completion of the reconfiguration of Communities & Prevention services.

### **Capital programme**

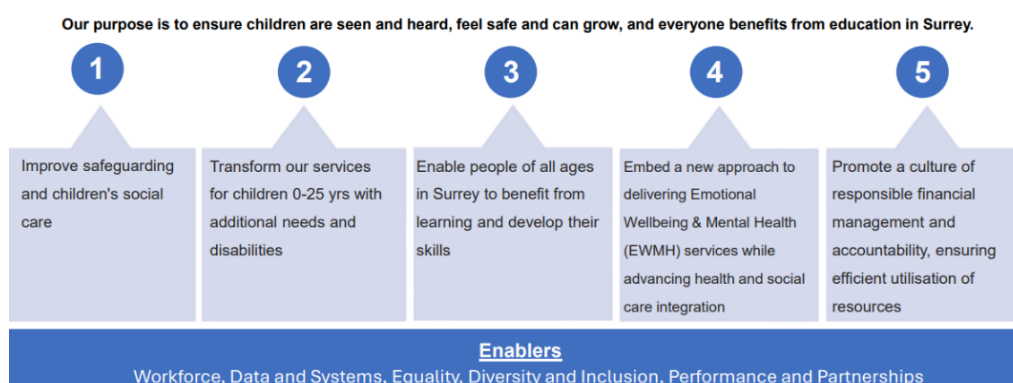
- 4.9 The main areas of planned capital expenditure related to AWHP are:

- 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. £9.2m is budgeted in the Capital Programme for 2026/27 across these workstreams, with over £50m expected to have been spent by the end of 2025/26, including prior years. The delivery of this accommodation is essential to meeting future demand and efficiencies.
- The capitalisation of community equipment – £1.5m in 2026/27

## CHILDREN, FAMILIES AND LIFELONG LEARNING

### Context

4.10 The focus and key priorities of the Children, Families & Lifelong Learning Directorate (CFLD) are improving services and outcomes for children, young people, families and learners through a set of aligned strategic initiatives. These are shaped by the national social care and SEND reforms and are designed to ensure our services are responsive, inclusive, and future-ready.



- 4.11 A strong emphasis is placed on prevention, enabling us to identify and respond to needs earlier, helping families before challenges escalate, in line with the ambitions of the social care reforms.
- 4.12 The Directorate has a child-first ethos which is at the heart of everything. The Directorate is committed to ensuring that children are seen, heard, and supported to thrive. As Corporate Parents, we take seriously the responsibility to provide care, stability, and opportunity for children and young people in our care and those with care experience, prioritising participation and co-production, ensuring that children, young people, and families are actively involved in shaping the services that affect them, especially in relation to developing and implementing changes aligned with national reforms.
- 4.13 CFLD is enhancing early help and support pathways, streamlining referral processes, and strengthening statutory services to ensure timely and effective interventions. The Directorate continues to prioritise children with additional needs, disabilities, and emotional wellbeing, with focused work on mental health, neurodiversity, and inclusive education, reducing exclusions and building belonging.
- 4.14 Delivery priorities also include increasing sufficiency for looked-after children, expanding residential and fostering provision, and ensuring robust support for care-experienced young people, while also investing in governance, evaluation, and financial accountability to drive improvement and efficiency across all services.

### Current 2025/26 budget position

4.15 The current annual revenue budget for CFLD is £319.9m. At the end of November, an overspend of £4.5m was forecast for 2025/26. This variance is primarily due to the increased costs of specialist external placements for looked after children whose needs cannot currently be met within in-house or contracted provision.

### Financial pressures & efficiencies for 2026/27

4.16 The 2026/27 revenue budget includes £27.3m of pressures with investment in the mainstreaming of the additional resource related to SEN services and the increased numbers of EHCPs that have

been funded through transformation over the previous three years. Other pressures include additional inflationary cost pressures seen nationally in the residential care placements market as well as general market inflation and salary pressures and new prevention activities in line with the Government's Families First programme.

- 4.17 £12.6m of efficiencies have been identified including early intervention strategies to reduce the number of young people coming into care and efficient use and development of in-house placement provision. Efficiencies also include a number of staff cost savings.

### Capital budgets

- 4.18 The main areas of planned capital expenditure include development of in-house provision for both SEN and care placements, ensuring best value support close to home for Surrey young people.

## PLACE

### Context

- 4.19 The Place Directorate is a future-focused Directorate which aims to shape places, improve the environment and reach sustainability and climate change targets. Place provides many "universal services" which many or all residents access - including transport, highways and waste management. 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.
- Planning & development.
- Supporting the county's and Council's response to climate change and carbon reduction.
- Supporting economic growth.

- 4.20 Place's key priorities are to:

- Continue to strengthen financial sustainability to provide value for money to communities and businesses by leveraging available funding opportunities, identifying new commercial opportunities, opportunities for partnership working and innovating service delivery, and securing effective deployment of devolution deals such as Adult Skills Fund.
- Continue to improve bus services, including the half price travel scheme and digital demand responsive transport services.
- Continue to work with Ringway, the Highways contract provider, improving quality of works across the county, continuing to identify opportunities to innovate and work more effectively, and delivering against carbon reduction outcomes.
- Support delivery of the Council and county's carbon emission reduction targets in line with our Climate Change Delivery Plan. With 41% of Surrey's emissions resulting from Transport, a key part of delivering these targets will be supported by delivery of the Surrey Transport Plan, EV network rollout, improvements to local bus services and the introduction of Digital Demand Responsive Transport.
- Deliver the capital programme including highways maintenance and the Surrey Infrastructure Programme.
- Continue to maximise external funding toward revenue and capital activities, including grants like UKSPF or Made Smarter Adoptions South East, income and developer contributions, and multi-year devolved programmes like Connect to Work.

### Current 2025/26 budget position

- 4.21 Place's current annual revenue budget is £169m. 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, and passenger transport including contracting bus services and operating the concessionary travel scheme for elderly and the disabled.

4.22 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.

4.23 At the end of November, the Place forecast is a broadly balanced position, with significant pressures which are currently forecast to be offset by underspends and one-off balances. Inflation has increased since the budget was agreed, leading to a pressure of £1.1m on waste contracts. Highways forecast pressures of £1.8m, including an expected pressure on the Highway parking contract linked to national living wage and income levels, and also due to staffing and recharges. Environment & Planning anticipates additional costs linked to the expected requirement to produce a Spatial Development Strategy (£0.3m). These pressures are expected to be managed by reprioritising expenditure and grants (including bus service grants), savings delivered from favourable retender of local bus contracts, reduced waste volumes, a contractual rebate and release of prior year Planning fees.

### **Financial pressures & efficiencies 2026/27**

4.24 The 2026/27 revenue budget includes £9.7m of pressures including:

- Inflation: significant spend within Place is delivered through medium and long-term contracts including bus services, highway maintenance, and waste management. Most contracts include provision for an annual inflationary uplift, e.g. to recognise that materials and labour costs are increasing. The budget assumes non-staffing inflation of 4% (£4.4m) in line with current RPIx. Pay inflation is also included at 3% (£1.2m).
- The current budget includes significant investment in bus services including demand responsive transport which is partially funded by Government grants. As those grants are utilised, funding will need to be identified within the wider Place budget (£1.7m in 2026/27 after taking account of revised costs and timing).
- Other Highways & Transport pressures include parking enforcement (£0.7m) and various smaller pressures relating to income and staffing which are met from one-off sources in 2025/26 (£1.3m).
- Use of the Extended Producer Responsibility grant has been reprioritised this year to include funding for recycling initiatives (£5m) and contract re-procurement costs (£0.4m).

