

SURREY COUNTY COUNCIL

CABINET

DATE: TUESDAY 29 JANUARY 2019



REPORT OF: MR TIM OLIVER, LEADER OF THE COUNCIL

LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR OF FINANCE

SUBJECT: PART B) REVENUE AND CAPITAL BUDGET 2019/20 AND KEY FINANCIAL STRATEGIES to 2023/24

SUMMARY OF ISSUE

The council has embarked upon a programme of change and improvement to address a number of performance, financial and cultural shortcomings in order that we can help secure the very best outcomes for the people of Surrey. Along with many other councils, we face a significant financial challenge and are working to ensure that every pound we spend is aimed at delivering the priorities for Surrey, which are set out in the [Community Vision for Surrey in 2030](#) (the Vision).

On 13 November 2018, Council [endorsed a suite of documents](#) which set out a clear strategic and financial direction of travel for the council in response to the vision¹. Delivering these, and responding to the challenges we're facing means changing what we do, the way we do things and how we spend the money entrusted to us.

We have a strategy and plans in place that will ensure the council is on a stable financial footing. Through the programme of change we are undertaking, Surrey County Council will drive out inefficiencies and reduce costs, minimising the use of reserves this financial year and is anticipating not needing to rely on reserves at all for 2019/20.

The hard choices and tough decisions we are having to make about services and how we allocate our precious resources, having full and proper regard to consultation and engagement with residents, along with setting a council tax increase of 2.99%, if agreed by Cabinet and Council, will enable us to set a balanced budget for the 2019/20 financial year.

This report is to enable Cabinet to consider and make recommendations to Council on:

- the revenue and capital budgets for 2019/20, including budget reductions
- the council tax precept level for 2019/20
- the council's capital receipt flexibilities strategy, including the level of investment required to deliver the transformation programme, which aims to significantly change the way the council operates and delivers its services
- indicative directorate budget envelopes to 2023/24

¹ (1)The Organisation Strategy 2019-2023, (2) 'Our People' 2021 – Workforce Strategy, (3) Preliminary Financial Strategy 2019 – 2024, (4) Transformation Programme (Full Business Case)

- the council's Capital and Investment Strategy, which provides an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services.

The report is informed by public consultation and engagement activity (**Annexes 1-5**), and equality impact assessments (**Annexes 1a-7b**).

The budget decisions and attached financial strategy, in **Annex 6**, support the achievement of the goals set out in the Vision and the council's [Organisation Strategy 2019-2023](#). They prioritise the investment of available resources and support the significant improvements and transformational changes that must be made to achieve improved outcomes for residents while also ensuring the future financial sustainability of the council.

This report is one part (Part B) of a two part report being considered by Cabinet under the item Revenue and Capital Budget 2019/20 to 2023/24.

RECOMMENDATIONS

Cabinet recommends Council notes the following important features of the revenue and capital budget:

- The Executive Director of Finance's statutory conclusions in his Section 25 statement.

Proposed budget: Cabinet recommends Council approves the following revenue and capital budget decisions:

- Approve the net revenue budget requirement be set at £885.9 million (net cost of services after service specific government grants) for 2019/20 (**Annex 6**), subject to confirmation of the Final Local Government Financial Settlement
- Approve the total council tax funding requirement be set at £680.1 million for 2019/20. This is an increase in the level of the general council tax of 2.99% (**Annex 6**).
- Notes that for the purpose of section 52ZB of the Local Government Finance Act 1992, the council formally determines that the increase in council tax is not such as to trigger a referendum.
- Set the Surrey County Council precept for Band D council tax at £1,453.50, which represents a 2.99% up-lift. This is a rise of 81p a week from 2018/19's precept of £1,411.29. This includes £102.39 for the Adult Social Care Precept, which remains at the same rate as last year. A full list of bands is as follows:

