

**Draft Budget
Report 2023/24,
and Medium-Term
Financial Strategy
to 2027/28**

1. EXECUTIVE SUMMARY

Delivering priorities, ensuring *no one is left behind*

- 1.1 This Council is determined that the Community Vision for Surrey 2030 continues to be delivered to ensure the county is a uniquely special place where everyone has a great start to life, people live healthy and fulfilling lives, are enabled to achieve their full potential and contribute to their community, and where no one is left behind.
- 1.2 Our Organisation Strategy sets out our contribution to the 2030 Vision. Within it, the Council's four priority objectives and guiding principal that *no one is left behind* remain the central areas of focus as we deliver high-quality and sustainable services for all.



- 1.3 The purpose of the Budget and Medium-Term Financial Strategy is to set out how the Council will use its funding to deliver its priority objectives and core services. These priority objectives sit at the core of the budget process, leading our approach to allocating resources and developing investment plans.
- 1.4 The Council's purpose and approach to improving the lives of residents across the four priority objectives, as well as ensuring that no one is left behind, is set out in The Surrey Way (section 2) and reflected throughout this budget report.



- 1.5 The period covered in the report, represents a challenging time for the Council’s finances with inherent uncertainty in the planning process and significant pressures identified in relation to both the high levels of inflation being experienced nationally and ongoing forecast increases in demand for key services. The Chancellor’s Autumn Statement delivered on the 17th November 2022 set out an extremely challenging medium term outlook for the public finances, with Local Government unlikely to be spared the impact of that over the medium term. It is therefore even more important that the Council continues to direct its resources using the most efficient means possible towards achieving its purpose and priorities, while ensuring that core services are delivered to residents.

Developing the Draft Budget and Medium-Term Financial Strategy

- 1.6 The 2023/24 Draft Budget Report and Medium-Term Financial Strategy to 2027/28 updates on the progress to deliver a balanced budget for 2023/24 and outlines the continuation of ambitious, sustainable and resilient medium-term financial plans, balanced alongside an uncertain political and economic national environment.
- 1.7 The Council has worked hard over recent years to improve its financial resilience and the financial management capabilities across the organisation. From this strengthened position we have been able to be ambitious in our outlook and look to continue to drive improvements and investment in our services, as well as enabling us to manage challenges and uncertainties, as evidenced throughout the pandemic. This stability will not necessarily allow us to avoid difficult decisions, but it will allow us the time and space to make them in a considered and measured way, underpinned by an earned confidence in our ability to deliver.
- 1.8 However, we recognise that this financial year and the next 2-3 are likely to represent an extremely challenging period and our focus will need to be on protecting service delivery in the first instance, not retreating, but being realistic about our ambitions whilst we manage the challenges ahead. We need to focus on the medium term as well as the delivery of significant efficiencies required each year in order to deliver a balanced budget position. We are however confident that our improved financial position and focus on budget accountability provides a solid foundation for us to achieve this and that we will be able to continue to deliver the Council’s priorities.
- 1.9 As in previous years, the production of the 2023/24 budget has been developed through an integrated approach across Strategy, Transformation and Finance, based around ‘Core Planning Assumptions’ which set out likely changes to the environment in which we deliver our services. The integrated approach ensures that revenue budgets, capital investment and transformation plans are aligned with each Directorate’s service plans and the Corporate Priorities of the organisation. Ensuring that each aspect of planning for 2023/24 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 cost of living crisis, the medium term ongoing impacts of the Covid-19 pandemic and wider local government policy pressures.

The financial outlook

- 1.10 Local Government funding remains highly uncertain, with a number of factors likely to result in significant changes to our funding position over the medium-term (as set out in section 5). Funding for 2023/24 is not yet clear, although the Autumn Statement provides the first official indications of this. The anticipated consultation on changes to local government funding over the summer did not occur due to the prime ministerial leadership contest. Through the fiscal event/mini budget on 23 September 2022 government also made us aware that there will not be a new spending review which could have taken into account the vastly different levels of inflation experienced compared to what was assumed when the current one was announced last year. On 17 November, immediately prior to publication of this report to Cabinet, the Chancellor of the Exchequer made further fiscal announcements through his Autumn Statement. A number

of these were of direct relevance to our services and financial strategy, including the delay to the implementation of Adult Social Care Reforms, additional funding for schools and social care and changes to the levels of Council Tax rises that are allowable before a referendum, all of which have an impact on the Council's budget position. This provided important pointers to what we might see in the Local Government Finance Settlement, and assumptions have been updated based on estimates of the impact, however the first opportunity to understand in detail the direct impact of funding arrangements for the Council will be with the provisional Settlement itself, which is expected in late December, with a final settlement in January 2023. Until this is available, significant uncertainty on funding remains.

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- 1.11 The Autumn Statement set out the extent to which events such as government spending to combat Covid-19 and mitigate its impact on business and individuals and more recently the mini budget announced by Government on 23 September 2022 has put significant pressure on public sector borrowing and has had a damaging effect on the UK economy, which in turn influences the level of funding available for Local Authorities.
 - 1.12 The overall outlook for 2023/24 is one of significant challenge, with budget envelopes remaining relatively static in the face of substantial increases in the cost of maintaining current service provision and increased demand. Despite a small increase in the projected levels of funding, pressures anticipated for 2023/24 are significantly higher than in recent financial years. These pressures relate to a number of factors occurring simultaneously, namely high levels of inflation, Europe's energy crisis, workforce and labour shortages, high interest rates and the ongoing impact of the pandemic. The Council continues to see large increase in demand for services, particularly within Adults and Childrens' social care and the impact of the cost of living crisis on residents is expected to further increase demand for key services. In addition, the projected cost of implementing the Government's Adult Social Care Reform proposals is anticipated to put significant financial pressures of the Council over the medium term, well in excess of the funding being made available. The recent announcement to delay the implementation of these reforms reduced the immediate pressures, but material uncertainty remains over the medium term.
 - 1.13 While the financial environment is very challenging, the Council has established a strong track record in recent years of delivering efficiencies and transformation and taking our financial management responsibilities very seriously. The Finance Improvement Programme, implemented in 2018, enabled the Council to strengthen its financial resilience and financial management capabilities before the impact of Covid was felt. This enabled the Council to approach the pandemic in a way that prioritised our residents.
 - 1.14 Although good progress has been made over the last few months, at the point of publication there remains a provisional budget gap for 2023/24 of £14.4m, driven primarily by significant inflation, policy changes and the need to maintain the delivery of priority services experiencing significant demand pressures. The gap will require further actions to close, which will be extremely challenging, given the level of pressure forecast, and may require the Council to postpone some activity that contributes directly to the achievement of our ambitions. The extent to which further efficiencies will need to be identified, will be dependent in part upon the Local Government Finance Settlement in December, and confirmation of District and Borough Council Tax Bases in January.
 - 1.15 The gap in 2023/24 and the following four years is expected to continue to grow, based on current projections, to the order of £221m. The Council recognises that tackling this gap will require a medium-term focus and a fundamentally different approach. We are focusing not only on 2023/24, but simultaneously looking to address the medium-term horizon. Cross-cutting Directorate transformation opportunities contribute to the efficiencies already identified in this Draft Budget and work continues to identify additional areas of focus, including a planned organisational review.

Engagement and next steps

- 1.16 In 2021, we carried out in-depth research with residents to understand their priorities for how the council should spend its money. Residents indicated that they were willing to accept increases in Council Tax and the Adult Social Care Precept if it was for the purpose of protecting services that work with some of the most vulnerable people in Surrey. The engagement demonstrated that resident priorities align with those of the council, with top priorities for residents including Social Care for people of all ages, Waste services and Fire and Rescue. There was also support for more investment in preventative services and for placing those residents most at risk of being left behind in Surrey at the heart of decision-making. Residents wanted a more active role in what happens in their localities.
- 1.17 These results continue to provide a robust foundation from which to shape budget decision-making and, in 2022, have been complemented by a lighter touch approach to engagement. In May 2022, we held three virtual focus groups exploring themes including factors that make a good place to live and what local area improvements residents would like to see irrespective of who is responsible for their delivery. The groups also discussed services particularly important to resident households and in need of more support from Surrey County Council. They highlighted:
- Making sure people get access to the services they need
 - Helping people cope with the rising cost of living
 - Community safety / managing crime / anti-social behaviour
- 1.18 Additionally, in August 2022, a cost-of-living survey was asked of the Surrey Health and Wellbeing Panel which looked at areas including the challenges they have faced in the previous three months (1 May – 31 July) and if they had had to alter their behaviours. This survey will be repeated in winter to see if there has been any further change.
- 1.19 The key findings show that while the majority of Surrey residents are not in crisis situations, they are beginning to make cutbacks. It is important to note that some residents are in crisis already.
- 1.20 We have also engaged closely with members, staff and partners to shape this Draft Budget and plan to continue engagement until early into the new year as the budget is finalised. This includes launching an open survey in November seeking views on the Draft Budget, how resources are proposed to be spent and the impact on our communities.
- 1.21 Potential impacts of the budget proposals are considered by services in a variety of ways, including through services' own consultation and engagement exercises and the use of Equality Impact Assessments (EIAs). EIAs are used to guide budget decisions and will be included in the final Budget paper alongside an overview of the cumulative impact of proposed changes. At Surrey County Council, we consider impacts not just on the nine protected characteristics, but also other vulnerable groups.
- 1.22 Between now and February 2023, when the budget is approved by Full Council, officers and Cabinet Members will work closely together to close the current budget gap; challenge and refine assumptions and finalise the development of the medium-term Capital Programme. Impacts of budget proposals, both positive and negative, will also be considered by services including via Equality Impact Assessments which will be included in the Final Budget proposals.