4.25 £7.2m of efficiencies have been identified including:

- Removal of recycling support to Boroughs & Districts, who are now in receipt of Government funding (£1.2m).
- One-off use of prior year Planning fees (£1m) and an anticipated highway contractor volume discount (£2.4m).
- Place redesign efficiencies (£0.9m).
- Various smaller efficiencies across Place services.

### **Capital budgets**

4.26 The main areas of planned capital expenditure in 2026/27 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, active travel and the Surrey Infrastructure Plan.
- The Surrey flood alleviation programme.
- Maintenance of waste infrastructure including community recycling centres.
- Greener Futures, the Council's carbon reduction plan.

## COMMUNITY PROTECTION AND EMERGENCIES

### Context

- 4.27 The Community Protection and Emergencies Directorate (CPE) is a statutory service which aims to make Surrey a safer place to live, work, travel and do business. The Directorate is comprised of the Surrey Fire and Rescue Service (SFRS), Trading Standards, Safer Communities and Emergency Management and Resilience.
- 4.28 In recent years, in response to His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), SFRS has implemented improvement programmes and has delivered a new Community Risk Management Plan (CRMP) and supporting strategies. The CRMP focuses on enhancing prevention, protection and response activities to help communities remain safe, thriving, and resilient. This is reflected across CPE and set out in the Directorate Business Plan 2026/27.
- 4.29 Partnership working is key to our success, starting within Surrey County Council with Adults Social Care and Integrated Commissioning, Children, Families and Lifelong Learning and Public Health services, to help prioritise support to our most vulnerable residents. We aim to work collaboratively with other emergency services, District and Borough Councils and closer working with businesses to support the Surrey economy.

### Current 2025/26 budget position

- 4.30 The current CPE revenue budget is £46m. At the end of November a balanced position is forecast, due to the drawing down of a provision to offset an underlying overspend of £0.6m. This primarily relates to SFRS which forecasts an overspend of £0.9m. Pressures, which also reflect increased operational activity, include staffing (£0.9m including overtime and settlement costs) and the new contingency crewing contract, one-off costs of foam waste removal, and other supplies (£0.2m). These are partly offset by efficiencies generated through shared support costs of Joint Fire Control (-£0.2m). The rest of the directorate is broadly balanced except for Trading Standards which forecasts an underspend in respect of recovery of staff costs and vacancies (-£0.3m).

### Financial Pressures & Efficiencies

- 4.31 The 2026/27 revenue budget includes £3.1m of pressures relating to:
- Expected growth through inflation, primarily pay inflation including nationally agreed firefighter's pay awards, totalling £1.7m next year.
  - Current year staffing pressures, £0.5m.
  - Other smaller pressures including the new contingency crewing contract (£0.25m), a shortfall in pension grant funding (£0.2m), changes to pension contributions (£0.2m), pressures across logistics and supplies budgets (£0.1m) and cessation of the pensions administration grant (£0.1m).
- 4.32 Partially offsetting this, £1.4m of efficiencies have been identified including:
- Targeted reductions to discretionary activities across the Directorate including project management, digital services and specific support roles and a change in the way the Multi Agency Risk Assessment Conference is funded (totalling £0.5m).
  - Use of the Fire pensions provision where a balance is expected after funding relevant costs, £0.7m, and to offset the removal of the pensions administration grant (£0.1m).
  - Review and realignment of the Joint Fire Control budget in line with expected costs (£0.1m).

### Capital budgets

- 4.33 The main areas of planned capital expenditure include:
- Purchase of new fire appliances, vehicles and equipment (£3.3m).
  - Joint Fire Control Computer Aided Dispatch (CAD) system replacement (£3.9m, funded by the three partner authorities.)
  - Community resilience equipment (£0.3m).

## RESOURCES

### Context

- 4.34 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, including Customer and Cultural Services. The aim of the Resources Directorate is to support and enable the delivery of front-line services and the Council's priorities, working in close partnership with other Council directorates and external partners to ensure successful service delivery of its work plans and programmes.
- 4.35 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.
- 4.36 The directorate's focus 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.
  - Delivering 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.
  - Delivering high-quality services for customer and cultural services.
  - 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.

### Current 2025/26 budget position

- 4.37 The current annual revenue budget is £110m. At the end of November, an overspend of £0.8m was forecast for 2025/26. This variance is primarily due to a forecast overspend of £3m in Land & Property due to several factors including delayed or unachieved prior year efficiency targets and reduced rental income. The service has set challenging targets to reduce facilities management spend and is looking for further opportunities to rationalise assets. This overspend has been partially offset by a number of smaller forecast underspends in other services across the Directorate.

### Financial Pressures & Efficiencies

- 4.38 The 2026/27 revenue budget includes £9m of pressures. The largest of these relate to inflation pressures across both staffing and non-staffing budgets of £4m. There are also a number of pressures within Land and Property (£3.1m) relating primarily to ongoing in-year pressures for facilities management of our buildings, increased business rates and reduced income. In addition, there are a number of smaller pressures across other services.
- 4.39 The majority of the £8.9m efficiencies identified to offset these pressures relate to staffing arrangements. These are a combination of reducing management structures, reducing non-statutory activities and re-focusing resources within certain areas towards Local Government Re-organisation activities. Other identified efficiencies include uplifts in charges for services, efficiencies from the rationalisation of buildings, increasing income opportunities and reduced IT&D licencing costs.

### Capital budgets

- 4.40 The Directorate has significant capital investment and delivery plans relating to the Council's Land & Property (£102m) and IT&D services (£3m) in 2026/27. Much of the capital programme overseen by the Directorate drives investment in services across CFLL, Fire and AWHP. The Capital

Programme 2026/27 also includes £22m of capital maintenance to improve the quality and condition of the corporate and school estate.

## 5. FINANCIAL STRATEGY AND BUDGET FOR 2026/27

### Budget Principles

5.1 For successive years, the budget has been built on a number of high-level principles which are used as a framework for budget setting. These have proven to be successful and have been reaffirmed for the 2026/27 budget. The principles are:

- Developing and continuing to strengthen the integrated approach; linking Organisation Strategy, Service and Transformation plans to the budget;
- 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 and to ensure ownership and accountability;
- Assurance that all efficiencies, pressures and growth are owned by Executive Directors and efficiencies are cascaded to all management layers to ensure delivery, including the development of detailed delivery plans for all identified efficiencies.
- Ensuring a culture of budget responsibility where managers are accountable for their budgets – capital and revenue budgets are agreed and acknowledged annually by Accountable Budget Officers through Budget Accountability Statements;
- A corporate transformation programme, funded centrally; and
- A budgeted contribution to reserves, to provide and improve overall financial resilience.