Council Tax Band	2018/19 £	2019/20 £
Band A	940.86	£969.00
Band B	1,097.67	£1,130.50
Band C	1,254.48	£1,292.00
Band D	1,411.29	£1,453.50
Band E	1,724.91	£1,776.51
Band F	2,038.53	£2,099.51

Band G	2,352.15	£2,422.51
Band H	2,822.58	£2,907.01

6. Approve the Flexible Use of Capital Receipts Strategy for 2019/20 to meet the statutory guidelines for the use of capital receipts to fund the transformation and reform of services (**Annex 8**)
7. Approve the application of a further £7.2 million in the current 2018/19 financial year to fund the transformation under the capital receipt flexibilities strategy (**Annex 8**).
8. Approve the use of £16.3 million in the 2019/20 financial year, to fund the transformation under the capital receipt flexibilities strategy (**Annex 8**).
9. That the underlying balance on the general fund remains set at £21.3 million as at 1 April 2019.
10. Approve the Total Schools Budget of £492.9 million to meet the council's statutory requirement on schools funding. (**Annex 6**).
11. Approve the overall indicative budget envelopes for Executive Directorates and individual services for the 2019/20 budget (**Annex 6**).
12. Note the indicative budget envelopes for 2020-24 (**Annex 6**).
13. Approve £413.8 million indicative five year capital programme, with £129.2 million capital investment in 2019/20 (**Annex 6**).

Capital Strategy: Cabinet recommends Council approves the following.

14. The Capital Strategy for 2019-24 (**Annex 9**)
15. The policy for making a prudent level of revenue provision for the repayment of debt (the Minimum Revenue Provisions policy) (**Annex 9a**)

REASON FOR RECOMMENDATIONS

Council will meet on 5 February 2019 to agree a budget and set the council tax precept for 2019/20. Cabinet must recommend a budget to Council to consider at this meeting.

The budget directs available resources to support the achievement of the council's ambitions and priorities in the Vision and the Organisation Strategy.

In particular, the budget proposals reflect the Vision ambition to ensure no one in Surrey is left behind. We know, as documented in the [evidence base](#) compiled to inform the 2030 Vision, that some residents experience a poorer quality of life than their neighbours - we will focus the resources we have available on actions that best support the most vulnerable people in communities, and those who do not have the means or resources to help themselves.

Prioritising spend in the current context of funding constraints and increased demands has necessitated the redirection of some funding from universal services and provision to targeted services and this is reflected in proposals for service transformation articulated in the accompanying Part A report Transformation Proposals – Delivering Better Services for Residents Cabinet report of 29 January 2019. The Part A report also details changes to services that include stopping some services we are not statutorily required to provide.

The budget will also support the delivery of the major transformational changes that are required to ensure that the council can improve priority outcomes for residents while managing growing demands for services and ensuring future financial sustainability.