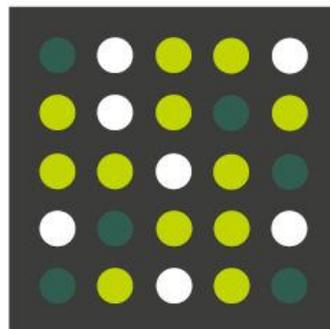
2. THE SURREY WAY: A HIGH PERFORMING COUNCIL, ENSURING THAT NO ONE IS LEFT BEHIND



OUR PURPOSE



OUR ORGANISATION



OUR PEOPLE

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- 2.1 The Community Vision for Surrey 2030, which was created with residents, communities and partners on behalf of the whole county, sets out how we all want Surrey to be by 2030. Together, we are all working to deliver a uniquely special place where everyone has a great start to life, people live healthy and fulfilling lives, are enabled to achieve their full potential and contribute to their community, and where *no one is left behind*. The Council plays a big part in the joint effort to realise this vision.
- 2.2 Our purpose as a council is to tackle inequality and make sure that no one is left behind; reinforcing the aims of the Community Vision for Surrey 2030. It is our responsibility as a council to support those in need and deliver everyday improvements to residents in all walks of life.
- 2.3 We focus on a small number of organisational priorities that will let us create the conditions for Surrey to thrive. Our Organisation Strategy (2021-26), sets out four priority objectives which reflect where we think we can have the greatest impact on tackling inequality and improving outcomes for people living and working in the county:

GROWING A SUSTAINABLE ECONOMY

We want to support economic growth among people and businesses in Surrey. Economic growth helps to improve health and well-being and general living standards. We will reorder infrastructure plans in line with the changing needs of residents.

TACKLING HEALTH INEQUALITY

Drive work across the system to reduce widening health inequalities, increasing our focus on addressing mental health and accelerating health and social care integration to reduce demand on services while improving health outcomes for residents.

ENABLING A GREENER FUTURE

We continue to tackle environmental issues, improve air quality, and focus on green energy to make sure we reach our net zero targets. We are building on behaviour changes and lessons learned during lockdown to make further progress.

EMPOWERING COMMUNITIES

We aim to empower, enable and engage communities to tackle local issues and grasp opportunities. It should be easier for everyone to play an active role in the decisions that will shape Surrey's future.

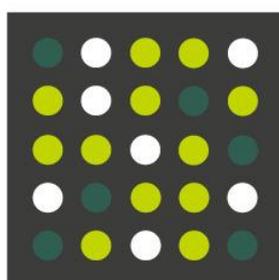
- 2.4 Our main duty as a council is to deliver high-quality core statutory services, and these services are the building blocks for meeting our four priority objectives. Core services aim to support people to live independently and well in their communities, ensure children and families reach their full potential, protect Surrey’s residents and businesses, and take care of Surrey’s environment and highways.
- 2.5 We also want to go beyond what we’re required to do, to be a truly outstanding council. We are playing a wider strategic role in ensuring Surrey is ready to engage the big challenges and opportunities now and in the future. By working collaboratively across the county to mobilise around these key emergent issues, the lives of Surrey residents are improved, demand on services is reduced, and better outcomes and opportunities for Surrey residents are achieved.
- 2.6 To achieve excellence in services and ensure Surrey can meet our priority objectives, we are transforming how our organisation operates and the culture and behaviours our people embody. Outcomes within this transformation will enable us to plan our activities and measure progress in each of the four priority objectives. Progress here will help the council become more resilient, add more value, make greater impact, and reduce demand on services as residents become more empowered and resilient.
- 2.7 In order to achieve our purpose, this transformation around how **Our Organisation** operates has four principles which guide us:



OUR ORGANISATION

- We organise ourselves around outcomes and make it easy for others across Surrey to collaborate with us.
- We help people and communities to help themselves and devolve decisions and service design as close to them as we can.
- We maximise the potential of digital and data to transform the way we work and improve accessibility.
- We seek out preventative, commercial and efficient approaches to help us be financially sustainable.

- 2.8 To support our purpose, the transformation around the culture and behaviours **Our People** embody also has four commitments about how we work:



OUR PEOPLE

- An inclusive and compassionate place where we value diversity and can be ourselves at work.
- A collaborative and inviting place where we are open, trust each other, and work as one.
- An ambitious and outcomes-focused place where we are passionate about our purpose and take accountability for delivering great results.
- An inventive and dynamic place where we promote a learning mindset and adapt to new insights and opportunities.

- 2.9 Key to this new strategic framework and contributing to the 2030 Vision will be a commitment to monitor how we make decisions, operate, and perform against these principles and commitments. This will include measurement of performance on priority objectives, core service delivery, and organisational effectiveness, and will directly inform primary council functions like the budget process.

3. CROSS CUTTING TRANSFORMATION

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- 3.1 In 2021, we recognised there was a need for a new approach to delivering financial efficiencies and ways of working to support a balanced Medium-Term Financial Strategy. This approach needed to be rooted in the outcomes we were seeking for Surrey's residents and businesses and enable a financially sustainable footing over the medium-term.
 - 3.2 This approach focuses on embracing cross-cutting transformation (previously referred to as the 'Twin Track' approach to 22/23 budget setting) and emphasised the need for services across the organisation to work together on the design and development of initiatives to improve outcomes and reduce costs. It aims to move beyond the limitations of Directorates developing efficiencies in isolation, with a focus on medium-long term financial sustainability.
 - 3.3 Collaboration across Directorates, and with residents, businesses and other partners is essential to supporting council priorities and facilitating greater innovation and challenging existing ways of delivering services and budget setting.
 - 3.4 £30m of cross-cutting efficiencies have been identified to help close the budget gap in 2023/24, with a total of £65m across the MTFS period (plus an additional £7.5m of cost containment). A number of these initiatives will transition into the council's transformation programme as they enter the delivery phase. These efficiencies look differently at, and stretch our ambitions for, how we make use of our collective financial resources. Strategies for identifying these efficiencies include:
 - Focusing on improving and streamlining demand-led services and externally facing delivery, products and processes whether wholly by us or with partners and other stakeholders.
 - Implementing better ways of managing our budgets for commissioning, contracts, procurement, and grants.
 - Optimising our income and funding levels through being a more commercial organisation and working more closely with our Districts and Boroughs.
 - Identifying and exploiting successful operating models for support services, co-production and multi-disciplinary teams to fulfil the potential of our workforce strategy.
 - 3.5 Executive Directors have led the shaping of these opportunities through a new leadership model, embracing a thematic approach to change. This model removes the directorate silos to change and provides strategic support and challenge to officers leading on cross-cutting projects and programmes in a collaborative space. It enables peer expertise to help shape the scope and ambition of work and supports unblocking and connections to be made with other organisations and partners to make the work go further.
 - 3.6 In addition to designing projects and programmes to help inform the future shape of transformation work at the council, work has also been delivered to generate insight to identify further opportunities for efficiencies. These include building a comprehensive view of our spend to determine whether the right proportion of our budget is invested in preventing health and wellbeing issues for residents and avoiding the need for them to access statutory services, and modelling future demand for Adult and Children's Social Care and identifying interventions that could make the largest impact in reducing this demand.
 - 3.7 We are already looking ahead to opportunities to inform efficiencies for 2024/25 and beyond. Aligned to the focus areas set out in paragraph 3.4, further business cases will be developed and, where needed, other insight work will be commissioned to identify further opportunities. Where there is scope to do so, we will

also seek to deliver additional efficiencies in-year for 2023/24 over and above the £30m already identified.

