

Alternative Budget Proposal Commentary

Alternative budget proposals should be published one day in advance of Council; i.e. on Monday 8th February for the 2021/22 budget. Further commentary can be provided when specific proposals are released.

Alternative proposals are required to include Section 151 commentary which will set out the financial implications of the proposals.

In general terms, alternate budget proposals would typically involve one or more of the following:

- An amendment to the proposed Council Tax increase;
- Use of reserves or contingency to fund additional revenue proposals; or
- An expansion of the Capital Programme

This note sets out the financial implications of these interventions.

Proposal to vary the Council Tax increase

In 2021/22, the Cabinet's budget proposals include an increase in core Council Tax of 1.99%. Any proposals to increase core Council Tax further would trigger a referendum; with associated administrative costs and an uncertain outcome.

The ASC precept increase is set at 0.5%, generating £3.8m of additional funding. This is directed towards an overall increase in the ASC revenue budget of £5m. Setting the precept at 0.5% allows 2.5% flexibility to be carried forward to meet known pressures in ASC for 2022/23. Whether the Council chooses to use that flexibility in 2022/23 will depend on the Local Government Finance Settlement; (likely to be announced in December) and any budget deficit identified.

Any proposals to increase the ASC precept for 2021/22 are required to be directed towards Adult Social Care. Therefore, a simplistic assumption would be that the total increased funding from the ASC precept should not exceed the £5m increase in the ASC budget. This would equate to a total ASC precept increase of 0.66%.

Proposals to *decrease* either element of the precept would require the use of contingency or reserves to balance the budget, with the impacts set out below.

Use of reserves or contingency to fund additional revenue proposals

The Cabinet has proposed a balanced budget for 2021/22 but delivering the efficiency and transformation programmes is key to achieving the budget and to safeguarding the medium-term sustainability of the Council's finances.

The contingency and earmarked reserves set aside allow us to set ambitious efficiency targets within Directorate budget envelopes with the confidence that the risk of not achieving these targets can be managed from within contingencies.

Despite making good headway with building earmarked reserves, the uncertain impact of Covid-19 and the impact of insufficient Government grant to fund services for children with Special Educational Needs and/or Disabilities, make it as important as ever to continue to grow sustainability.

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.

The Section 151 commentary set out in any proposals would draw attention to the requirement to maintain resilience through reserves and contingencies. A modest diversion of contingency or reserves would not carry an objection from the Section 151 Officer; however caution would be advised.

An expansion of the Capital Programme

The proposed Capital Programme grows from £1.5bn to £2bn, to be delivered over the period from 2021/22 to 2025/26, including £1.1bn of new borrowing. This is deemed to be prudent and affordable.

The programme is developed by means of a rigorous planning process, aligned to the delivery of Corporate Priorities. Much of the programme is key to delivering transformation programmes, increased revenue funding or revenue efficiencies.

Any new proposals should be considered in context of overall programme delivery. Schemes which deliver sustainability in the revenue budget should be prioritised with a focus on programmes that deliver the best return; either in terms demonstrable delivery of benefits for residents; delivery of corporate priorities or revenue efficiency.

Commentary on proposals

The alternative budget includes the following proposals, with commentary. These should be considered alongside the general commentary about diverting contingency away from management of risk and increasing the Capital Programme.

Dedicated Cycle Route Planners

- ETI's current strategy is to employ travel planners who are not solely focussed on cycling; but have a broader skill set which balances competing demands for road space and place shaping without focussing on a single mode.

Safe Routes to Schools

- The proposal sets out additional officers to support the delivery of road safety schemes; enabling capital funding to be reprioritised into these areas. The proposal does not set out which existing capital allocations would be de-prioritised.

Electric Fleet Replacement Programme

- Analysis of fuel savings offset against the increased capital cost of an electric vehicle supports the use of electric vans from an economic appraisal point of view, although there is a question mark over the useful life of the battery acknowledged in the proposal (especially if rapid charging is necessary);
- Colleagues in H&T raised concerns about the range of an electric van; currently circa 100 miles and potentially less with safety equipment and winter-running (e.g. flashing lights, heaters). This may limit the number of vehicles that can be replaced (full replacement would depend on vans with an available range becoming available over the 10-year period);
- The service is already trialling electric vehicles where appropriate so arguably this proposal formalises and accelerates work that is already under way.

Zero Carbon Buildings Programme

- This proposal extends an existing pipeline allocation of £2.5m to £10m;
- The pipeline holds placeholder allocations for schemes which are subject to business case and financial values for pipeline schemes are typically variable - it is therefore arguable that if a larger value was deemed to be desirable, the pipeline process would allow for that when the business case was completed.

Energy retrofit and renewable energy for every school in Surrey

- This proposal sets out development costs of a programme of works to reduce the carbon footprint of Surrey Schools (including maintained schools and non-maintained such as academies);
- Where SCC is responsible for the maintenance of a school; energy efficient materials or technology would be used by default when maintenance or renewal is required;
- The development element of the proposal can be capitalised so long as the school or academy proceeded with the resulting measures; there is therefore a potential risk of abortive costs and the school would need to commit to the measures in advance to avoid this becoming an impact on the revenue budget.

General Commentary on Greener Futures Schemes

- The Council has submitted two bids to the Public Sector Decarbonisation Fund and is awaiting the results; one for £1.9m energy efficiency measures in corporate buildings and the other for renewable energy measures at Woodhatch.
- The Cabinet's budget proposals include the following amounts associated with delivering a greener future:
 - £253m investment and leadership on flood alleviation which will protect tens of thousands of homes and businesses from further disaster and give future security and peace of mind.

- Capital pipeline amounts of £105m. These aren't generally itemised in the budget report but make up the overall ambition. The pipeline includes the following (**bold are itemised in the budget**):
 - **£48m investment in low emission buses to help tackle climate change and improve sustainable transport**
 - **£27m Materials Recovery at Trumps Farm**
 - £5m for solar energy at Trumps Farm
 - £12m Local Cycling, Walking and Infrastructure Plans
 - £5m for additional renewable energy installation
 - £2.5m for the revolving zero carbon fund (as referenced above)