BACKGROUND

1. On 9 October 2018, the council endorsed the Community Vision for Surrey in 2030, which was developed by a range of partners across the county following widespread community engagement and consultation. To set out clearly how the council would contribute to the goals in the Vision, a fresh strategic direction was agreed by council on Tuesday 13 November 2018, setting out in a new [Organisation Strategy](#), [Our People Strategy](#), [Transformation Programme](#) and [Preliminary Financial Strategy](#). Taken together these demonstrate how the council will prioritise investment and deliver the significant improvements and transformational changes required to achieve improved outcomes for residents while ensuring future financial sustainability. The Preliminary Financial Strategy set out the overall framework within which the council will manage its financial resources and support the delivery of the agreed priorities in a sustainable way. The strategy included indicative budget envelopes for each directorate leading to a balanced budget for 2019/20, within which services would deliver agreed outcomes and priorities.
2. Since 2010 the council has faced the twin financial pressures of falling government grants and rising need for its services. Although the council has made significant efficiency savings in this time, and raised council tax, since 2014 it has needed to draw down £88 million from reserves to ensure a balanced budget each year. Reserves are now at a level where it is not sustainable to continue this approach. The council does not expect a significant change in the wider financial outlook for local government in the medium term, and therefore has embarked upon a programme of transformation to ensure its services and finances are sustainable.
3. The main themes arising from transformation proposals have been grouped as:
 - a. **Promotion of choice and control for residents.** This relates to increasing introduction of self-service for residents in several areas, including more flexibility in ways they can contact the council. Alongside this, the council is continuing to increase the numbers of Direct Payments, especially in Adult Social Care, as well as supporting families to remain together where possible as part of changes in Children's Services.
 - b. **Changing the way we work, internally and for residents.** This relates largely to changes to working practice in the Health, Wellbeing and Adult Social Care and Children, Families and Learning Directorates which include using digital technology and supporting our workforce to be more productive to enable transformation projects and deliver productivity gains, developing new technologies, becoming a more agile organisation and thinking creatively about resource allocation within services.
 - c. **Prioritising spend to make us financially viable.** This relates to making sure that we are delivering the right service, to the right people, every time. It involves focussing on reablement and rehabilitation, assessing for long term needs when a person is at their best and reviewing care packages in a culture of optimism within Adult Social Care. Where the council is moving toward delivering services in a manner similar to other local authorities of comparable size, including as part of the reconfiguration of Children's Centres, these are being undertaken to ensure the most effective allocation of resources.

- d. **Maximising our income streams without disadvantaging residents.** This encompasses areas in which the council is introducing or making alterations to fees and charges as part of service delivery, including as part of changes in Highways, Transport and Environment and continued service development in Adult Social Care.
- 4. These groupings summarise the strategic actions the council is taking to transform into a modern organisation that provides effective, good quality services, with a focus on meeting the needs of the most vulnerable people of Surrey. Achieving our ambitions is reliant upon the best allocation of our resources, which may entail taking difficult decisions about how our services look in the future. The council's transformation programme seeks to reform the function, form and focus of the organisation so there will be significant impacts on services and our relationships with residents, partners and staff that need to be understood. These are set out in **Annex 7** Surrey County Council Budget 2019/20 Equality Impact Assessment.

2019/20 Revenue and Capital Budget

- 5. The Ministry of Housing, Communities and Local Government published the Provisional Local Government Settlement on 13 December 2018. Although the Final Settlement will not be issued until later in February 2019, this has led the council to revise some of its funding assumptions. These are described in full in **Annex 6**.
- 6. The proposed Budget Envelopes included in the Preliminary Financial Strategy were at a relatively early stage of development. The service budgets set out in **Annex 6** are the proposed budgets for 2019/20, which include changes to pressures and budget reductions, and are informed by the engagement and consultation activity the council has undertaken.
- 7. The statutory process for setting the revenue budget is for it to be recommended to the Council by the Cabinet. A revenue net budget of £885.9 million is proposed (as detailed in **Annex 6**) this includes setting a council tax Band D precept for 2019/20 of £1,453.50, an increase of just over 2.99%. This is equivalent to 81p per week
- 8. The government is expected to reform how local government in England is funded from April 2020. Two significant reviews are currently underway that will shape this new methodology; one is the consultation on the Fair Funding Review, changing the allocation and distribution of business rates, and the other will be articulated through the Green Paper on Adult Social Care, which has yet to be published by the government. The outcomes of these reviews are not currently known. However, the council plans over a rolling five-year timeline and has therefore made assumptions about the future level of funding up to March 2024. This is to provide indicative budget envelopes for each directorate and demonstrate the level of available funding to deliver services in the medium term.
- 9. The council has developed, in **Annex 9**, a Capital and Investment Strategy. The aim of this is to provide a high level overview of how capital expenditure, capital financing and treasury management activity contribute towards the council's ambitions and priorities. This strategy is supported by the capital programme for the next five years, which is also shown in **Annex 6**.