- 3.8 The programme is implementing a learning framework as part of this approach to cross-cutting efficiencies that gathers and analyses information from teams on what is supporting and what is hindering change while developing their proposals and business cases. The leadership model for example is piloting an independent peer review mechanism during early design stages and business case development in cultivating innovative thinking and solutions. The programme, and its findings identified through the learning framework, will support, and ultimately make up, part of the future model for design and change across the council.

Transformation Programme

- 3.9 The progress the Council has made in recent years has been underpinned by an ambitious and effective approach to transformation. Since its inception in 2018/19 the Transformation Programme has improved vital services for residents, introduced innovative new service models, built capacity and competency, and made a significant contribution to stabilising the Council's finances. This will include achieving c£90m of ongoing efficiencies by the end of 2022/23 and containing costs in areas of growing demand.
- 3.10 Linked to our commitment that no-one is left behind, there are a range of continuing transformation programmes that are specifically focused on improvements within our Children's and Adults' Services. These are already leading to better outcomes for children & young people, residents and service users. Programmes such as Additional Needs (SEND) including the Safety Valve Agreement are complex and take time to deliver with many spanning multiple years. It is imperative we continue to drive delivery of these programmes through to completion as key priorities for the Council. We are committed to delivering long term, sustainable improvements in a range of service areas.
- 3.11 Governance and reporting arrangements are well established with visibility and ownership at senior levels including Cabinet Members and Corporate Leadership Team (CLT); this includes the Transformation Assurance Board which is chaired by the Leader and has regular attendance from Cabinet Portfolio Holders.
- 3.12 Moving forward the transformation programme will be integrated with the cross cutting transformation agenda, set out above, and the governance and reporting arrangements in place will support the delivery of this integrated programme. In addition to the cross-cutting efficiencies set out above, the continuation of existing transformation programmes will also deliver significant financial benefits, with a total of £6m efficiencies included in the draft budget for 2023/24 and a further £8m¹ identified through to 2027/28. In addition, transformation will contribute to the delivery £91m of cost containment throughout the MTFS, preventing pressures to that value needing to be reflected in future years.
- 3.13 The transformation programme is not just about delivering financial benefits. The broad range of initiatives in 2023/24 will continue to drive service quality and performance benefits that will directly contribute to better outcomes for our residents, services users and businesses in the County.
- 3.14 Any large scale and dynamic change programme must continue to flex and adapt if it is to meet strategic objectives in an ever-changing operating environment. We therefore review and refresh the Transformation Programme regularly, ensuring we continue to build on and improve what we do for our residents.
- 3.15 The Transformation Support Unit (TSU) works closely with key stakeholders across the organisation to develop and refine requests for investment, ensuring business cases are developed, benefits defined and therefore investment is made in programmes that will enable us to continue to focus on our strategic priorities, improve service quality and performance. The cost of the internal transformation capacity id

¹ This figure is expected to rise as opportunities are further developed and business cases approved

included in the revenue budget on an ongoing basis. In addition, there is £8m available annually to contribute to one of transformation investment.

3.16 Categorisation of change programmes has been further developed through the Transformation Assurance Board in conjunction with the Leader, and has led to a revised categorisation approach which recognises that not all change programmes have the same level of complexity and outcomes, we have now introduced this revised categorisation approach for all new programmes:

- True Transformation Programmes - Big strategic initiatives, with senior and political support. Driving fundamental change to operating models and/or service delivery that lead to significant measurable outcomes and benefits in the medium term.
- Service Improvement & Change - Continuous improvement and the implementation or embedding of new service models that lead to tangible performance and quality impacts that will be noticeable to service users.
- Strategic Priorities - linked to the Council's overarching organisational priorities.
- Invest to Save – where short term investment is required to generate ongoing financial efficiencies.

3.17 Funding will be invested in initiatives that clearly demonstrate the achievement of improved outcomes, this may entail the use of funding on programmes that do not have financial efficiencies associated with them and therefore the return on investment will be based on non-financial benefits for example, improved independence, faster response times and better coordinated and joined up service provision.

4. SERVICE STRATEGIES

ADULT SOCIAL CARE

Context

- 4.1 Adult Social Care's (ASC) vision is to **promote people's independence and wellbeing**, through personalised care and support that focuses upon their strengths, the outcomes they want to achieve and enables choice and control.
- 4.2 ASC provides advice and information, assessment, care and support services for people aged 18+ with Physical and Sensory Disabilities, Learning Disabilities and Autism, Mental Health needs and for frail Older People.
- 4.3 ASC operates in an incredibly challenging environment with reductions in government funding; an ageing population with increasing acuity of care needs and growing numbers of young people moving into adulthood who need services; an increasingly fragile care market; and radical changes in national policy. This is in all the context of the ongoing impacts of the Covid-19 pandemic and the cost of living crisis which are having profound effects on Surrey's residents who have ASC needs, along with their families and carers, social care providers, third sector support organisations, the health system and other key partners.
- 4.4 ASC has **four strategic priorities**:
- Improving mental health services across the whole system.
 - Delivering new accommodation with care and support models.
 - Implementing ASC charging and fair cost of care reforms and CQC assurance framework.
 - Integrating commissioning and delivery across health and care at place.
- 4.5 These priorities are underpinned by **four system enablers**:
- Culture change including embedding strengths-based practice across the whole health & social care system.

- Maximising the benefits of digital and technology, both in managing interactions with residents and operational processes, as well as in supporting the delivery of care and support services.
 - Managing expenditure within available budget resources.
 - Ensuring there is a sustainable ASC workforce, recognising that SCC will need to increase its workforce to effectively manage the ASC charging reforms.
- 4.6 The Council is committed to integrating health and social care in Surrey to improve outcomes for residents. A key focus of this is enhancing preventative services in the community. This is challenging to achieve though in the context of the NHS' relentless national focus on reactive services in the acute hospital system and the pressures facing social care providers and community based voluntary sector organisations, all set against a backdrop increasing demand and growing acuity and complexity of care needs. Collective investment across all of these components is required – fixing one component is not enough.

Current 2022/23 budget position

- 4.7 At month 6 ASC is forecasting an overspend of £3.9m against a budget of £402.8m so equivalent to a pressure of 0.9%.
- 4.8 Care package spending has risen considerably above the planned budget for 2022/23, driven by the ongoing impacts of the Covid-19 pandemic, the unwinding of national funding for Discharge to Assess (D2A) from hospitals, market pricing pressures accentuated by the wider economic turmoil, increased demand for care and rising ASC assessed charging debt driven in part by the cost of living crisis. An overspend of £12.5m is currently forecast against the 2022/23 care package budget across all client groups.
- 4.9 The significant pressure in 2022/23 on care package spending is being partially mitigated by a range of largely one-off factors including temporary staffing budget underspends, additional one-off income or funding and some accrued liabilities that it is considered likely will not now need to be paid. These one-off in-year mitigations cannot however be sustained on an ongoing basis.
- 4.10 At month 6, the full year net care package commitments are £17m higher than the 2022/23 budget assumption. The 2023/24 Draft Budget assumes that this pressure can be reduced to £7.4m on a full year basis through delivery of efficiencies and other mitigations in the remainder of the year. Achieving this reduction in spending commitments will be challenging.

Financial pressures

- 4.11 ASC's Draft Budget position includes £52.6m of pressures in 2023/24 and £214m across the MTFs period. These pressures relate to:
- Price inflation for care packages, wider contracts and grants of £27.5m in 2023/24 and £108m across the MTFs. This is the biggest budgeted pressure for ASC. Budgeted inflationary uplifts in 2023/24 take account of the expected increase to the National Living Wage and wider inflationary pressures. It is assumed that inflation will reduce to lower levels from 2024/25.
 - The latest estimated mid-point funding gap for the ASC charging reforms of £14m in 2025/26 rising to £33m in 2026/27 based on the delayed implementation date of October 2025. (see paragraphs 4.18 – 4.20 below).
 - Increased demand for care packages across all client groups of £6m in 2023/24 and £35m across the MTFs, including young people who will transition from children's services.
 - A budgeted carry forward care package pressure from 2022/23 of £7.4m. As set out above, this is reliant on the achievement of planned actions to reduce the full year impact.
 - Pressures of £5.3m in 2023/24 related to the ongoing impact of the end of national funding for Discharge for Assess (D2A) from hospitals which ceased from April 2022. The impact of the new D2A

model has also contributed to the 2022/23 care package pressure above. It is important to note that were D2A to cease, cost pressures would likely increase as the system would revert to assessing people in hospital beds which often leads to over-prescribing of long-term care services.

