

SURREY COUNTY COUNCIL**CABINET****DATE: 26 JANUARY 2021****REPORT OF: MR MEL FEW, CABINET MEMBER FOR RESOURCES****LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR OF RESOURCES****SUBJECT: 2021/22 FINAL BUDGET AND MEDIUM TERM FINANCIAL STRATEGY TO 2025/26****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 production of the 2021/22 budget has been developed through an integrated approach across Strategy, Transformation and Finance, based around a set of Core Planning Assumptions which set out likely changes to the environment in which we deliver our priorities. The integrated approach ensures that revenue budgets, capital investment and transformation plans are all aligned with each Directorate's service plans and the new Corporate Priorities of the organisation. Ensuring that each aspect of 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.

Continuing a trend set over several previous financial years, Local Government funding remains highly uncertain over the medium-term, with a number of factors likely to result in significant changes to our funding position beyond 2021/22. These factors are set out in section 8 of the report.

Despite the longer-term uncertainty, the overall outlook for 2021/22 is one of stability; with Directorate budget envelopes increasing from 2020/21 levels. There remain significant challenges in managing growth in demand (particularly in Children's and Adult services), inflationary pressures and the ongoing impact of Covid-19 within those envelopes. In terms of living within the principles of a budget envelope approach, Directorates were tasked with identifying efficiencies to close their element of the overall budget gap. Where this has not been possible, additional funding has been identified and allocated.

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

- The Revenue and Capital Budgets for 2021/22, including efficiency proposals;
- The Council Tax Precept level for 2021/22;
- The Council's Flexible use of Capital Receipts 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 2021/22-2025/26;

- The Council's Capital 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 and sustain our capital investments.

The budget decisions and attached 2021/22 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 **£1,003.6 million** (net cost of services after service specific government grants) for 2021/22 (Annex B), subject to confirmation of the Final Local Government Financial Settlement;
2. Approves the total Council Tax Funding Requirement be set at **£777.9 million** for 2021/22. This is based on a council tax increase of 2.49%, made up of an increase in the level of core council tax of 1.99% to cover core Council services and an increase of 0.5% 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 core 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 £1,549.08, which represents a 2.49% uplift. This is a rise of £0.72 a week from the 2020/21 precept of £1,511.46. This includes £139.01 for the Adult Social Care precept, which has increased by £7.55. A full list of bands is as follows:

Valuation band	Core precept	ASC precept	Overall precept
A	£940.05	£92.67	£1,032.72
B	£1,096.72	£108.12	£1,204.84
C	£1,253.40	£123.56	£1,376.96
D	£1,410.07	£139.01	£1,549.08
E	£1,723.42	£169.90	£1,893.32
F	£2,036.77	£200.79	£2,237.56
G	£2,350.12	£231.68	£2,581.80
H	£2,820.14	£278.02	£3,098.16

5. Approves the Flexible Use of Capital Receipts Strategy for 2021/22 to meet the statutory guidelines for the use of such receipts to fund transformation (Annex F);
6. Notes that underlying General Fund Balances are projected to remain at £24.2 million as at 1 April 2021;
7. Approves the Total Schools Budget of £537.3 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 2021/22 budget (Annex B);
9. Approves the total £1,905.5 million proposed five-year Capital Programme (comprising £1,026.2m of budget and £879.2m pipeline) and approves the £184.9 million Capital Budget in 2021/22 (Annex C);

10. Approves the Capital and Investment 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 I);
12. Agrees the Council's refreshed Transformation Programme (as set out in section 3 of 2021/22 Final Budget Report and Medium-Term Financial Strategy to 2025/26)
13. Note that the investment in transformation required to deliver improved outcomes and financial benefits is built into the proposed Medium-Term Financial Strategy (as set out in section 3 of 2021/22 Final Budget Report and Medium-Term Financial Strategy to 2025/26) and;

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

14. Treasury Management Strategy and Prudential Indicators (Annex H) 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 9 February 2021 to agree a budget and to set the Council Tax Precept for 2021/22. 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 Refreshed 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 2021/22 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 2020. 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 5 of the attached and exemplified in the Section 151 commentary below.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

4. This is covered in the attached report and the Section 151 Officer 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 5 of the Budget Report.
6. The Council has set a balanced budget for 2021/22. 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 2021/22, in addition to the £24.2m General Fund balance, we have also allowed for a £20.4m Contingency as part of budget setting. It is expected that the £33.4m of contingency in 2020/21 will not be required, giving a total contingency of £53.8m for 2021/22. The General Fund balance, in combination with the Contingency (for general purpose use), will mean that there is £78m (7.8%) of cover to mitigate against future risk and uncertainties. In addition, £9m has been set aside to mitigate the risk of containing costs in the Dedicated Schools Grant - High Needs Block, and £4.9m to mitigate the risk of Covid-19. 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 policies would or the sums of money to 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 J.

OTHER IMPLICATIONS:

11. There are no other implications other than those already set out in the attached Budget Report.

CORPORATE PARENTING/LOOKED AFTER CHILDREN IMPLICATIONS

12. This is set out in Section 4 of the attached Report.

SAFEGUARDING RESPONSIBILITIES FOR VULNERABLE CHILDREN AND ADULTS IMPLICATIONS

13. This is set out in Section 4 of the attached Report.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

14. 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

15. Public Health implications are set out in attached Budget Report and are highlighted in Section 4.

WHAT HAPPENS NEXT:

16. Cabinet is requested to consider and agree the recommendations 1- 13 as set out above and recommend to Council on 9 February 2021 for approval. Cabinet is also requested to consider and agree recommendation 14, as set out above, to Audit & Governance Committee 29 January 2021 for approval.
17. Pending agreement, the Final Budget, MTFS, Organisation Strategy and Transformation Programme will be communicated to residents, staff, partners and other key stakeholders.
18. The refreshed Transformation Programme will be led and delivered by the respective Cabinet Members and Executive Directors, with all decisions in relation to specific constituent programmes and projects continuing to be subject to consultation and decision-making protocols in line with the Council's Constitution and Scheme of Delegation.

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 2021/22

Annex B – Detailed Revenue Budget 2021/22

Annex C – Capital Budget 2021/22-2025/26

Annex D – Projected Earmarked Reserves and Balances

Annex E – Council Tax Requirement

Annex F – Flexible Use of Capital Receipts

Annex G – Capital and Investment Strategy 2021/22

Annex H – Treasury Management Strategy Statement 2021/22

Annex I – Minimum Revenue Provision (MRP) Policy 2021/22

Annex J – Equalities Impact Assessment

Sources/background papers:

- [Provisional Settlement 17 December 2020](#)
 - [Organisation Strategy Refresh \(Cabinet 27th October 2020\)](#)
 - [2021/22 Draft Budget and Medium Term Financial Strategy to 2025/26 \(Cabinet 24th November 2020\)](#)
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