Flexible Use of Capital Receipts Strategy

- 10. The council has embarked on a programme of transformation in order to deliver financially sustainable services to residents in the future. Delivering the transformation programme requires a level of investment and the council is using the opportunity provided by the government to flexibly use capital receipts to fund this transformation of services. A requirement of this flexibility is that the Council approve a Flexible Use of

Capital Receipts Strategy and the business cases for their use. These are both included in **Annex 8**.

Consultation and Engagement

11. The council has undertaken extensive consultation and engagement with a range of stakeholders including residents, partners and staff on service priorities to inform the budget, and on proposals for the re-design of services that support delivery of improvements and savings in 2019/20. This has included:

- Holding two participatory budgeting workshops with 98 residents on 26 and 29 October 2018 to gain initial insight into where they would invest the council's budget and manage difficult competing demands within constrained resources.
- A meeting of the Surrey Equality Group (which includes representatives with a range of voluntary, community and faith sector (VCFS) organisations in Surrey, chaired by Councillor Denise Turner-Stewart, Cabinet Member for Community Safety, Fire and Resilience) on 24 October 2018 to talk to them about the council's budget challenges and consultation activity.
- Members being updated through a briefing for all Members on 15 October 2018 and the Corporate Overview Select Committee on 25 October 2018.
- Public consultations on proposals for five different service areas run simultaneously under the Have Your Say campaign. This ran from 30 October 2018 to 4 January 2019, and over 28,000 responses across all the consultations were received from stakeholders. The service areas affected were:
 - Children's Centres (3,814 responses)
 - Community Recycling Centres (12,132 responses)
 - Concessionary bus travel (3,082 responses)
 - Libraries and Culture (7,901 responses)
 - Special Educational Needs and Disabilities (SEND) (1,133 responses).

Stakeholders had the option to complete an online survey on the council's website, hard copies or alternative formats, such as easyread. There were also 15 consultation drop-in sessions attended by up to 150 residents to assist them to complete the consultations they wanted to respond to. Letters were also received from a range of stakeholders making formal representations to the council on these consultations. Responses were received from organisations including District and Borough councils (including Mole Valley, Runnymede, Tandridge, Waverley and Woking) and voluntary, community and faith sector (VCFS) organisations, such as Sight for Surrey and Surrey Coalition for Disabled People.

- A survey on council spending priorities with a statistically representative sample of 1,100 Surrey residents (carried out by research company MEL Research, see paragraphs 13 - 15).
- Face-to-face discussions with a range of stakeholder groups including District and Borough Members and chief executives.
- An estimated 5,700 VCFS organisations were invited to share their views electronically on the council's budget and service consultations.

12. The Cabinet is considering making changes to policy and service provision and as part of that process it is required to take account of the consultation and engagement activity undertaken. The feedback received has also been taken into account when finalising the revenue and capital budget proposals. The detail and analysis of this process is described in **Annex 6**.

Resident survey on future of council services

13. Between 17 December 2018 and 6 January 2019, the council ran a survey, commissioned through MEL Research, to determine residents' spending priorities. This built on the participatory budget workshops held in October 2018.
14. A statistically representative sample of 1,100 Surrey residents were interviewed, achieving a broadly even split across each of the 11 districts and boroughs, then by age and gender representative of Surrey's population.
15. The findings were:
- The majority of respondents were aware of budget pressures faced by local authorities up and down the country, although less were aware of the pressures facing the council. There was greater awareness of this among older and middle aged residents.
 - The majority of respondents were unwilling to pay more council tax than allowed within council tax referendum thresholds (2.99%) on the services they identified as being most important to them. However, there was a large share of residents who were prepared to see a further rise of 1%, while close to a quarter were prepared to accept an increase of 2%. Support for increases were more likely to be seen with people of middle age, and from respondents who lived in rural areas.
 - The most important services for respondents were those that supported vulnerable people, such as adult social care, services for vulnerable children and those at risk and support for children and young people with special educational needs and disabilities. This indicates the council's spending priorities align with those of residents.
 - Residents were also asked to choose from a list of potential service changes. Many residents found this hard to do. Residents were supportive of changes that encouraged people to have greater control over their lives. They generally preferred to retain services rather than cutting them, with some people challenging the notion that services must be cut.
 - Nine in ten respondents were supportive of the council providing services to those most in need, even if it meant spending reductions elsewhere. Respondents who lived in urban areas were most likely to agree with this. Six in ten respondents were also willing to be more active in civic life if they could see the results of their contribution, but over half said they were unsure how to get involved.
 - Notably, there was greater appetite for involvement among younger people, families with children and people from Asian communities, but less so from older people. This indicates a need for developing appropriate infrastructure and opportunities to facilitate greater civic participation, and the importance of tailoring communications around opportunities to participate.

