

SURREY COUNTY COUNCIL**CABINET****DATE: 30 NOVEMBER 2021****REPORT OF: TIM OLIVER, LEADER OF THE COUNCIL****LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR RESOURCES (S151 OFFICER)****SUBJECT: 2022/23 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY TO 2026/27****ORGANISATION STRATEGY PRIORITY AREA: GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/ TACKLING HEALTH INEQUALITY/ENABLING A GREENER FUTURE/EMPOWERING COMMUNITIES****SUMMARY OF ISSUE:**

Since 2018, the Council has implemented a wholesale Transformation Programme, delivering £90m of efficiencies so far, with a further far-reaching programme to be delivered across the next five years.

Through our hard work and diligent financial management, we have built a stronger financial base from which to deliver services. We have reduced our financial risk, delivered service improvement, ambitious investment and built back depleted reserves. We have continued to be responsible with taxpayer's money; minimising increases in Council Tax and delivering services in a more effective and efficient way, providing a stable platform to invest in the county's future.

We have been able to build a financial bedrock for the Council to deal with Covid-19, along with a platform for the county's recovery. Establishing this solid base is a key achievement because it means we can focus on delivering priorities, not simply on fighting financial crisis. Our hard-won financial resilience was evidenced through the Covid-19 pandemic where we worked tirelessly to protect our communities and support the residents and businesses who needed us, confidently, and without fear of financial failure.

Our continuing ambition to deliver for Surrey residents is most evident in our £1.9bn, 5-year programme to invest in the assets and infrastructure of the county, and our commitment to delivering the Community Vision for Surrey in 2030. We've achieved a huge amount since 2018, with much to come. However, major challenges remain on the horizon.

Local Government across the country stepped up to the challenge of Covid-19. The pandemic has had an unprecedented impact on individual wellbeing, on family resilience and on the sustainability of businesses, compounded by significant increases to the cost of living and uncertainties in the employment market. The Draft Budget reflects the Council's commitment to continue its work to drive recovery from the pandemic, enhancing its engagement with residents to understand their priorities, and to ensure that no one is left behind.

Climate Change is a real and imminent threat that must be tackled seriously, and we have set out our ambitious plan to invest in and deliver on our commitments.

The Government's reform of Adult Social Care will deliver change in the longer-term, but the immediate pressure remains squarely on local authorities. Demand for specialist care for

residents of all ages is increasing, in both volume and acuity and this is not met by the recent increases to National Insurance, which go initially to Health and latterly to meet the cost of reform.

While we will continue to have conversations with Government around what we feel is fair and necessary for Surrey, we must look to the future and prepare properly for these anticipated budget impacts. The Council's Transformation Programme is ongoing and continually refreshed, to maximise every opportunity to deliver better services to our residents, in the most effective and efficient way possible.

The Council has a statutory duty to set a balanced budget in advance of each financial year. The Final Budget for 2022/23 will be approved by Cabinet in January 2022 and full Council in February 2022.

This report and the attached 2022/23 Draft Budget and Medium-Term Financial Strategy to 2026/27 sets out progress towards delivering a balanced budget. It is good practice as far as possible, to set out in advance the draft budget to allow consultation on and scrutiny of the approach and the proposals included.

Ensuring that each aspect of planning for 2022/23 and the medium-term are completely aligned provides a stable foundation for delivering services to Surrey residents in the face of challenges presented in the wake of the Covid-19 pandemic and wider pressures.

The production of the 2022/23 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.

Whilst good progress has been made over the last few months, there remains a provisional gap for 2022/23 of £19.5m, driven by the need to maintain the delivery of priority services and meet the costs of the capital investment. Key information on the level of funding available will not become clear until the Local Government Finance Settlement (in mid-December) and as further details emerge from District and Borough councils on the expected Council Tax base and Business Rate collection rates.

The gap will require further actions to close. The Government announced in the recent Spending Review that in 2022/23 Councils could levy an Adult Social Care Precept of 1% in addition to a 1.99% Core Council Tax increase. There is also the option for the Council to use some or all of the balance of the 2.5% Adult Social Care Precept from last financial year but the extent to which this is necessary will depend on the allocation of funding from the Local Government Finance Settlement in December, and confirmation of District and Borough Council Tax Bases in January.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. Note the 2022/23 Draft Budget and Medium-Term Financial Strategy to 2026/27, including progress to date in setting out spending pressures and efficiencies, as set out in Annex A.
2. Note the provisional budget gap of £19.5m for 2022/23 and the next steps required to close the gap.
3. Note the proposed Capital Programme for 2022/23 to 2026/27 of £1.9bn set out in Section 6 and Annex B.

4. Note the Executive Summary of Resident Engagement set out in Section 9 and Annex C.

REASON FOR RECOMMENDATIONS:

In January 2022, Cabinet will be asked to recommend a Final Budget for 2022/23 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 and the 'Twin Track' approach which are required to ensure that the Council can continue prioritising outcomes for residents, while managing growing demand for services and safeguarding future financial resilience and sustainability.

DETAILS:

1. The Draft 2022/23 Final Budget Report and Medium-Term Financial Strategy to 2026/27 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 2022/23) 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. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium-term financial outlook beyond 2021/22 remains uncertain. The public health crisis has resulted in increased costs which may not be fully funded. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected in the medium term, 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.
6. The Council has a duty to ensure its expenditure does not exceed the resources available. 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) Review income and funding assumptions - particularly in light of the Local Government Finance Settlement;
 - b) Ensure that contingencies in the 2022/23 budget are set at the right level to deal with continuing uncertainty around the economy, the impact of Covid-19 and inflation, but recognising the Council's improved reserve resilience;
 - c) Review Directorate budget envelopes for further efficiencies; and
 - d) Develop detailed plans to accelerate c£5m of cross-cutting opportunities to accelerate proposals from Track 2 of the 'Twin Track' approach.
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Consulted:

Cabinet, Executive Directors, Heads of Service

Annexes:

Annex A – Draft Directorate Pressures and Efficiencies

Annex B – Draft Capital Programme

Annex C – Resident Engagement Executive Summary

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