### Revenue Budget Headlines

5.2 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 Fair Funding Reform, Local Government Reorganisation, policy changes, economic uncertainty and forecast increased demand for services in 2026/27. Understanding this context is integral in helping inform and shape how we plan and respond as an organisation to possible future scenarios.

5.3 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.

5.4 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 2025/26:

- An increased budget of £12.6m
- Total pressures of £105.2m, comprising
  - Staffing pressures of £15.2m,
  - Contract & Price inflation of £34.9m,
  - Demand and other pressures of £45.2m, and
  - Capital financing costs of £9.9m.
- Directorate Efficiencies of £49.6m
- Corporate reductions, within Central Income & Expenditure of £43m

- 5.5 In setting the budget for 2026/27, 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 2026/27 will mirror the national agreement and 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% by 2026/27, with variations for specific contracts and market variations where appropriate. Inflation has been included in Directorate envelopes.
- 5.6 The revenue budget envelopes for Directorates, Central Income and Expenditure and Funding are summarised in the table below. Overall, net expenditure has grown by £12.6 (less than 1%):
- Pressures and Efficiencies are set out in further detail in **Annex A**
  - A breakdown of the 2026/27 budget by Directorates and Services in **Annex B**.

**Table 2: Summary Budget Position for 2026/27**

| Directorate                                  | Restated*<br>2025/26<br>Budget<br>£m | Efficiencies,<br>Contract Demand Corporate<br>& Price & Other & Funding<br>Pressures Inflation Pressures Changes<br>£m £m £m £m |                                        |                                      |                                         |                         | Total<br>Movement<br>£m | Budget<br>2026/27<br>£m |
|----------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|--------------------------------------|-----------------------------------------|-------------------------|-------------------------|-------------------------|
|                                              |                                      | Pay<br>£m                                                                                                                       | Contract<br>& Price<br>Inflation<br>£m | Demand<br>& Other<br>Pressures<br>£m | Corporate<br>& Funding<br>Changes<br>£m | Total<br>Movement<br>£m |                         |                         |
| Adults, Wellbeing & Health Partnerships      | 504.3                                | 3.2                                                                                                                             | 20.7                                   | 22.6                                 | -19.5                                   | 27.0                    | 531.3                   |                         |
| Children, Families & Lifelong Learning Place | 313.5                                | 6.2                                                                                                                             | 6.5                                    | 14.5                                 | -12.6                                   | 14.7                    | 328.2                   |                         |
| Community Protection & Emergencies           | 169.2                                | 1.3                                                                                                                             | 5.1                                    | 3.3                                  | -7.2                                    | 2.6                     | 171.8                   |                         |
| Resources                                    | 50.0                                 | 1.5                                                                                                                             | 0.3                                    | 1.2                                  | -1.4                                    | 1.7                     | 51.7                    |                         |
|                                              | 110.3                                | 2.9                                                                                                                             | 2.1                                    | 4.0                                  | -8.9                                    | 0.1                     | 110.4                   |                         |
| <b>Total Directorate Budgets</b>             | <b>1,147.3</b>                       | <b>15.2</b>                                                                                                                     | <b>34.8</b>                            | <b>45.6</b>                          | <b>-49.6</b>                            | <b>46.0</b>             | <b>1,193.3</b>          |                         |
| Central Income & Expenditure                 | 106.0                                | 0.0                                                                                                                             | 0.1                                    | 9.5                                  | -43.0                                   | -33.4                   | 72.6                    |                         |
| <b>Total Net Expenditure</b>                 | <b>1,253.3</b>                       | <b>15.2</b>                                                                                                                     | <b>34.9</b>                            | <b>55.1</b>                          | <b>-92.5</b>                            | <b>12.6</b>             | <b>1,265.9</b>          |                         |
| Business Rates                               | -152.8                               |                                                                                                                                 |                                        |                                      | 112.7                                   | 112.7                   | -40.1                   |                         |
| Grants                                       | -127.4                               |                                                                                                                                 |                                        |                                      | -56.4                                   | -56.4                   | -183.8                  |                         |
| General Council Tax                          | -821.4                               |                                                                                                                                 |                                        |                                      | -39.2                                   | -39.2                   | -860.6                  |                         |
| Adults Social Care Precept                   | -150.9                               |                                                                                                                                 |                                        |                                      | -21.5                                   | -21.5                   | -172.4                  |                         |
| Collection Fund (Surplus) / Deficit          | -0.9                                 |                                                                                                                                 |                                        |                                      | -8.1                                    | -8.1                    | -9.0                    |                         |
| <b>Total Funding</b>                         | <b>- 1,253.3</b>                     | <b>0.0</b>                                                                                                                      | <b>0.0</b>                             | <b>0.0</b>                           | <b>-12.6</b>                            | <b>-12.6</b>            | <b>- 1,265.9</b>        |                         |

## National Funding Context

### Fair Funding Reform

- 5.7 Fair Funding Reform has been on the Government's agenda for many years and the Council has consistently forecast a significant reduction in government grant funding at the point it is implemented. The overall aim set out by Government in the Fair Funding Reform consultation, in August 2025, was to create a simpler approach to funding, reducing the number of formulae used to assess the needs and costs of local authorities and to ensure funding is targeted at areas with high deprivation and those less able to raise income through local taxation.
- 5.8 The reforms implemented from 2026/27 revise the formulas used to calculate a council's weighted relative needs share. A "resource adjustment", also referred to as council tax equalisation, is then applied to reduce grant funding based on how much Council Tax can be raised in each area. As Surrey County Council has one of the highest taxbases in the Country, the Council sees some of the largest reductions in funding compared to its assessed relative needs.
- 5.9 Recognising the significant impact these changes have on some local authorities, the Government has set out transitional arrangements to protect councils from overall funding decreases year on year, based on Core Spending Power (CSP) calculations. However, CSP includes assumed rises in Council Tax which means, if Council Tax is not increased to the maximum amount allowable, then transitional arrangements will not protect councils from overall funding reductions.

## Autumn Budget & Provisional Local Government Finance Settlement

- 5.10 On 20 November 2025, the Minister of State, Alison McGovern MP, published a Written Ministerial Statement, setting out the Government's updated proposals for redistributing council funding across the Country, in response to the Fair Funding Reform consultation. Following this, on 26 November 2025, the Chancellor of the Exchequer, delivered a Budget Statement setting out the Government's fiscal rules and policy decisions on taxation and spend and set local government departmental expenditure limits (DEL) for each financial year from 2026-27 through to 2028-29.
- 5.11 While these confirmed a number of technical decisions and gave indications of what would be included in the Settlement, the Policy Statement was unclear regarding the total distributable quantum, hindering modelling of indicative figures and implications on individual authorities.
- 5.12 The Provisional Local Government Finance Settlement (PLGFS) followed on the 17 December, representing the first occasion on which the Government provided detailed financial information on the impact of funding reform at the local authority level.
- 5.13 The PLGFS set out the results of the Fair Funding Reform, including major changes to all the Relative Needs Formulas, the simplification (or rolling in) of a number of funding streams into Revenue Support Grant (RSG), the introduction of new consolidated grants and a full baseline reset of the business rates retention system from 1 April 2026 (for the first time since it was introduced in 2013/14). It represents a fundamental change in funding allocations and results in significant movements in the distribution of resources between authorities.
- 5.14 This was the first multi-year settlement in a decade, covering 2026/27 to 2028/29. Government calculations suggested Core Spending Power would increase by £11.1bn nationally between 2025/26 and 2028/29, of which, 75% relies upon an assumption of full utilisation of the council tax and adult social care precept levels, rather than additional funding from Government. This proportion is higher, at 92%, for county councils in two-tier county areas.
- 5.15 Other key announcements included the provision of £900m additional funding (over the multi-year Settlement period) to be distributed using the Adult Social Care Relative Needs Formula, as part of the Revenue Support Grant, and £2.4bn over the multi-year Settlement for the Families First Partnership programme, delivered as part of the £3.1 billion Children, Families and Youth Grant. This funding includes the re-branding of some existing funding allocations alongside additional ring-fenced funding being made available.