- The majority of residents were generally happy to use digital channels to contact the council, with broad agreement that they were happy to receive emails, do everything online and use web chat services. Younger people in particular were happy to embrace these technologies for supporting them and communicating with the council.
- However, there was strong agreement with always having an option to contact the council by telephone, most likely out of concern for older people and for dealing with more complex queries. In addition, residents with disabilities were least likely to support a digital-only offer. This shows the council's strategy to invest in more digital channels for customer contact aligns with resident expectations, but that particular consideration must be given to the needs of disabled people on any changes.

STATEMENT OF THE EXECUTIVE DIRECTOR FOR FINANCE (\$151 officer)

16. The Executive Director for Finance is the Section 151 Officer as defined by the Local Government Act 1974. Legislation requires the Section 151 Officer to report on the robustness of the budget. This is included in **Annex 6**. In summary, the Executive Director of Finance indicates that although there is no general use of reserves to support the 2019/20 budget, the Transformation Programme savings and cost containment plans still include a high level of risks. A contingency within the budget of £10 million partly mitigates those risks against a total savings requirement of £82 million.
17. The Executive Director of Finance cautions against optimism bias and the report has highlighted the continuing serious financial challenges faced by the council in the years following 2019/20. These challenges are from continuing demand pressures on service budgets, especially in social care, education and waste and a high degree of uncertainty about the future level of funding. The government is set to revise the system for funding local government from April 2020, and if resource equalisation remains a factor in this, then Surrey County Council could continue to lose core funding from central government and business rates.
18. Finally, in accordance with the Prudential Code, the Executive Director of Finance supports the proposed capital and investment strategy. The various elements of the capital strategy and associated inter-related controls and policies demonstrate that the council's capital expenditure and investment decisions properly take account of stewardship, value for money, prudence, sustainability and affordability, by setting out the long term context in which capital expenditure and investment decisions are made, and by giving due consideration to both risk and reward and impact on the achievement of priority outcomes.

OTHER IMPLICATIONS:

EQUALITIES AND DIVERSITY

19. In approving the budget and the council tax precept, the Cabinet and Council must comply with the Public Sector Equality Duty in section 149 of the Equality Act 2010.
20. A high level Equality Impact Assessment (EIA) of the revenue savings proposals has been undertaken and is set out in **Annex 7**. Further EIAs will be undertaken where appropriate before individual proposals are implemented. In considering the proposals in this report, Cabinet Members are required to have 'due regard' to the objectives set out in section 149 of the Equality Act 2010, i.e. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and the need to foster good

relations between persons who share a relevant protected characteristic and persons who do not share it (the Public Sector Equality Duty).

21. The Equality Act 2010 ('the EA') provides that a public authority must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EA;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic (as defined by the EA) and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. The protected characteristics set out in the EA are as follows:

- Age
- Disability
- Gender Reassignment
- Pregnancy/ maternity
- Race
- Religion or Belief
- Sex
- Sexual Orientation
- Marriage and civil partnership are also protected characteristics for the purposes of the duty to eliminate discrimination.

22. Prior to making a decision as to which savings proposals should be agreed, Cabinet must have due regard to the Equality Duty contained in Section 149 of the EA.

