

**SURREY COUNTY COUNCIL****CABINET****DATE: 28 JANUARY 2020****REPORT OF: MR MEL FEW, CABINET MEMBER FOR FINANCE****LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR, RESOURCES (AND S151)****SUBJECT: 2020/21 FINAL BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY****SUMMARY OF ISSUE:**

The Council is in the midst of significant change and improvement, having embarked upon an extensive programme of transformation over the last year. These changes will help secure the very best outcomes for the residents of Surrey. Not only are we changing the way we want to deliver services, we are also undertaking significant capital investment which will make a real difference for the residents that the Council serves.

Although the Council and the sector in general face financial challenges and uncertainty over the medium-term, the Council has developed a budget that is balanced, sustainable and resilient for 2020/21. This will enable further transformation over the medium-term in a bid to overcome financial uncertainty.

Cabinet is required to consider and make recommendations to Council on:

- The Revenue and Capital Budgets for 2020/21, including efficiency proposals;
- The Council Tax Precept level for 2020/21;
- The Council's Capital Receipt Flexibilities Strategy, including the level of investment required to deliver the Transformation Programme and the move back into the County;
- The Council's Capital Programme for 2020/21-2024/25, which will deliver significant investments in the community through a Community Investment Fund;
- The Council's Capital, Investment and Treasury Management Strategies, which provide an overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of our services.

The budget decisions and attached 2020/21 Final Budget Report and Medium-Term Financial Strategy, supported by Annexes, underpin the priorities set out in the Council's Organisation Strategy and refreshed Transformation Programme.

**RECOMMENDATIONS:**

Cabinet recommends that Council:

1. Approves the net revenue budget requirement be set at **£968.4 million** (net cost of services after service specific government grants) for 2020/21 (Annex B), subject to confirmation of the Final Local Government Financial Settlement;

2. Approves the total Council Tax funding requirement be set at **£765.3 million** for 2020/21. This is an increase of 3.99%, made up of an increase in the level of core Council Tax of 1.99% to cover core Council services and an increase of 2% in the precept proposed by Central Government to cover the growing cost of Adult Social Care (Annex E);
3. 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 (i.e. not greater than 2%);
4. Sets the Surrey County Council precept for Band D Council Tax at £1,511.46, which represents a 3.99% uplift. This is a rise of £1.11 a week from the 2019/20 precept of £1,453.50. This includes £131.46 for the Adult Social Care precept, which has increased by £29.07. A full list of bands is as follows:

Council Tax Band	2019/20 £	2020/21 £
Band A	£969.00	£1,007.64
Band B	£1,130.50	£1,175.58
Band C	£1,292.00	£1,343.52
Band D	£1,453.50	£1,511.46
Band E	£1,776.51	£1,847.34
Band F	£2,099.51	£2,183.22
Band G	£2,422.51	£2,519.10
Band H	£2,907.01	£3,022.92

5. Approves the Flexible Use of Capital Receipts Strategy for 2020/21 to meet the statutory guidelines for the use of such receipts to fund transformation and the move back into the County (Annex F);
6. Notes that underlying General Fund Balances remain at £21.3 million as at 1 April 2020;
7. Approves the Total Schools Budget of £505.7 million to meet the Council's statutory requirement on schools funding;
8. Approves the overall indicative Budget Envelopes for Executive Directorates and individual services for the 2020/21 budget (Annex B);
9. Approves the total £1.447 billion proposed five-year Capital Programme (comprising £851m of budget and £596m pipeline) and approves the £175.7 million capital budget in 2020/21 (Annex C);
10. Approves the Capital Strategy (Annex G), which provides an overview of how risks associated with capital expenditure, financing and treasury will be managed as well as how they contribute towards the delivery of services;
11. Approves the policy for making a prudent level of revenue provision for the repayment of debt (the Minimum Revenue Provision (MRP) Policy) (Annex H); and
12. Approves the Investment Strategy (Annex I), which provides detail on how the Council will manage commercial investments;

Cabinet recommends that the Audit & Governance Committee approves the following:

13. Treasury Management Strategy and Prudential Indicators (Annex J) which set a framework for the Council's treasury function to manage risks, source borrowing and invest surplus cash.

#### **REASON FOR RECOMMENDATIONS:**

Council will meet on 4 February 2020 to agree a budget and to set the Council Tax Precept for 2020/21. Cabinet is required to recommend a budget to Council for consideration at this meeting. The budget directs available resources to support the achievement of the Council's ambitions and priorities in the 2030 Vision and the Organisation Strategy.