- Pay inflation and other staffing related pressures of £6.3m in 2023/24 and £16.7m across the MTFS, this excludes any staffing related impacts arising from the ASC charging reforms.
- Expected additional costs associated with the planned implementation of Liberty Protection Safeguards (LPS) regulations by government, replacing the current Deprivation of Liberty Safeguards regulations. The timing of the new regulations is currently unclear, Draft Budget assumptions are pressures of £7.2m from 2024/25 – 2025/26.

Financial efficiencies

4.12 ASC's Draft Budget position includes efficiencies of £19.8m in 2023/24 and £57.2m over the MTFS. This covers a challenging set of efficiency plans designed to mitigate cost pressures or increase income without adversely affecting service delivery to residents. Efficiencies include:

- Strength based practice and demand management efficiencies of £4.5m in 2023/24 and £22m across the MTFS, including redesigning ASC's "front door," maximising digital opportunities, enhancing strength based across Surrey's D2A model and strength based reviews of people's existing care packages.
- £1.3m in 2023/24 and £5m across the MTFS driven by moving away from institutionalised models of care to promote people's independence. This includes remodelling learning disability and autism day support services and associated transport, supporting people with a learning disability and/or autism to move from residential care to supported independent living and the expansion of extra care housing, primarily for older people.
- Efficiencies of £2.7m in 2023/24 and £9.6m across the MTFS, relating to the effective purchasing of older people nursing and residential placements, home based services across all client groups, maximising occupancy of block contract residential care beds and ensuring costs of care for people with learning disability and/or autism who are over 65 are appropriate in line with changes to their behaviours and needs.
- Efficiencies of £8.8m in 2023/24 and £12.9m across the MTFS associated with changes to ASC in-house services, including the decision taken by Cabinet in February 2022 to close 8 older people residential care homes and planned efficiencies relating to in-house provided learning disability and reablement services.
- Ensuring ASC receives appropriate funding from the NHS under the Continuing Health Care (CHC) and Section 117 (S117) Aftercare policy frameworks. Continued work in this area is expected to generate efficiencies above the current baselines of £2.1m in 2023/24 and £5.5m across the MTFS.
- Contract management and maximising income efficiencies of £0.6m in 2023/24 and £2.4m across the MTFS.

Capital programme

4.13 ASC has a small capital budget of £1.6m per year managed directly by the service. This largely relates to the capitalisation of community equipment.

4.14 ASC's Accommodation with Care & Support programme is developed alongside the Land & Property Service and involves capital investment across the following areas:

- The development by 2028 of 725 new units of affordable Extra Care Housing (ECH), primarily to support older people with care needs. It is expected that ECH schemes will generally be developed on existing sites and developed on a Design, Build, Finance and Operate basis with tender processes undertaken to secure strategic housing partners to develop and manage the sites, limiting the requirement for direct capital investment by the council. To date expenditure of up £20.8m for the first six DBFO sites has

been approved in the capital budget along with £3m of feasibility funding to confirm which further SCC owned sites would be suitable for ECH developments so these business cases can be brought forward for Cabinet approval.

- The creation of 500 new units of Supported Independent Living (SIL) for people with a learning disability and/or autism by 2030. These units will be secured through a combination of de-registration and conversion of existing residential care homes operated by independent sector providers, providers developing new SIL services and the development of new SIL accommodation on existing sites. The capital budget includes £31m relating to 3 specific developments and a multi-use community hub including SIL accommodation, which have already been approved.
- The potential development of specialist short breaks respite accommodation for people with LD&A needs to fill a significant gap in provision.
- The potential development of specialist accommodation for people with mental health needs, which would be focused on either supporting people to recover from a mental health episode or a place to call home to enable people to manage their mental health and develop greater independence in the long term.

Horizon scanning

- 4.15 The ASC system both nationally and in Surrey is under incredible strain. The pandemic added to the already huge demand and cost pressures facing the sector and its increasingly fragile care markets. There is a workforce crisis with an estimated 165,000 social work vacancies nationally² and while the ASC charging reforms, due to come into effect from October 2023, will benefit individuals, primarily those people who currently self-fund their own care, they will not address the acute challenges already facing the sector.
- 4.16 Since 2018, ASC has embarked on an ambitious transformation programme, focused on enhancing and embedding strength-based practice, promoting people's independence and wellbeing and shifting away from institutionalised models of care. As well as improving service delivery, this has delivered clear financial benefits and enabled significant cost containment with the Council's spending on ASC increasing at a lower rate than other comparable authorities.
- 4.17 There remain opportunities to improve service delivery and achieve further efficiencies which are reflected above. However, the scale of efficiencies and cost control measures that are achievable without reducing the service offer to residents is diminishing. Increases in ASC expenditure is required year on year to meet demand and cost pressures and maintain market sustainability, as well as to enable effective implementation the ASC charging reforms. The Council will continue to robustly engage with government about the funding required for ASC, but if adequate funding is not provided by government, then then this will require very difficult decisions to make about how to sustainably fund ASC going forwards.

Adult Social Care (ASC) Reforms

- 4.18 The 2023-28 Medium Term Financial Strategy is being prepared against the backdrop of the most significant reforms to the ASC system in decades. The financial implications of these reforms are significant and the inadequacy and allocation mechanism of funding available to local authorities to support these changes remains unresolved.
- 4.19 The planned reforms included far reaching changes to the ASC charging system from October 2023. However, the Chancellor announced on 17th December 2022 that implementation would be delayed by two years to October 2025. The reforms include the introduction of a lifetime cap on the amount people are eligible to contribute to their costs, an increase in the upper and lower capital threshold limits that determine when people qualify for local authority funding, changes to the rules for "top-ups" and an extension of the criteria which enables people to request local authorities to commission services on their

² [Skills for Care's 2022 report](#)

behalf. In addition, the fair cost of care policy agenda seeks to ensure fees paid by local authorities are sufficient to maintain market sustainability in the context of these reforms and a new assurance framework is due to come into effect, against which the Care Quality Commission will inspect performance. The draft budget contains pressures of £14m in 2025/26, rising to £33m in 2026/27, based on the mid-point of the latest estimated funding gap between anticipated cost increases to the council and indications of available funding and mechanisms for distribution.

- 4.20 While the Council supports the reforms overall and the benefits it will provide in terms of limiting the cost to individuals of funding their own care, these reforms do not address the underlying problems and underfunding of the current ASC system. The announcement to delay the implementation of these reforms and target the available funding at existing service pressures is therefore welcome.

PUBLIC SERVICE REFORM AND PUBLIC HEALTH

Context

4.21 The Public Health (PH) service improves and protects the health and wellbeing of people living and working in Surrey. It achieves this by:

- Providing public health intelligence and evidence to enable decisions based on people's need and what is effective.
- Providing specialist public health expertise and advice to NHS commissioners to support them in improving the health of their population through prevention and through effective commissioning
- Improving health through partnership working, policy development, behaviour change and the commissioning of health improvement services for all ages which are targeted to those at risk of health inequalities
- Working with partners to protect Surrey residents from communicable diseases and environmental hazards
- Providing oversight and support in the review, development and delivery of the Surrey Health and Wellbeing (HWB) Strategy

4.22 The PH service commissions a range of services centred on key PH priorities including:

- Healthy lifestyle services including stop smoking, weight management and mental health;
- 0-19 services including health visitors and school nurses;
- Substance misuse services relating to drugs and alcohol;
- Sexual health services including contraception and genitourinary medicine (GUM).
- NHS health checks.

4.23 The services commissioned by PH are all preventative in approach and targeted at reducing health inequalities. This is one of the Council's key strategic aims and an overall ambition of Surrey's Health and Wellbeing strategy.

4.24 The PH service has continued to focus on supporting Surrey's recovery from the Covid-19 pandemic as well as remaining vigilant for other potential threats such as monkey pox or avian flu. PH uses its expertise to ensure that accurate and up-to-date information is provided to decision makers.

4.25 The wider Public Service Reform (PSR) directorate includes a range of jointly funded services that are accountable to both Surrey County Council and Surrey Heartlands Integrated Care System and focus on driving the continuous improvement of a public service model that supports the delivery of our integrated health and social care strategies.