## Final Funding for 2026/27

### Overall Funding

- 5.16 Analysis of the impact of the settlement has been complex due to the sheer scale of the changes implemented and the lateness of the PLGFS. The settlement includes fundamental changes in business rates, including a revaluation, additional multipliers and revised baseline funding levels, alongside 'simplifying' 36 grants and the 'rolling-in' of existing grants that historically have been shown within Directorate Budgets and need now to be moved to overall corporate funding. In addition, there is now a revised, more expansive, definition of Core Spending Power (CSP), making year-on-year comparisons difficult.
- 5.17 Total funding for 2026/27 for Surrey County Council is set out in the sections below, with additional information included to aid year-on-year comparisons and set out the required movements from rolled in grants.

**Table 3: 2026/27 Budget**

| Funding                                            | Restated<br>2025/26<br>budget | Change      | 2026/27<br>Funding |
|----------------------------------------------------|-------------------------------|-------------|--------------------|
| Council Tax                                        | 977.7                         | 66.3        | 1,044.0            |
| Government Funding*<br>(Business rates and Grants) | 275.6                         | -53.7       | 221.9              |
| <b>Net Revenue Budget</b>                          | <b>1,253.3</b>                | <b>12.6</b> | <b>1,265.9</b>     |

\*Includes £2m collection fund deficit

5.18 Surrey County Council receives the lowest increase in CSP of all County Councils, with just a 0.6% increase between 2025/26 and 2026/27, including the assumption that the maximum council tax threshold will be adopted. This represents a c£54m/19% 'like for like' reduction, if the impact of Council Tax is excluded from the MHCLG published tables<sup>1</sup>.

### Government Funding - Business Rates and Grant

5.19 As funding reform enables government to redistribute retained business rates income in line with relative need and resources adjustments, it is best to consider the impact of the settlement across these two funding streams together.

5.20 All local authorities have been assigned new Business Rates Baselines (BRBs) and Baseline Funding Levels (BFLs), based on updated assessment of need developed as part of fair funding reforms. BRB is an estimate of the authority's business rates income generating ability. It is important because Local Authorities either receive a top-up grant or pay a tariff to central government to settle the difference between the BFL and the BRB.

5.21 Until now, Surrey County Council was a top-up authority (BFL/needs assessment exceeded BRB), and budgeted business rates income was £148m in 2025/26. For 2026/27, the Government estimates that the Council's 10% share of locally retained business rates is worth £69.9m, and the needs assessment is £40.1m, resulting in a £29.8m tariff payable to central government. This results in an overall decrease of £108m to budgeted business rates income, when compared to 2025/26, meaning the council will now retain less than 6% locally.

5.22 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 £2m.

5.23 In an attempt to simplify funding, MHCLG has created four new consolidated grants, and consolidated 18 existing grants into Revenue Support Grant (RSG), as well as the quantum relating to some business rates reliefs. On the face of it, this gives the impression of a material increase to RSG and other grants, however, much of this funding was already provided and included in Directorate budgets as grant income.

5.24 As part of these changes, over £43m of grants received in 2025/26 within Directorate budgets have now been rolled-into either corporate funding streams or one of the 4 consolidated grants. A net £23.8m of funding previously sitting within Directorate budgets is now shown as part of the corporate funding position, with a further c£18m of funding remaining in Directorate budgets which are now included in the Government's calculation of CSP, including the Better Care Fund and Families First funding.

5.25 This approach means that new funding formulae can be applied to existing funding, including the resource equalisation adjustment which adjusts needs formulas for the ability to raise council tax locally. This sees a significant decrease in the funding provided to Surrey County Council when compared to the relative needs formula.

5.26 The **total £221.9m government funding in the budget** includes the following:

- Revenue Support Grant - £170m
- Business Rates – £40.1m
- Business Rates Collection Fund deficit adjustment -£2m
- PFI credit funding for Streetlighting - £6.0m
- Dedicated Schools Grant Funding for Council services - £5.3m
- Homelessness, Rough Sleeping and Domestic Abuse Grant - £2.5m

5.27 Four new consolidated grants accompany the settlement, some within CSP albeit ring-fenced. They include the following:

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<sup>1</sup> [Core Spending Power table: provisional local government finance settlement 2026 to 2029 - GOV.UK](#)

- £12.7m - Children, Families and Youth Grant, consolidating five existing funding streams and providing new funding of £5m overall, which comes with specific additional requirements (£10.1m of this grant is included with CSP and known as Families First funding).
  - £49.8m - Public Health Grant, bringing together four funding streams with the existing Public Health Grant.
  - £7.1m - Crisis and Resilience Fund, replacing the Household Support Fund and funding previously provided to Borough and District Councils (Discretionary Housing payments).
  - £2.5m - Homelessness, Rough Sleeping and Domestic Abuse Grant., included within general grant funding above.
- 5.28 The Local Authority Better Care Fund, £14.1m, is within Core Spending Power in 2026/27 and sits within Service grants. This 'rolls in' to RSG from 2027/28, meaning it gets absorbed into the phasing out of transitional arrangements.
- 5.29 Transitional funding is included within the RSG figures and is set to reduce over the three year settlement period, resulting in a c£182m reduction in funding over the same period. (Section 8 medium-term financial outlook).
- 5.30 The table below details the 2025/26 grant allocations that are now rolled in to either Corporate funding or the four consolidated grants.