23. Having 'due regard' does not necessarily require the achievement of all the aims set out in section 149 of the EA. Instead it requires that Cabinet understand the consequences of the decision for those with the relevant protected characteristics and consider these alongside other relevant factors when making the decision to pursue one course of action rather than another, alternative, course of action that may have different consequences. The regard which is necessary will depend upon the circumstances of the decision in question, and should be proportionate.

24. The public sector equality duty set out in the EA is a continuing one, and it will therefore be necessary to monitor the effects of decisions and policies, not only during their formulation, but also after implementation.

25. The three equality aims set out above must be considered as a relevant factor alongside financial constraints and all other relevant considerations.

26. EIAs are carried out to identify any adverse impacts that may arise as a result of the proposals for those with protected characteristics and to identify appropriate mitigations. The full version of relevant completed EIAs have been placed in the Members' and Cabinet Room and are available on the council's website. They can be inspected upon request at County Hall. Members must read the full version of the EIAs and take their findings into consideration when determining these proposals.

LEGAL IMPLICATIONS – MONITORING OFFICER

27. Whilst the Cabinet is being asked to recommend, and subsequently the Council asked to agree, the revenue budget and capital programme, the budget decision does not constitute final approval of what policies would be or what sums of money will be saved

under the service proposals save for those areas where there is a specific recommendation being made.

28. The revenue budget and capital programme recommendations in the report do not commit the council to implement any specific savings proposal. When the Cabinet come to make specific decisions on budget reductions, where necessary, focussed consultations and the full equality implications of doing one thing rather than another will be considered in appropriate detail. If it is considered necessary, in light of equality or other considerations, it will be open to those taking the decisions to spend more on one activity and less on another within the overall resources available to the council.

WHAT HAPPENS NEXT

29. Council will set its budget and council tax precept on 5 February 2019.
30. The detailed budget will be presented to Cabinet on 26 March 2019.
31. The council will continue to pursue its transformation plans in order to achieve improved outcomes for residents while also ensuring the future financial sustainability of the council. When it is identified that further public or staff consultation is required prior to implementing any proposals, planning for this will commence, with a view to carrying out these consultations in 2019.

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Annexes referred to

Annex 1	Children's Centre Consultation Report
Annex 1a	Children's Centres Equality Impact Assessment
Annex 2	Special educational needs and disability (SEND) Consultation Report
Annex 2a	Special educational needs and disability (SEND) Equality Impact Assessment
Annex 3	Libraries and Culture Consultation Report
Annex 3a	Libraries Equality Impact Assessment
Annex 4	Community Recycling Centres (CRCs) Consultation Report
Annex 4a	Community Recycling Centres (CRCs) Equality Impact Assessment

Annex 4b	Waste Service Information
Annex 4c	CRCs Environmental Consideration Summary
Annex 5	Concessionary Bus Travel Consultation Report
Annex 5a	Concessionary Bus Travel Equality Impact Assessment
Annex 6	2019/20 Budget and Financial Strategy 2019-24
Annex 7	2019/20 Budget Equality Impact Assessment
Annex 7a	Adult Social Care Transformational Savings Equality Impact Assessment
Annex 7b	Customer Experience Equality Impact Assessment
Annex 8	Flexible Use of Capital Receipts
Annex 9	Capital and Investment Strategy 2019/20 – 2023/24
Annex 9a	Minimum Revenue Provision (MRP) Policy Statement 2019-20

Sources/background papers:

A Community Vision for Surrey in 2030, Report to Council 9 October 2018

Vision for Surrey 2030 – Evidence base, Annex A to Report to Council 9 October 2018

Our Surrey - report on engagement feedback on the Vision for Surrey in 2030, Annex B to Report to Council 9 October 2018

Organisation Strategy, Preliminary Financial Strategy, Transformation Programme and 'Our People' Strategy, Report to Cabinet 30 October 2018

MEL Research Report - Future of services: Detailed findings from resident survey, January 2019

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