4.26 This includes the Insights and Analytics unit which is bringing together research & analytics across a range of functions within SCC (PH, population insight and surveys and research) and Surrey Heartlands Integrated Care Board (business analytics and population health management PHM) to:

- develop shared health and care analytics, by understanding the needs of the population and how that can be delivered efficiently and effectively
- incorporate the bigger picture of the drivers of health and care, and the wider determinants of those drivers such as economy, transport, community networks
- design the move from reactive to preventative interventions care by moving from descriptive analytics to more predictive and prescriptive driven by evidence and insight
- develop new and collaborative ways of working among our teams as well as with our partners.

4.27 Key responsibilities to deliver this vision will include:

- Facilitating innovative decision-making at all levels of Surrey’s Integrated Care Systems and the County Council.
- Driving cross-system priorities, helping to reach across traditional organisational boundaries.
- Steering a Population Health Management (PHM) approach to care planning and delivery.
- Helping to drive transformation of all services delivered as part of the ICS and SCC through evidence and insight driven operational decision making.
- Understand the lived experience of people in Surrey in order to demonstrate the human aspects of the data.
- Working closely with stakeholders across the whole system to ensure understanding of population needs at local and system level.

Current 2022/23 budget position

4.28 The current directorate budget is £35.4m, £34.5m of which relates to Public Health and the remaining £0.9m to Public Service Reform functions. A balanced budget outturn is expected for 2022/23.

4.29 In addition to its core budget, the PH service has continued to manage deployment of the remaining £10.6m Contain Management Outbreak Fund (COMF) monies carried forward from 2021/22. This funding is expected to be fully spent on activities to support the recovery from the Covid-19 pandemic and to manage additional costs that are still being experienced due to the pandemic.

Financial pressures

4.30 Surrey’s PH service continues to operate in a very challenging financial environment. Surrey continues to receive a very low level of PH funding – the third lowest allocation per head of population in the country and more than 40% below the national average allocation. Although Surrey’s PH grant has increased by £4.1m in the last three years, this has come with new responsibilities and has failed to make-up for cuts to PH funding that the government mandated in earlier years after the responsibility for PH transferred to SCC in 2013/14.

4.31 SCC’s PH grant in 2022/23 is £39.6m. £34.5m of this is allocated to fund preventative services commissioned by the PH service and the remaining £5.1m is allocated to services delivered or commissioned by other parts of SCC that contribute to meeting PH outcomes with the remit of the grant criteria. This has required the PH service to make reductions to the preventative services it directly commissions, although of course if the funding was allocated instead to the PH service this would require reductions in other SCC services.

4.32 The combination of the above factors has meant Surrey’s PH service has had to significantly reduce expenditure on the services it directly commissions in recent years.

4.33 PH’s latest MTFS proposals include pressures of £1.2m in 2023/24 and £4.6m across the whole 2023-28 MTFS period. These pressures relate to pay and non-pay inflation. Pressures are offset by the assumed increases in the ringfenced PH grant in future years. It is assumed that inflationary pressures can be contained within increases to PH grant funding, but there are risks that this may not be the case for all service areas, most notably in relation to NHS Agenda for Change pay rises which impact on several services

that PH commission. Given the wider economic situation, it is also possible that there will be no increase to, or a reduction in, the public health grant funding.

- 4.34 The wider PSR directorate currently employs £1.4m of posts working on data insights and supporting broader integration across Surrey's health & social care system. These posts are currently funded on a temporary basis outside of PSR's budget.

Financial efficiencies

- 4.35 There is no efficiency requirement for the PSR directorate in the Draft Budget position as the PH service's budget is fully funded by the ringfenced PH grant. It is assumed for planning purposes that service pressures can be contained within future year increases to PH grant.

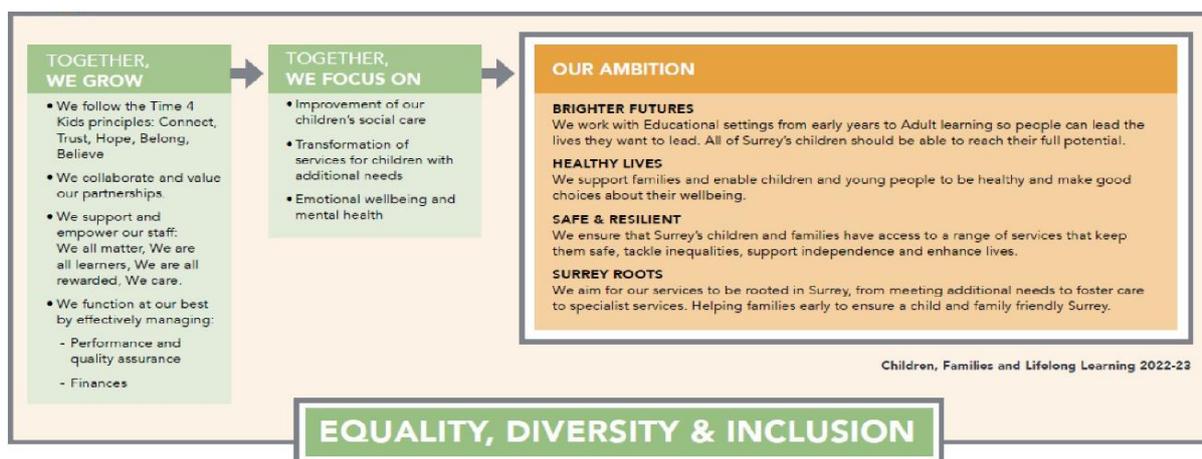
Horizon scanning

- 4.36 At present the future of the PH grant remains unclear. It was expected that the PH grant ringfence would be removed as part of wider local government funding reform, but this remains uncertain. PH will need to remain responsive to any changes in grant funding. In the meantime, they will continue to lobby for increased PH funding to support the delivery of the health and wellbeing priorities for Surrey residents.
- 4.37 Most of PH's major service contracts are coming up for renewal in the next few years. A key focus of the service will therefore be ensuring new service specifications take account of the latest health status of Surrey's population and targeting service provision to address health inequalities. The procurement processes will consider how refreshed services can be commissioned to maximise value for money for residents.
- 4.38 Through a focus on research, partnering with academia and industry, and data across the wider Public Service Reform directorate, the team will be looking at how we drive health and social care devolution to its full potential, lobbying and influencing government where appropriate on future models of public service that transforms peoples' lives. Working effectively in this space, the council hopes to be able to influence future public policy, leading to a more sustainable public service model.
- 4.39 Part of this will be seeking to maximise investment in preventative services commissioned by PH, that deliver key long-term financial and non-financial benefits. The PH service has been reviewing areas where additional investment is needed to address the priority of reducing health inequalities and fulfil the priorities of Surrey's Health & Wellbeing Board strategy. Potential investments totalling £6.5m have been identified, which can be flexed depending on available resources. This investment has not been included in Draft Budget at this stage, in response to the scale of the remaining budget gap. The ambition to increase investment in PH services in the future remains.

CHILDREN, FAMILIES AND LIFELONG LEARNING

Context

- 4.40 The Children, Families and Lifelong Learning directorate's strategic focus is set out in the graphic below. We root children and families in our hearts and minds because it is our purpose to ensure that every child is seen, heard, feels safe, and can grow



Current 2022/23 budget position

- 4.41 At the end of September, there is a forecast variance of £24.6m within CFLL driven by variances across a number of key areas.
- 4.42 The most significant is Home to School transport which is forecasting an end of year overspend of £15m against a budget of £41m. The overspend is driven by an increase in route costs of c20% since last year due to inflationary impacts on fuel prices. This is combined with an anticipated increase in demand of 9% from September 2022 in line with Education, Health & Care Plan (EHCP) rate projections.
- 4.43 Children Looked After (CLA) placement costs are forecast to overspend by £4.1m. This pressure is a result of the lack of suitable placements being available within the provider market and continued demand for placements. This has resulted in a number of very high cost supported accommodation placements, with this category accounting for £3.0m of the £4.1m.
- 4.44 Staffing overspends within Family Resilience and Corporate Parenting of £2.5m are driven by the use of agency staff to cover vacancies and the double funding of some posts while newly trained social workers get up to speed. In order to secure permanent staff, appointments are also being made above the bottom step of the grade which reduces the impact of any permanent appointments compared to previous assumptions.
- 4.45 In addition to the staffing pressures, children with disability care budgets are also forecasting an overspend of £2.5m due to the levels of demand and pressures in direct payments and personal support. This level of demand is a continuation of pressures experienced during 21/22.