**Table 4 – Grants rolled in/consolidated**

| Existing Directorate | Grant                                                                                    | Rolled in                                             | Core Spending Power |
|----------------------|------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------|
| Corporate            | Social Care Grant                                                                        | RSG                                                   | Y                   |
| Corporate            | Historic business rates grant compensation for under-indexation of tax rates             | RSG                                                   | Y                   |
| AWHP                 | Market Sustainability and Improvement Fund                                               | RSG                                                   | Y                   |
| Corporate            | Employer National Insurance Contributions (local authority portion)                      | RSG                                                   | Y                   |
| CP&E                 | Fire Pensions Grant                                                                      | RSG                                                   | Y                   |
| CFLL                 | Supported Accommodation Reforms                                                          | RSG                                                   | Y                   |
| Corporate            | New Homes Bonus                                                                          | RSG                                                   | Y                   |
| CFLL/ PLACE          | Extended Rights to travel                                                                | RSG                                                   | Y                   |
| AWHP                 | Local Reform and Community Voices: Deprivation of Liberty Safeguards Funding             | RSG                                                   | Y                   |
| Corporate            | Staying Put                                                                              | RSG                                                   | Y                   |
| AWHP                 | Social Care in Prisons grant                                                             | RSG                                                   | Y                   |
| CFLL                 | Leaving Care Allowance uplift                                                            | RSG                                                   | Y                   |
| Corporate            | Small Business Rates Relief lost supplementary business rates income compensation        | RSG                                                   | Y                   |
| CFLL                 | Personal Advisors Extended Duty                                                          | RSG                                                   | Y                   |
| CFLL                 | Virtual School Heads for children with a social worker and children in kinship care      | RSG                                                   | Y                   |
| Corporate            | War Pensions Disregard grant                                                             | RSG                                                   | Y                   |
| CFLL                 | Virtual School Heads (VSH) Extension of the VSH role to previously looked after children | RSG                                                   | Y                   |
| Corporate            | Green Plant and Machinery business rates exemptions                                      | RSG                                                   | Y                   |
| PLACE                | Biodiversity Net Gain Planning Requirement                                               | RSG                                                   | Y                   |
| AWHP                 | Holiday Activities and Food Programme                                                    | Children, Families and Youth Grant                    | N                   |
| Corporate/ CFLL      | Children's Social Care Prevention Grant                                                  | Children, Families and Youth Grant                    | Y                   |
| CFLL                 | Supporting Families                                                                      | Children, Families and Youth Grant                    | Y                   |
| CFLL                 | Post-16 Pupil Premium Plus Programme                                                     | Children, Families and Youth Grant                    | Y                   |
| Resources            | Household Support Fund                                                                   | Crisis and Resilience Fund                            | N                   |
| CP&E                 | Domestic Abuse Accommodation Support                                                     | Homelessness, Rough Sleeping and Domestic Abuse Grant | N                   |
| AWHP                 | Public Health Grant                                                                      | Public Health Grant                                   | N                   |
| AWHP                 | Drug and Alcohol Treatment and Recovery Improvement Grant                                | Public Health Grant                                   | N                   |
| AWHP                 | Local Stop Smoking Services and Support Grant                                            | Public Health Grant                                   | N                   |
| AWHP                 | Individual Placement and Support Grant                                                   | Public Health Grant                                   | N                   |

## Council Tax Funding £1,044.0m (Council Tax £1,033.0m plus collection fund surplus £11m)

- 5.31 Existing council tax referendum principles continue for 2026/27. This means councils can increase core council tax by up to 3% without the need for a referendum and can raise up to 2% from an additional adult social care precept.
- 5.32 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% for 2026/27. This equates to an increase of £1.77 per Band D Property per week (£92.07 per year, £55.17 core and £36.90 social care precept).
- 5.33 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 c1.2% increase to the tax base.
- 5.34 **Full details of the Council Tax Requirement and breakdown of the taxbase by District and Borough can be found in Annex E.**
- 5.35 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 5: Council Tax income**

| Council tax                            | 2025/26<br>£m | change<br>£m | 2026/27<br>£m  |
|----------------------------------------|---------------|--------------|----------------|
| Core Council tax                       | 821.4         | 39.2         | 860.6          |
| ASC Precept                            | 150.9         | 21.5         | 172.4          |
| Council tax requirement                | 972.3         | 60.7         | 1,033.0        |
| Collection fund surplus(+)/deficit(-)* | 5.5           | 5.5          | 11.0           |
| <b>Council tax budget</b>              | <b>977.7</b>  | <b>66.2</b>  | <b>1,044.0</b> |

\*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 2026/27 collection fund is a net of £4.1m transfer to reserves.

## Reserves & Risk Mitigation Strategy

- 5.36 The Council is required to maintain an adequate level of reserves to deal with future forecast or unexpected pressures. It is 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.
- 5.37 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.
- 5.38 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.
- 5.39 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.
- Given future funding uncertainty, retention of the Council's reserves will be essential in order to mitigate financial risk for the new unitaries in Surrey.
- Over the medium-term, reserves should stay flat or ideally increase – as financial uncertainty and a requirement to find further efficiencies will remain high across the medium term for the new unitary councils in Surrey. As such, the budget proposes a planned contribution to reserves of £10m to enable further funding of one-off and transformational activity and/or continue to improve overall financial resilience.

5.40 **General Fund** - The Council has traditionally maintained a low General Fund. 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 2025, the General Fund Balance stood at £49.1m (3.9% of the 25/26 net revenue budget).

5.41 A summary of the earmarked reserves and a forecast of the reserves and balances as at 31 March 2026, can be found in Annex D.

5.42 Following the review of earmarked reserves, the balances available to provide financial resilience against unforeseen events stands at £64.8m. Taken alongside the forecast General Fund position, this results in £113.9m, or 9% of the 2026/27 net revenue budget, of cover to mitigate against future risk and uncertainties.

5.43 On the basis of the above, and the planned contribution to reserves of £10m in 2026/27, the Section 151 Officer considers the 2026/27 Budget to be robust.

## Fees & Charges

5.44 Fees and Charges income in 2026/27 is forecast to be £52m, a decrease from £53m in 2025/26, largely due to a decrease in demand for some services and changes in legislation in Place which has driven better compliance and therefore reduced inspections and fines. The main areas of income generation from this source are:

- £9.8m in Children, Families, Learning and Community mainly for Surrey Adult Learning, Surrey Outdoor Learning and Development and Surrey Online School,
- £24.0m in Resources relating mainly to Twelve15 (schools catering and services), Registration and Nationalisation Service, Surrey Arts and the Library Services,
- £17.4m in Place including parking income, highways and transport development planning
- £0.5 in Community Protection which is mainly Trading Standards

When setting 2026/27 fees and charges, the services that have applied an increase greater than guidance (3.2%) is largely due to localised pricing to reflect the local market conditions or to recover the full cost of provision.

## 6. CAPITAL PROGRAMME 2026/27 & INDICATIVE FUTURE INVESTMENT 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 The Capital Programme for 2026/27 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 In light of Local Government Reorganisation (LGR) and in order to reduce the ongoing impact of capital investment on the revenue budget and 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. This budget proposes capital investment for the 2026/27 financial year only. Indicative future investment figures are provided in Annex C for ongoing capital programmes and where revenue efficiencies are anticipated from ongoing investment, however, these are indicative only and final capital investment decisions from 2027/28 will be for the new unitary authorities to consider and approve.
- 6.4 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 contributes to the Council's strategic objectives.
- 6.5 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. The focus on the review has been on the deliverability of investment in key priorities ahead of March 2027.
- 6.6 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.
- 6.7 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. 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 2026/27

- 6.8 The Capital Programme 2026/27 of £297.1m is set out in more detail in **Annex C**. This consists of £291.5m in the capital programme and a further £5.6m in the capital pipeline.
- 6.9 The schemes proposed in the Capital Programme for 2026/27 will be monitored during the year for cost control, deliverability and to ensure budget estimates remain realistic. Table 6 below shows a breakdown of budget schemes by the three SCGs and Commercial for 2026/27:

