

SURREY COUNTY COUNCIL**CABINET****DATE: 24 NOVEMBER 2020****REPORT OF: MR MEL FEW, CABINET MEMBER FOR RESOURCES****LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR OF RESOURCES****SUBJECT: 2021/22 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY****ORGANISATION STRATEGY PRIORITY AREA: Growing A Sustainable Economy So Everyone Can Benefit/ Tackling Health Inequality/Enabling A Greener Future/Empowering Communities****SUMMARY OF ISSUE:**

The Council has a statutory duty to set a balanced budget in advance of each financial year. The Final Budget for 2021/22 will be approved by Cabinet in January 2021 and full Council in February 2021.

This report and the attached 2021/22 Draft Budget and Medium-Term Financial Strategy to 2025/26 sets out progress towards delivering a balanced budget. It is good practice to, as far as possible, set out in advance the draft budget to allow consultation on and scrutiny of the approach and the proposals included.

The production of the 2021/22 budget has been developed through an integrated approach across Strategy, Transformation and Finance, ensuring that revenue budgets, capital investment and transformation plans are all aligned with each Directorate's service plans and all four corporate priorities of the organisation.

Ensuring that each aspect of strategic planning for 2021/22 and the medium-term are completely aligned provides a stable foundation for delivering services to Surrey residents in the face of challenges presented by the Covid-19 pandemic and wider pressures.

Good progress has been made over the last few months in reducing the original budget gap from £67m to the current provisional budget with a gap of £18.3m. There still remains work to be completed to close this gap but it is recognised that the funding element of the budget has not yet been finalised and the final budget will only be completed on the Local Government Finance Settlement which is due some time in December 2020.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. Note the 2021/22 Draft Budget and Medium-Term Financial Strategy to 2025/26, including progress to date in setting out spending pressures and efficiencies, as set out in Annex 1.
2. Note the provisional budget gap of £18.3m for 2021/22 and the next steps required to close the gap.
3. Note the proposed Capital Programme for 2021/22 to 2025/26 of £1.7bn

REASON FOR RECOMMENDATIONS:

In January 2021, Cabinet will be asked to recommend a Final Budget for 2021/22 to full Council for approval in February. The draft budget sets out proposals to direct available resources to support the achievement of the Council's corporate priorities in the refreshed Organisation Strategy, giving Cabinet the opportunity to comment on the proposals and next steps.

The draft budget also provides an update on the continuing transformational changes that are required to ensure that the Council can continue prioritising outcomes for residents, while managing growing demand for services while ensuring future financial resilience and sustainability.

DETAILS:

1. The Draft 2021/22 Final Budget Report and Medium-Term Financial Strategy to 2025/26 and supporting Annexes set out the context (both internal and external), approach and assumptions underpinning the development of the budget.

CONSULTATION:

2. Section 9 of the Draft Budget sets out the consultation undertaken to date and the plans for further consultation between now and approval of the Final Budget.

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 throughout Section 5 (Financial Strategy and Draft Budget 2021/22) of the attached document and exemplified in the S151 commentary below.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

4. The attached report considers financial and value for money implications throughout and future budget reports will continue this focus.

SECTION 151 OFFICER COMMENTARY

5. The Council has a duty to ensure its expenditure does not exceed resources available. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium-term financial outlook remains uncertain. The current public health crisis has resulted in increased costs which may not be fully funded in the current year and uncertainty about the ongoing impact of health crisis and no clarity on the extent to which both central and local funding sources might be affected from next year onward, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term. Within this context the Council will continue to develop and implement plans to ensure the delivery of services are contained within resources.
6. The Section 151 Officer confirms that the Draft Budget has been based on reasonable assumptions, taking into account all material, financial and business issues and risks at the time of preparation.

LEGAL IMPLICATIONS – MONITORING OFFICER

7. The draft budget does not constitute final approval of policies or sums of money to be saved under the service proposals. The proposed draft revenue budget and capital programme in the report do not commit the Council to implement any specific efficiency proposal.
8. When the Cabinet comes to make specific decisions on efficiencies, where necessary, focussed consultations and the full equality implications of implementation 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

9. Where appropriate, Equality Impact Assessments will be undertaken to assess the efficiency proposals set out in budget, along with any further measures that emerge as part of closing the draft budget gap. Proposals will only be implemented once Members have actively paid due regard and considered all possible actions and mitigations to achieve the aims of the Public Sector Equality Duty, namely the need to:
 - Eliminate discrimination, harassment, victimisation or any other conduct prohibited by or under the Act;
 - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
10. A report on the cumulative equality implications of the efficiency proposals to identify multiple impacts on the same groups, as well as individual Impact Assessments for proposals that need them, will be presented to Cabinet in January.

CORPORATE PARENTING/LOOKED AFTER CHILDREN IMPLICATIONS

11. This is set out in section 4.

SAFEGUARDING RESPONSIBILITIES FOR VULNERABLE CHILDREN AND ADULTS IMPLICATIONS

12. This is set out in section 4.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

13. The Draft Budget has been designed to support the implementation of the Council's corporate priorities; including enabling a Greener Future. Section 4. of the report sets out relevant implications.
14. Where draft proposals in this report have an Environmental Sustainability impact, this will be set out in full to Cabinet as part of the decision required to implement the proposal.

PUBLIC HEALTH IMPLICATIONS

15. This is set out in section 4.

WHAT HAPPENS NEXT:

16. Section 10 of the report sets out detailed next steps; in summary they are:

- a. Draft budget proposals will be iterated over the course of November and December, with a final budget presented to Cabinet in January and full Council in February 2021.
- b. The focus in the intervening period will be to close the indicative gap of £18.3m in order to set a balanced budget for 2021/22
- c. Funding assumptions will be refined in light of expected announcements from Government and latest intelligence on the impact of Covid-19
- d. The Capital Programme and emerging proposals will be subject to continued scrutiny to ensure that benefits are clearly demonstrated and the impact on the revenue budget is fully quantified, justifiable and prudent
- e. Further consultation will take place as set out in section 9 of the report
- f. Equality Impact Assessments (EIAs) will be undertaken as required on proposals within the emerging final budget.

Contact Officer:

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Consulted:

Cabinet

Executive Directors

Heads of Service

Annex:

Annex 1 – Draft Directorate Pressures and Efficiencies

Annex 2 – Draft Capital Programme