Financial pressures

- 4.46 The financial pressures forecast during 2022/23 are almost all ongoing pressures which are expected to continue into 2023/24. The two largest areas of pressure are Home to School Travel Assistance £19.2m and LAC placements £7.0m.
- 4.47 Both are being driven by a combination of demand and inflation increasing costs year on year. For Home to School Travel assistance as well, there is the need to address the significant in-year overspend in the 2023/24 base budget. This level of overspend was a result of average route costs increasing by c20% in 2022/23 compared to 2021/22.
- 4.48 Another similarity between CLA placements and Home to School Travel Assistance, is the impact of a lack of sufficiency in their respective markets. The shortage of suitable placements for LAC is a national issue causing an increase in the use of 'unregulated' placements due to a lack of alternatives. These placements

often come at particularly high costs and the situation means that authorities are competing with each other as places become available.

- 4.49 Whilst not such a nationally publicised issue, a lack of drivers is also impacting the Home to School Transport services and one of the reasons for the increase in costs over the last 12 to 18 months. A lack of providers in certain regions of Surrey mean that there are both difficulties in finding suitable provision, but also bids are not driven down through natural competition.
- 4.50 Improving recruitment and retention within the service is another pressure within the 23/24 position. In order to address the 22/23 overspend caused by the level of agency workers in roles, a number of proposals are being introduced to increase the number of permanent workers. These come with an upfront cost with the aim of longer-term efficiencies. In 23/24 £1.3m of costs are included associated with the trainee social worker scheme, apprenticeships and pay progression for existing staff.

Financial efficiencies

- 4.51 The largest efficiencies are within CLA placements through a combination of social work practice reducing escalation of needs and more specific programmes to target particular cohorts, such as the reunification programme (£0.4m).
- 4.52 The completed Children's Services Diagnostic undertaken alongside IMPOWER identified potential efficiencies based on reviewing past social work cases and considering alternative decisions that would have had a different outcome. This enforced existing assumptions about the impact of new practice models and, based on the high range scenarios, is estimated to be able to produce an efficiency of £2.6m in 23/24.
- 4.53 In addition to the diagnostic, other work is being considered to deliver efficiencies to mitigate growth in CLA costs. Stretch targets of a further £3.4m have been included to consider potential opportunities to further expand the Capital programme and sufficiency offer within the County, aligning the needs of children with the cost of service provision may also help to identify potential anomalies which may lead to cost efficiencies.
- 4.54 As well as the practice changes, increasing capacity for Social Care placements within Surrey is estimated to deliver further efficiencies. This is through both building additional bed spaces through the CLA Capital programme (£0.3m) and block purchasing beds from external providers for discounted rates (£0.3m).
- 4.55 Efficiencies within Home to School Travel Assistance are based around reducing the reliance on taxis and solo routes to more self-sufficient transport options such as bursaries, Independent Travel Allowances (ITA) and Independent Travel Training (ITT). These are estimated to build on efficiencies delivered in 23/24 to provide a further £2.2m in 23/24.
- 4.56 As well as the Children's Diagnostic work, there are two further efficiencies linked to the cross-cutting transformation programme. These are part of corporate wide projects focused on identifying contract efficiencies (£0.5m) and additional income from fees and charges (£0.3m) and a further reduction in staffing headcount (£0.2m).

Special Educational Needs & Disabilities (SEND) / Dedicated Schools Grant High Needs Block (HNB)

- 4.57 In the 2023/24 MTFS the previously required Dedicated Schools Grant (DSG) High Needs Block (HNB) offsetting reserve contribution budget is being reduced by £22m to leave a residual £5m budget. This is as a result of the 'safety valve' agreement which was signed in March 2022. This agreement sees the Council receive £100m of DSG funding in exchange for a contribution from its own general fund (from the existing

HNB offsetting reserve) and schools through a 1% block transfer for five years, in order to eradicate the HNB cumulative deficit.

- 4.58 At the end of 2022/23 the council's HNB offsetting reserve will have sufficient balances to make the agreed contributions so, assuming the Council can remain on the current trajectory, there will be no requirement for further contributions.
- 4.59 To date, the Council has completed the first two quarterly monitoring reports to Department for Education (DfE) which are a requirement to continue receiving the additional grant funding. Whilst these identified that the Council remains currently on track, they highlighted the significant change in circumstances from March 2022 to the present time, in particular the impact of inflation on costs for schools and the Council, which has been logged with the DfE as a risk. The DfE also did not make the full requested capital contribution to the expansion of specialist places that the Safety Valve agreement relied upon and instead is requiring the Council to secure the capital through its Free School programme. Because a successful bid to this programme is not guaranteed, this is also a risk (see below).

Capital budgets

- 4.60 The SEND and Alternative Provision (AP) Capital Strategy is the most significant lever being used to reduce costs within the DSG HNB. By creating more spaces within the County's maintained and special schools, this reduces the requirement to place children in the more high cost Non Maintained Independent (NMI) sector whilst also supporting the aim of inclusivity for those children. On average an NMI placement is c£30k more expensive so reducing the use of these is key to achieving financial stability within the HNB.
- 4.61 As mentioned above the impact of inflation has been significant over the past year and that is also the case within the Capital programme. Following a lower allocation from DfE of safety valve capital grants (£56m bid and £8m awarded) the Council is looking for ways to ensure the full SEND programme remains funded. This includes submitting bids for two new special free schools as part of the recent DfE bidding round.
- 4.62 In addition to the SEND Capital programme, a number of other capital projects impact directly within CFL. A number of these are managed through Land and Property (L&P) but the service benefits or costs would be seen within CFL budgets. As well as the SEND strategy referenced above, there is £101m for the Schools Basic Need programme (grant funded) and £71m for capital maintenance in schools across the MTFS period.
- 4.63 In a similar way to SEND, the Council is also wanting to expand the in-house provision for CLA as a lack of sufficiency within the County means that securing good value placements is increasingly difficult. As well as refurbishing existing children's homes, the CLA Capital programme is focusing on creating additional capacity through new homes in the County. This programme is also looking to support Care Leavers through increased provision including Houses of Multiple Occupancy (HMOs).

Horizon scanning

- 4.64 The national pressures within Children's social care recruitment and placement sufficiency will continue to influence the operating environment for CFL for a number of years, as will the cost of home to school transport in those local authority areas with extensive rural communities such as Surrey.
- 4.65 In Surrey we anticipate being one of the likely early local authorities to be inspected under the new inspection framework (currently being piloted by Ofsted and CQC) for the area's SEND provision, which may take place as early as 2023. Within the timeframe of the Medium-Term Financial Strategy there is also likely to be a full children's social care Ofsted inspection (in addition to one or more focused visits) and HMIP Youth Justice inspection. These service areas are all actively engaged in improvement work which it is essential to maintain in order to secure reliably good services for our children and families and to work towards delivering outstanding services.

4.66 Any financial implications resulting from the ongoing legislation changes from the schools white paper (Opportunity for All) and SEND Green paper (SEND review: right support, right place, right time) will be monitored. To date there is no anticipated direct impact on the General Fund of the Council, but the potential move towards multi-academy trusts (MATs) is one area where this may occur.

ENVIRONMENT, TRANSPORT AND INFRASTRUCTURE (ETI)

Context

- 4.67 ETI is a future-focused Directorate which aims to shape places, improving the environment and reaching sustainability and climate change targets. ETI provides many “universal services” to residents, services which many or all residents access - including waste management and highways. Key service areas include:
- Waste management, including recycling or disposal of household waste and operation of community recycling centres;
 - Highway maintenance and street lighting;
 - Public transport;
 - Countryside;
 - Planning & Development; and
 - Supporting the county’s and Council’s response to climate change and carbon reduction
- 4.68 Over the period of the Medium Term Financial Strategy, ETI’s key priorities are to:
- Continue to build upon the new Directorate organisation design - implementing and embedding the new Highways structure, coupled with further reviews of our Waste, Greener Futures and Planning functions;
 - Strengthen our financial sustainability to provide value for money to communities by leveraging available funding opportunities, identifying new commercial opportunities, opportunities for partnership working, innovating service delivery and developing our Greener Futures Finance Strategy;
 - Mobilise Ringway as the new Highways contract provider, improving quality of works across the county, continuing to identify opportunities to innovate and work more effectively, and delivering against carbon reduction outcomes including immediate adoption of a minimum 11% EV fleet with commitment to reach net zero by 2030;
 - Strengthen engagement with customers and communities through delivery of our Customer Enquiry Improvement Plan and establishing the cross cutting Greener Futures Engagement and Behaviour Change Working Group;
 - Working with key partners and members, finalise the design of our future waste services and conclude the waste contract dispute;
 - Deliver the Council and county’s carbon emission reduction targets in line with our Climate Change Delivery Plan. With 46% of Surrey’s emissions resulting from Transport, a key part of delivering these targets will be supported by delivery of the Surrey Transport Plan, EV network rollout and Bus Back Better plans;
 - Deliver the capital programme including the River Thames flood alleviation scheme in partnership with the Environment Agency, and £70m of capital schemes identified in phases 1-3 of the Surrey Infrastructure Programme and develop the pipeline for future schemes;
 - Implement a new governance model to better support delivery of the Climate Change Delivery Plan and Surrey Infrastructure Plan; and
 - Continue to maximise external funding toward revenue and capital activities, including grants, income and developer contributions