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

| Strategic Capital Group | 2026/27 Budget (£m) |
|-------------------------|---------------------|
| Infrastructure          | 186.3               |
| Property                | 102.0               |
| IT                      | 3.0                 |
| Commercial              | 0.2                 |
| <b>Total Budget</b>     | <b>291.5</b>        |

6.10 These schemes deliver priorities across the county, including investment in schools and provision of places for young people with additional needs and disability, 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 c61% of the total proposed budget:

- £69m - Highway Maintenance – improvements to roads and footways across the County
- £21m - SEND Strategy – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £23m – A320 North of Woking and Junction 11 of M25.
- £15m - Schools Basic Need – increasing school places and building schools across the County
- £11m - Recurring Capital Maintenance: Schools – County wide schools maintenance programme
- £11m - Recurring Capital Maintenance: Corporate (non-schools) estate – County wide maintenance of service buildings, community facilities and offices
- £8m - Bridge/Structures Maintenance – improvements and safety maintenance of specialist infrastructure
- £7m – Local Highways Schemes
- £7m - Farnham Infrastructure Programme Town Centre
- £6m – Flood Alleviation schemes

### Pipeline Schemes

6.11 **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. The table below shows a breakdown of pipeline schemes by the SCGs for 2026/27:

**Table 7: 2026/27 Capital Pipeline by Strategic Capital Group:**

| Strategic Capital Group | 2026/27 Pipeline (£m) |
|-------------------------|-----------------------|
| Infrastructure          | 3.0                   |
| Property                | 2.6                   |
| IT                      | -                     |
| <b>Total Pipeline</b>   | <b>5.6</b>            |

6.12 The nature of the pipeline is to be a flexible portfolio of schemes that contributes 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.

### Environmental Sustainability

6.13 The capital programme contains c£78m for schemes that contribute to reducing carbon emissions, tackle climate change and enable a greener future for residents. A further £3m is included in the capital pipeline, bringing the total to c£81m.

## 7. FINANCIAL PERFORMANCE 2025/26

7.1 The Month 8 Financial report is presented to the same Cabinet on 27<sup>th</sup> January 2026. Headline performance is set out below.

- 7.2 **Revenue:** As at November 2025 (Month 8), Directorates are projecting a full year overspend of £2.2m. 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 and children's placements.
- 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 **Capital:** The 2025/26 Capital Budget was approved by Council on 6th February 2025. In month 8, the Capital Programme Panel, working alongside Strategic Capital Groups has re-validated the delivery of the capital programme, taking into account forecast slippage as well as procurement, planning and supply network timeframes. This has resulted in a proposed re-phased capital programme of £298.5m for 2025/26.
- 7.5 More information on the revenue and capital position can be found in the 2025/26 Month 8 (November) Financial Report to Cabinet on 27th January 2026.
- 7.6 Many of the factors impacting the 2025/26 expected outturn position for both revenue and capital will continue into 2026/27 and the medium term. Budget estimates for 2026/27 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 2026/27 in relation to those services experiencing pressures over and above the budget assumptions in 2025/26, specifically within land and property, adult social care and children's services. This provides confidence that the underlying budget, overall, should be realistic and deliverable.

## 8. LOCAL GOVERNMENT RE-ORGANISATION & THE MEDIUM-TERM FINANCIAL OUTLOOK

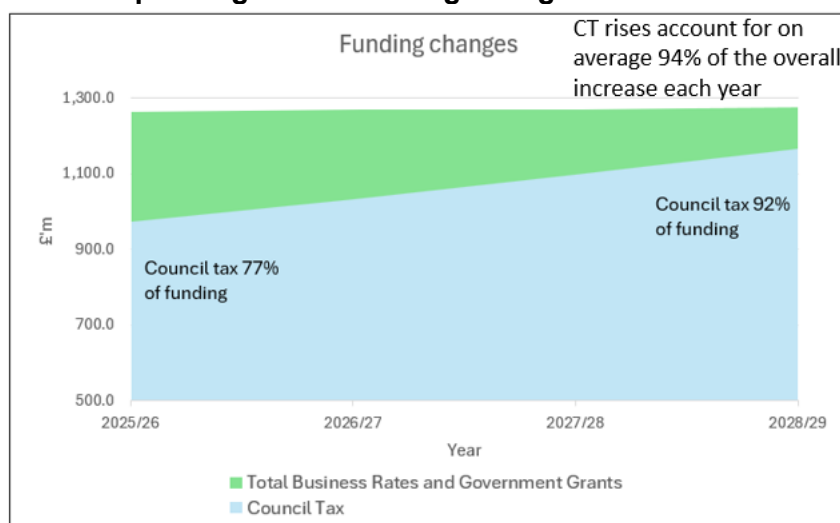
- 8.1 In December 2024, the Government released the English Devolution White Paper, setting out ambitions for deepening and widening devolution across England. The paper also signalled the start of a programme of LGR to simplify and streamline local government.
- 8.2 Between February and May 2025, councils across Surrey worked to respond to an accelerated timetable, set by government, to prepare LGR proposals to help unlock further devolution for the county. Interim Plans were submitted in March 2025 and Final Plans in May 2025. The government made a final decision in October 2025, following consultation with stakeholders across Surrey to gather their views on the proposals. This decision to progress with a two unitary model represents a historic change for local authorities in Surrey and as a result of this, 2026/27 will be the last year of operation of Surrey County Council.
- 8.3 This Budget Report therefore focuses on setting a balanced budget for 2026/27 and does not include a Medium-Term Financial Strategy. Decisions on the allocation of resources from 2027/28 will be for the new unitary authorities to decide.
- 8.4 The following section sets out a high-level assessment of the challenging financial and operational environment in which the new authorities will be operating and will help inform the basis of the budget planning process for 2027/28 which will need to be commenced almost immediately for the new unitary councils.

### Funding Context for the Medium-Term

- 8.5 The new unitary authorities in Surrey will face a highly challenging financial landscape. Government funding is expected to decline significantly, while cost pressures across essential services continue to rise. This dynamic will result in an increasing reliance on Council Tax as the primary source of income, with annual increases, likely at the maximum allowable thresholds, required simply to maintain current funding levels.
- 8.6 Surrey County Council's funding, based on the multi-year settlement, is projected to fall by £182m. Revenue Support Grant is used over the settlement period to phase the impact of the losses over the three years as part of the government's transitional arrangements. Government figures show a

net increase to CSP of only £12m between 2025/26 and 2028/29, however it is important to note that this figure assumes the significant reduction in Government funding is offset by £195m of council tax income increases (assuming maximum referendum thresholds are applied).

### Core Spending Power funding change



- 8.7 The overall District and Borough (D&B) CSP increases by £13m over the settlement period, however that assumes a council tax increase of £16m, therefore wider funding losses of £3m. When taken together the collective Core Spending power of the County and D&Bs increases by just £25m/1.75% over the multi-year settlement, consisting of c£186m of funding reductions offset by c£211m of council tax increases.
- 8.8 The D&B CSP is around 13% of the combined Surrey wide CSP, therefore, the anticipated medium-term losses in Government funding for Surrey County Council will be a dominant driver of funding related financial pressure, as reductions to SCC funding have a material impact on the new Unitary authorities, and this will intensify, particularly as the transitional arrangements are phased out. It will be crucial that future cost pressures, inflationary or otherwise, are countered through the identification and delivery of substantial cost reductions and efficiencies.
- 8.9 Aside from the funding position and despite identification of significant efficiencies in recent years, Surrey County Council, and therefore the new unitaries, continue to forecast significant ongoing pressures relating to service delivery. For the county council alone, these are forecast to increase by an average of £70m per year over the medium term, reflecting both rising demand for essential services and sustained inflationary impacts across key areas of expenditure.
- 8.10 The budget gap is projected to grow significantly over the medium term reaching approximately £166m by 2028/29 for legacy County services. The new authorities will need to plan for material losses in core funding, coupled with ongoing cost pressures.