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

#### **DETAILS:**

1. The 2020/21 Final Budget Report and Medium-Term Financial Strategy and supporting Annexes set out the context (both internal and external), approach and assumptions underpinning the development of the budget.

#### **CONSULTATION:**

2. The Council has undertaken a consultation with residents between November and December 2019, building on that of 2018. Section 10 of the attached report sets out the key messages of the consultation. We are also in the process of undertaking consultation with businesses.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

3. The attached report and Annexes have been prepared with a view to risk management from a financial, operational and reputational perspective. The financial risk implications are set out in Section 4 of the attached and exemplified in the s151 commentary below.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

4. This is covered in the attached report and covered further in the s151 commentary below.

#### **SECTION 151 OFFICER COMMENTARY**

5. The Council is required to maintain an adequate level of Reserves to deal with future forecast or unexpected pressures. We are not permitted to allow spend to exceed available resources which would result in an overall deficit. Sections 32 and 43 of the Local Government Finance Act 1992 require authorities to have regard to the level of Reserves to meet estimated future spend when calculating the budget requirement. The attached Final Budget Report has been drafted on this basis. A summary of earmarked

reserves and the forecast on reserves and balances can be found in Annex D and detailed in Section 4 of the Budget Report.

6. The Council has set a balanced budget for 2020/21. Given the reduction in funding that the Council has experienced over recent years, retention of the Council's Reserves will be essential in order to mitigate risk, including future funding uncertainties.
7. For 2020/21, aside from the £21.3m General Fund balance, we have allowed for a £20.4m Contingency as part of budget setting. The General Fund balance in combination with the Contingency, provides £41.7m of cover (equivalent of 4.4% of spend) to mitigate against future risk and uncertainties. On this basis, the Council's budget is considered to be robust.

#### **LEGAL IMPLICATIONS – MONITORING OFFICER**

8. 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 except for those areas where there is a specific recommendation being made.
9. The revenue budget and capital programme recommendations in the report do not commit the Council to implement any specific efficiency proposal. When the Cabinet comes to make specific decisions on efficiencies, 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.

#### **EQUALITIES AND DIVERSITY**

10. A comprehensive review of Equalities and Diversity was undertaken and is referred to in Section 11 of the attached Report and Annex K.

#### **CORPORATE PARENTING/LOOKED AFTER CHILDREN IMPLICATIONS**

11. This is set out in Section 3 of the attached Report.

#### **SAFEGUARDING RESPONSIBILITIES FOR VULNERABLE CHILDREN AND ADULTS IMPLICATIONS**

12. This is set out in Section 3 of the attached Report.

#### **ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

13. All environmental and sustainability implications have been taken into account in the preparation of this report and are set out in attached Budget Report.

**PUBLIC HEALTH IMPLICATIONS**

14. Public Health implications are set out in attached Budget Report and are highlighted in Section 3.

**WHAT HAPPENS NEXT:**

15. Cabinet is requested to consider and agree the recommendations 1- 12 as set out above and recommend to Council on 4 February 2020 for approval. Cabinet is also requested to consider and agree recommendation 13, as set out above, to Audit & Governance Committee 29 January 2020 for approval.

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**Contact Officer:**

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**Consulted:**

Cabinet Members, all other Members, residents, community partners, businesses and staff have all been consulted in the preparation of this report

**Annexes:**

- Annex A – Pressures and Efficiencies 2020/21
- Annex B – Detailed Revenue Budget 2020/21
- Annex C – Capital Budget 2020/21-2024/25
- Annex D – Projected Earmarked Reserves and Balances
- Annex E – Council Tax Requirement
- Annex F – Flexible Use of Capital Receipts
- Annex G – Capital Strategy 2020/21
- Annex H – Minimum Revenue Provision (MRP) Policy 2020/21
- Annex I – Investment Strategy 2020/21
- Annex J – Treasury Management Strategy Statement 2020/21
- Annex K – Equalities Impact Assessment

**Sources/background papers:**

- [Provisional local government finance settlement: England, 2020 to 2021](#), 20 December 2019

- [Organisation Strategy 2020-25 and next phase of transformation, Report to Cabinet 29 October 2019](#)
  - [A Community Vision for Surrey in 2030](#), Report to Council 9 October 2018
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