Current 2022/23 budget position

- 4.69 ETI's current annual revenue budget is £141m. Key areas of spend include managing the recycling and disposal of the county's domestic waste collected at the kerbside and deposited at community recycling centres, managing the county's 3,000 miles of highways including repairing and maintaining the county's roads, streetlights, bridges and other assets, passenger transport including contracting bus services and operating the concessionary travel scheme for elderly and the disabled, and management of the countryside including providing visitor services.
- 4.70 A significant proportion of the Directorate's budget is linked to contracts, and ETI therefore recognises the need to work in close partnership with providers and markets to explore opportunities for efficiencies.
- 4.71 At month 6 ETI forecasts no variation against revenue budgets, although a number of pressures and risks are being offset or managed, and are recognised in draft budget plans. Key issues include:
- Higher than budgeted waste contract inflation is offset by improved prices of dry mixed recycling (£2m), and both are reflected in the future MTFS assumptions
 - Additional costs of bus services, reflecting increased operating and fuel costs, are offset by additional government bus recovery funding. The 22/23 budget includes £2.1m to offset the ongoing impacts of changes in travel behaviour post-covid. Concessionary fares volumes are currently below the budgeted amount, and this benefit is expected to continue.
 - Street lighting energy prices have increased and are creating a pressure (£0.7m), currently offset by other highways underspends and additional income in the current year.

Financial pressures

- 4.72 The ETI 2023/24 draft revenue budget includes pressures of £14.9m, £30.4m for the whole 2023-28 MTFS period; including:
- Inflation: significant spend within ETI is delivered through medium and long term contracts, including bus services, highway maintenance, and waste management. Most contracts include provision for an annual inflationary uplift, e.g. to recognise that materials and labour costs are increasing. Inflation is currently high, with the need to reflect inflation in 2022/23 where higher than originally assumed in the budget, as well as additional inflation for future years, totalling £11.7m in 2023/24.
 - Supporting and enhancing ETI services: other pressures in 2023/24 include the introduction of a young person's travel scheme, a new highway works management system, adjusting for changes to prior year plans, and addressing the impact of ash dieback. This follows investment in previous years to support the recovery of bus services following the Covid-19 pandemic, additional resources to deliver Council priorities including Greener Futures, and investment in managing the countryside including maintenance of public rights of way.

Financial Efficiencies

- 4.73 The ETI 2023/24 draft revenue budget includes efficiencies totalling £3.5.4m, including the following:
- Waste management: the cost of dealing with dry mixed recyclable materials has reduced this year. Waste materials (e.g. paper) are a commodity and prices are influenced by supply and demand within a global market. At least in the short term this trend is expected to continue, providing a net benefit of £2m; and
 - Other efficiencies include the expectation that reduced volumes of concessionary bus journeys will continue, efficiencies anticipated from cross-cutting reviews of contract management (£0.2m) and fees & charges (£0.2m), continued enforcement of on street parking restrictions (£0.3m), use of developer funding (£0.4m), and completion of the council's programme to convert streetlights to LED (£0.3m).

Capital budgets

4.74 ETI delivers infrastructure improvements through the Capital Programme, which includes the capital budget for projects which are in or approaching delivery, and the capital pipeline for schemes under development and subject to business cases. ETI's current 5 year capital programme is £0.9bn. Key programmes and schemes include:

- Structural maintenance of roads, bridges and other highway assets
- The River Thames flood alleviation scheme and wider flood alleviation programme
- Highways and transport improvement schemes and programmes, such as the A320 Improvements, low emission buses, and the Surrey Infrastructure Plan
- Greener Futures, the Council's ambitious carbon reduction plan.

Horizon scanning

4.75 In future years further opportunities are anticipated in a number of areas including

- Following an extensive procurement process the Council's new highways maintenance and improvement contract, delivered by Ringway, started this year. The Council and its contractor will work in partnership to explore further efficiencies, for example innovations in working practices and use of improved materials.
- The Government is consulting on its Waste and Resources Strategy which could have implications for how the Council manages domestic waste, and the cost of doing so. The Strategy includes provision to improve the reuse of products, to make producers responsible for the cost of managing the disposal of products and packaging, and to change the way waste and recyclable materials are collected – all of which could provide opportunities for achieving efficiencies in ETI's budget over the MTFS period and beyond.
- Other projects expected to deliver efficiencies in the medium term include the creation of a county-wide parking management contract and highway enforcement activities (e.g. of bus lanes and other moving traffic offences).

SURREY FIRE & RESCUE SERVICE

Context

4.76 The Surrey Fire and Rescue Service (SFRS) is a statutory service which aims to make Surrey a safer place to live, work, travel and do business. In recent years, in response to now His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMCFRS), SFRS has put in place a major improvement programme which is set out in the Making Surrey Safer Plan (MSSP) 2020-24. A big part of the MSSP is about improving how we deliver prevention and protection activities, helping to prevent emergencies from happening in the first place.

4.77 Partnership working is key to the success of the MSSP, starting within Surrey County Council with Adult Social Care and Integrated Commissioning, Children, Families and Lifelong Learning and Public Health services, to help prioritise support to our most vulnerable residents. SFRS also aim to work better with other emergency services, District and Borough Councils and closer working with businesses to support the Surrey economy.

Current 2022/23 budget position

4.78 SFRS currently has an annual revenue budget of £33m. At month 6 Fire forecasts an overspend of £2.1m on revenue budgets including:

- increased "logistics" costs including fuel, vehicle repairs, cross border support (where neighbouring fire authorities are closer and therefore respond to incidents), and communications, £0.8m

- recruitment, training and retention costs following London Fire Brigade transfers, £0.7m
- staffing pressures from increased usage of on-call staffing, inability to fully make operational staff vacancy factor and trainee back pay for additional hours worked, £0.7m
- Ill health retirements and other, £0.2m
- The above pressures are mitigated by offsetting underspends and efficiencies of £0.3m

Financial pressures

4.79 The SFRS 2023/24 draft revenue budget includes pressures of £6.4m, £9.3m for the whole 2023-28 MTFS period; including:

- Expected growth through pay inflation, including anticipated growth from nationally agreed firefighter's pay awards in 2022/23 and 2023/24, totalling £2.7m next year.
- Existing cost pressures including vehicle repairs and maintenance, communications system costs, higher training costs due to staff turnover, increased costs of neighbouring fire authorities where they are nearer and respond to incidents in Surrey, totalling £1.3m in 2023/24.
- Recruitment and resilience measures designed to offset the ongoing impact of firefighters leaving the authority, including additional recruitment of both temporary and permanent operational staff, enhanced skills, incentives to retain firefighters and additional learning and development, totalling £1.4m in 2023/24.
- Other smaller pressures total £0.9m in 2023/24 and include general inflation and additional staffing pressures.

Financial Efficiencies

4.80 Following significant transformation and modernisation of the Fire service across 2019-21, which included re-alignment of resources into prevention and protection teams alongside a more efficient response operating model, efficiencies in future years (£0.9m in 2023/24) are focussed on optimising spend through continual improvement and consideration of alternative funding, including use of grants and capital funding, commercialisation of some services and assets, and anticipated reduction in overtime resulting from recruitment and resilience.

Capital budgets

4.81 SFRS currently has a Capital Programme of £23m across 2022-27 which includes replacement of fire appliances, other vehicles and equipment.

Horizon scanning

4.82 Efficiency measures subject to further development include a shared fleet maintenance facility, fleet rationalisation through use of telematics, more effective use of property such as co-location with other services, and a review of learning & development provision. The Community Risk Management Plan will be reviewed and updated for the end of 2024, and will include a wider review of the service, including efficiency and an opportunity to consult on any changes.

PROSPERITY, PARTNERSHIPS AND GROWTH

Context

4.83 The Directorate plays a key leadership role in convening and developing lasting and effective relationships and partnerships with key organisations locally, regionally and nationally and in driving forward the Council's ambitions and Economic Growth Strategy for Surrey through innovative, targeted delivery programmes.