**Table 8: Medium term pressures**

| Forecast               | 2027/28     | 2028/29     | 2029/30     | 2027/28-<br>2029/30 |
|------------------------|-------------|-------------|-------------|---------------------|
|                        | £m          | £m          | £m          | £m                  |
| Pay Inflation          | 8.9         | 9.0         | 9.2         | 27.0                |
| Non Pay Inflation      | 21.6        | 25.6        | 28.8        | 76.0                |
| Demand Pressure        | 24.7        | 32.8        | 32.7        | 90.2                |
| Cost of Capital        | 6.5         | 6.3         | 6.0         | 18.8                |
| <b>Total Pressures</b> | <b>61.7</b> | <b>73.6</b> | <b>76.6</b> | <b>211.9</b>        |
| Efficiencies           | -10.3       | -15.0       | -13.2       | -38.6               |
| Funding change         | -0.8        | -4.3        | -2.6        | -7.7                |
| <b>Net Pressure</b>    | <b>50.6</b> | <b>54.2</b> | <b>60.8</b> | <b>165.7</b>        |

8.11 The most material drivers of the estimated pressures are outlined below:

- Adult Social Care (ASC) Packages - Adult Social Care is the largest forecast contributor to cost pressures in the medium term, with both demand for and the cost of care packages continuing to rise due to demographic changes and increasing complexity of needs. The current demand trajectory suggests an estimated c£28m annual increase in the cost of adult social care packages, before inflation and prior to any efficiencies to mitigate the rate of demand growth.
- Broader ASC price inflation - Beyond care packages, wider inflationary pressures across the ASC sector, such as workforce costs, contractual uplifts, and market sustainability measures, are forecast to add a further pressure of at least c£14m per annum. These increases are driven by national wage policies, recruitment challenges, wider economic factors and the need to maintain quality standards in a competitive care market.
- Pay inflation – pay inflation averages c£8.9m per year. These are compounding annual increases driven by wage expectations, national pay settlements and government decisions on National Minimum Wage.
- Children’s Services: Looked After Children - Demand for placements for Looked After Children continues to grow, alongside rising placement costs, particularly for specialist and residential care. This area is forecast to contribute approximately £5.3m annually to overall pressures after 2026/27. Factors include increased complexity of cases and limited availability of suitable placements, which drives higher unit costs.
- Capital Financing Costs. The Council’s capital programme, essential for infrastructure development and service improvement, brings associated financing costs. Based on the historic capital decisions, these are projected to rise by £5.2m per year, reflecting borrowing requirements and interest rate impacts over the planning period. For every additional £100m of borrowing approved by the new unitaries, an additional financing costs of c£5m would be incurred.
- Home to School Transport - Demand for services and price inflation, particularly for children with special educational needs and disabilities (SEND), continues to increase. This growth is expected to add approximately £4.5m annually to the Council’s expenditure.

8.12 The provisional settlement confirmed that the ‘funding envelope’ for newly created authorities will be set by combining the grant allocations of the relevant local authorities in the year(s) of the multi-year settlement following reorganisation, and that it will be for areas to agree how to divide the funding where the establishment of new unitary authorities means existing local authorities are split.

### **Local Government Re-Organisation Implementation Costs**

8.13 The business cases submitted to Government included significant indicative implementation costs associated with LGR in Surrey. The two unitary business case estimated costs prior to vesting day for the creation of two councils to be £35.3m.

The table below summarises the base case (more prudent) implementation costs modelled for the creation of two unitary authorities in Surrey that were included in Surrey County Council’s LGR final business case submitted in May 2025. These costs will need to be funded by the existing twelve local authorities, with proposed contributions of Surrey County Council 80% and District and Boroughs 20%. Estimated costs post vesting day, will need to be funded by the new unitaries. Actual costs incurred will be closely governed and monitored.

**Table 9: Estimated Implementation Costs**

| Cost category                                                              | Base case for the creation of 2 unitaries |                  |               |
|----------------------------------------------------------------------------|-------------------------------------------|------------------|---------------|
|                                                                            | Pre vesting day                           | Post vesting day | Total cost    |
| Redundancy & early retirement*                                             | £2.2m                                     | £9.6m            | £11.8m        |
| Implementation and programme delivery team                                 | £21.8m                                    | £5.0m            | £26.8m        |
| IT consolidation and change                                                | £3.3m                                     | £34.3m           | £37.6m        |
| Branding and communications                                                | £0.8m                                     | £1.2m            | £2.0m         |
| Shadow authorities prior to vesting day                                    | £1.3m                                     | £0.0m            | £1.3m         |
| Creation of new council(s)                                                 | £1.0m                                     | £1.0m            | £2.0m         |
| Closedown of old councils                                                  | £0.3m                                     | £1.0m            | £1.4m         |
| Elections to shadow authorities                                            | £3.6m                                     | £0.0m            | £3.6m         |
| Contingency                                                                | £1.1m                                     | £6.0m            | £7.1m         |
| <b>TOTAL IMPLEMENTATION COSTS ESTIMATED IN SCC LGR FINAL BUSINESS CASE</b> | <b>£35.3m</b>                             | <b>£58.2m</b>    | <b>£93.5m</b> |

\* The two unitary LGR business case assumed that a proportion of redundancy costs, particularly those associated with the rationalisation of tiers 1-3 senior leadership roles, would be incurred prior to vesting day. It is likely that most costs will in fact be incurred post vesting day following TUPE transfer of existing staff to the new unitaries, though there could still be a small proportion of redundancy costs that are agreed prior to vesting day.

- 8.14 An LGR Implementation Reserve will be established and held by Surrey County Council on behalf of the Implementation Team, to combine the contribution to these costs from each of the existing Surrey councils. Spending of the implementation reserve will cover the period from 1 January 2026 to 31 March 2027 and will be overseen by the Implementation Team and approved in line with the implementation plan, as reported through to the Joint Committee and Shadow Unitaries.
- 8.15 Surrey County Council's contribution to this reserve is anticipated to be £28.24m, is included within these budget papers and can be seen in Annex D: Earmarked Reserves.

## 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 CFLD Directorate. Table 10 outlines the proposed Total Schools Budget for 2026/27 of £1,519m including a planned overspend of £61m on the High Needs Block, £9m "safety valve" contribution from DfE and approximately £2.8m sixth form grant for school sixth forms (yet to be confirmed). From this, an estimated £732m is paid directly by DfE to academies and colleges, leaving a net schools budget of £787m which is included within the Council's overall budget.

**Table 10 - Analysis of Total Schools Budget for 2026/27**

|                                                                   | Schools' & nurseries delegated budgets | Centrally managed budgets | Total          |
|-------------------------------------------------------------------|----------------------------------------|---------------------------|----------------|
|                                                                   | £m                                     | £m                        | £m             |
| Gross DSG allocated to Surrey in 2026/27                          | 1,234.2                                | 212.3                     | <b>1,446.5</b> |
| Sixth form grant                                                  | 2.8                                    |                           | <b>2.8</b>     |
| Anticipated DfE safety valve contribution                         |                                        | 9.0                       | <b>9.0</b>     |
| Planned overspend                                                 |                                        | 61.0                      | <b>61.0</b>    |
| Total Schools Budget incl funding allocated directly to academies | 1,237.0                                | <b>282.3</b>              | <b>1,519.3</b> |
| less paid directly by DfE to academies and colleges (est)         | -731.7                                 |                           | <b>-731.7</b>  |
| <b>Net Schools Budget</b>                                         | <b>505.3</b>                           | <b>282.3</b>              | <b>787.6</b>   |

- 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 2026/27 total DSG includes an estimated increase of £100m, but £40m of this replaces grants paid separately in 2025/26. Of the remainder, around £30m 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 from 15 hours a week to 30 hours from September 2025.
- 9.5 £0.75m of the Early Years and Schools block is to be used to accelerate the increase in the number of Autism Friendly Schools in Surrey by expanding the Partnership for Inclusion Neurodiversity in Schools (PINS) programme and increasing capacity in the School Autism Friendly Review Team, as set out in Annex J.
- 9.6 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 2026/27 school funding formula on 25 November 2025. The funding rates for schools for 2026/27 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.
- 9.7 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).
- 9.8 In 2025/26 schools received additional grants towards increased employer national insurance costs and towards the cost of 2025/26 teacher and support staff pay increases. These have been merged into Dedicated Schools Grant in 2026/27. Schools also received a range of other grants for example to support infant free school meals and physical education and sport in primary schools. These will continue for the summer term of 2026/27 but at the point of setting the Council's budget, these grants have yet to be confirmed for the academic year 2026/27.

## High Needs Block (HNB)

- 9.9 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.
- 9.10 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.
- 9.11 The Safety Valve agreements included initial 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).
- 9.12 In March 2022, the Surrey safety valve agreement was formalised. Surrey’s Safety Valve agreement includes additional DfE funding worth £100m over five years. 2026/27 is the final year of the agreement and the remaining payment of £9m is due to be received.
- 9.13 The latest safety valve return submitted by the Council have identified that despite meeting all the expected cost containment measures identified in the original submission, the Council is no longer on track to meet the 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 as well as ongoing high levels of demand for new assessments have highlighted that the ambitious budget reductions in the initial safety valve programme are no longer deliverable. Additional state funded places through the DfE Free Schools programme have been confirmed as no longer going ahead in the expected way as well as both costs and demand have been growing at a faster rate than in the original assumptions and higher than the Dedicated Schools Grant.
- 9.14 The 2026/27 HNB budget includes the final £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 There has been no increase in the amount of high needs block funding for 2026/27 as the DfE have confirmed that formula funding changes in high needs are on hold pending the results of the SEN White paper. This will put further strain and potential overspend in high needs budget.
- 9.16 The DSG High Needs Block Deficit is forecast to rise as shown in table 11 below. These forecasts align with the Safety Valve submission to the Department for Education and are in the process of being updated.

**Table 11 – DSG High Needs Block Deficit Forecast**

| Deficit Balance 31/3/25 | 2025/26 Forecast Movement | Forecast Deficit Balance 31/3/26 | 2026/27 Forecast Movement | Forecast Deficit Balance 31/3/27 |
|-------------------------|---------------------------|----------------------------------|---------------------------|----------------------------------|
| £141.9m                 | £106.4m                   | £248.3m                          | £61.0m                    | £309.3m                          |

- 9.17 The Council hold an offsetting general fund reserve to contribute to costs, in the event that it has to be resourced by the Council. The reserve stands at £144m.

## 10 CONSULTATION

- 10.1 The Council undertook a consultation exercise on the 2026/27 draft budget. To keep costs low, internal surveys were utilised and any spend was on creating accessible formats of consultation material and promotion of the survey.
- 10.2 While this section of the report summarises the insights gathered from a single consultation exercise, this is just one of many opportunities the Council facilitates for residents and other stakeholders to share their views. The Council regularly consults and engages with residents and other stakeholders throughout the year and on an ongoing basis to inform their service decisions.

10.3 This consultation, which opened on Tuesday 25 November 2025 and closed on Sunday 4 January 2026, included:

- An open survey on the Engage platform. There were 428 respondents to this survey.
- Promotion via social media, the Surrey Matters newsletter, engagement officers, and local council members.
- Bespoke engagement session with 15 young people on the Surrey Youth Cabinet.

10.4 During this consultation, the Council asked for insight on:

- Support or opposition of proposals to balance the budget.
- Support or opposition for increases to Council Tax in certain circumstances.
- Anything to be considered in the implementation of proposals to deliver better outcomes for Surrey as the council prepares for transition to two new councils in April 2027.
- Anything else residents wanted to share with us about the draft budget.

10.5 The key insights generated from this survey and focus group were:

- Respondents supported the proposals to close the budget gap (38%) slightly more than opposed (36%). Other respondents were neutral (22%) or didn't know (4%)
- Respondents supported increases to Council Tax in some circumstances:
  - To protect services for the most vulnerable (34%)
  - After exhausting streamlining opportunities (27%)
- Increases to Council Tax under no circumstances was the most frequently selected option (42%).
- 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
  - More spending on maintaining highways
  - Greater focus on streamlining services and identifying efficiencies
  - A seamless transition for Local Government Reorganisation.

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

## 11 EQUALITY, DIVERSITY & INCLUSION

11.1 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. Having due regard does not necessarily mean achieving all the aims set out in Section 149 of the Equality Act. Rather, it requires that Cabinet understand the potential impact of the decision on individuals with protected characteristics, look at ways to mitigate the impact, and to weigh these considerations alongside other relevant factors when choosing between options that may have different consequences. Due regard will be given to the equality impacts identified as part of the decision-making process.

11.2 A review of the available EIAs, as well as potential impacts identified by officers during the development of efficiency proposals, indicates that the following groups may be affected by multiple changes arising from efficiencies in the 2026/27 budget:

- 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 females, and those from lower-income or socio-economically disadvantaged households.
  - Carers, particularly female carers or those with caring responsibilities, and those from lower-income households or experiencing socio-economic hardship.
- 11.3 The budget overall is also expected to deliver significant positive impacts, particularly through the expansion of some services, or changes to service that strengthen prevention and early intervention. Despite the challenging financial climate, we remain committed to prioritising investment decisions that support Surrey's most vulnerable residents, ensuring that no-one is left behind.
- 11.4 Where potential negative impacts have been identified, Annex I provides a summary of mitigating actions. These include measures to ensure meaningful engagement and consultation with service users and staff that are likely be impacted, as well as initiatives that prioritise early-intervention/prevention. We will also work closely with partner organisations to support the effective delivery of efficiencies and planned activities.