- 4.84 Relationships and partnership work with Government departments and officials, national agencies, national and regional representative bodies, District and Borough Councils, other authorities, County organisations and local bodies contribute to the achievement of the Community Vision 2030 and all four of the Council's strategic priorities. This is most obviously manifested in the proactive planning, preparation, positioning and activity in relation to Government policy and programmes, such as Levelling Up White Paper and the potential to secure a County Deal for Surrey.
- 4.85 'Surrey's Economic Future: Our 2030 Strategy Statement' and the partnership delivery programme that supports it, directly contribute to the Council strategic priority of 'growing a sustainable economy so everyone can benefit'. They also contribute to the 'reducing health inequalities', 'enabling a greener future' and 'empowering communities' priorities.
- 4.86 They set out the path to economic recovery and prosperity, identifying four main themes/opportunities for the County's post Covid-19 resilience and growth, including:
- Delivery of Surrey's Inward Investment Programme and promotion of the Surrey Story;
 - Convening and place leadership to reimagine Surrey's High Streets for the future ;
 - Skills for growth: maximising opportunities through skills development for the future; and
 - Delivery of key Infrastructure across Surrey, including gigabit capability, highways and transport, and business networks and partnerships.
- 4.87 Specific interventions are already being taken forward to drive a more innovative, inclusive, and productive economy. These include the launch of a Surrey Skills Plan developed in partnership with business and providers, and a new Surrey-specific approach to inward investment, a strategic, community-led approach to placemaking, the development of a county-wide accommodation, housing and homes strategy and a programme of work to improve full fibre digital connectivity in Surrey.

Current 2022/23 budget position

- 4.88 The Prosperity, Partnership and Growth Directorate has a total budget of c£1.6m, which is materially targeted at the Economic Growth Team and associated costs. The directorate is forecasting a small underspend of £54k, due to recruitment delays and reductions on project spend.

Financial Pressures & Efficiencies

- 4.89 For 2023/24 there is a requirement to strengthen the team further by adding a role to deliver the Surrey Story. Pay and price inflation add a further cost, creating a total pressure of £0.2m. This pressure is offset by recognising the 2022/23 underspend due to recruitment delays and staff turnover plus ending the funding for LEPs.

CUSTOMER AND COMMUNITIES

Context

- 4.90 The Directorate includes the following services:
- Community Partnerships and Engagement
 - Customer Services
 - Libraries, Arts, and Heritage
 - Registration Services
 - Coroners
 - Trading Standards and Health & Safety
- 4.91 Customer and Communities delivers critical day-to-day services and operations, while also shaping and driving several connected key strategies and transformation programmes that are central to the successful

achievement of the Surrey County Council (SCC) Organisation Strategy, 2030 Community Vision and Surrey Health and Wellbeing Strategy.

- 4.92 The Directorate is at the forefront of shaping and delivering the Council's priority ambition of empowering communities. Supporting the development of thriving communities is essential to delivering a greener future, driving a sustainable local economy, and tackling health inequalities - and strong and active communities are a crucial ingredient in enabling more people to live independently for longer.
- 4.93 The Directorate is delivering key transformation programmes that continue to adapt and improve services to meet the changing needs to our residents and ensure financial sustainability:
- **Customer Experience** - making people's experience of dealing with the council quicker, easier, and better by shaping a new relationship with our customers, managing their enquiries in a more efficient, proactive, and connected way and increasing our use of digital self-serve technologies and data insights;
 - **Libraries and Culture Transformation** - delivering a modern and efficient set of services across Libraries, Arts and Heritage reducing net cost and increasing impact for communities in Surrey; and
 - **Enabling Empowered Communities** – designing and introducing new approaches to reinvigorate our relationship with residents, empowering communities to tackle local issues and support one another, while making it easier for everyone to play an active role in the decisions that will shape Surrey's future.

Current 2022/23 budget position

- 4.94 The net budget for the Directorate for 2022/23 amounts to c£17m. This includes significant income budgets in excess of £15m, primarily across Cultural Services (Libraries & Surrey Arts) and Registrations. Income to Cultural Services comes primarily from weddings (from providing registrars services at both registry offices and licenced venues), music lessons provided by Surrey Arts in schools, archaeology services, and fines and reservation charges in libraries.
- 4.95 All areas have delivered significant service improvements and cost reductions over the last three years. For example, the Libraries net budget has reduced by 34% and the Customer Services budget has reduced 15% since 2019/20. The ambition is not only to ensure the sustainability and quality of services provided, but to also think creatively about how services are delivered.
- 4.96 The forecast is an overspend of £0.9m:
- £0.4m Coroners Service, which comprises £0.2m staffing pressures due to bank staff, assistant Coroner and pathologist cost pressures, continuing from 2021/22. A further £0.1m due to the re-procurement of the funeral director contract plus £0.1m revised staffing costs to address operational staffing issues and to deliver an efficient case progression service;
 - £0.6m Libraries and Surrey Arts income will not be achieved due to reduced footfall and the use of the services having not yet returned to the levels before Covid. The services will look to mitigate this by reducing costs directly linked to income where possible, however this is limited and a review of income will be undertaken to meet the challenge of returning income to pre-covid levels;
 - Offset by £0.1m of additional income which is delivering part of the 2023/24 efficiencies early, and one-off staffing vacancies.

Financial pressures

- 4.97 Coroners, Trading Standards and Health & Safety transferred to Customer & Communities from the Community Protection Group this year with a net budget of c£6m. The Coroners service moved with a budget pressure of £0.7m, in part due to staffing and a recently re-procured transport contract. This pressure is partly mitigated this year by the use of a one-off reserve for special inquest costs.
- 4.98 The Directorate relies on significant income generation. Cultural Services continues to face challenging income targets which, for some services, have not yet returned to levels before the covid pandemic. Whilst

2022/23 has seen an increase in income since last year, Libraries and Surrey Arts income remains lower than in 2019/20, causing a budget pressure of £0.6m this year. Demand for services has changed, for example audio visual and PC rental has reduced. In contrast, Registrations income levels have returned well, particularly in relation to weddings.

- 4.99 There has been a budget planning assumption for 23/24 that income levels return to pre-pandemic levels but this will require further close monitoring over the next two months. Meeting this assumption requires significant activity to take place to ensure targets are achieved or that related expenditure reduces and that the Directorate can continue to manage emerging pressures from within the existing available budget envelope.
- 4.100 In addition to working to ensure that income levels return to pre-covid levels, the Directorate has identified additional budget pressures mainly relating to pay inflation (£1.5m) and also to reduced funding from the Police for the Coroners service.

Financial Efficiencies

- 4.101 The Directorate has had to identify a range of options to offset these pressures. Specifically:
- £0.4m additional income generation with a particular focus on additional service offers through Registrations plus inflationary uplifts to fees and charges
 - £0.5m service & cross service efficiencies that can be made while largely maintaining the current agreed strategic direction and service delivery expectations – this includes:
 - Reducing staffing costs through digitalisation and scheduling optimisation of registration services;
 - Reduced staffing costs in Trading Standards ;
 - No longer mediating non urgent highways calls through the Customer Contact Centre; and
 - Reducing business support following the introduction of the MySurrey platform.
 - Reducing spend on Community partnered libraries
 - £0.1m of one-off repayment of an agreed loan to Watts Gallery

Capital

- 4.102 The Directorate has significant pipeline capital investment plans in development to transform the libraries estate and to provide improved mortuary provision.
- 4.103 The draft Capital Pipeline contains investment to enable the libraries transformation programme. This is a five-year programme of work to modernise library settings across Surrey to;
- Enable libraries to meet the changing needs of communities;
 - Support wider strategic priorities; and
 - Ensure library assets are fit and sustainable for the future.

Horizon Scanning

- 4.104 Further efficiencies would materially reduce or slow aspects of agreed strategic priorities and direction.

RESOURCES

Context

- 4.105 As the Council continues to drive forward its ambitious transformation programme to improve the services we provide to residents and its commitment to the Community Vision for Surrey 2030, the Directorate is focused on ensuring that corporate support and enabling services are of the highest calibre, at the right cost.
- 4.106 The pandemic and the latest financial volatility have shown how teams are responsive, adaptable and collaborative in tackling extreme challenges. The Resources Directorate wants to build on this, to provide

the Council with a more joined up approach to support from back-office functions, generating opportunities to realise better customer experience and efficiency through digital innovation and creating 'teams around a service/project.' This is intended to help deliver a step change in the effectiveness of our services, and to meet aspirations to be best in class with regard to the support we provide to our service directorates. The skills and behaviours that this demands of Resources colleagues will be consistent with, and reflective of, those required from front line services that are more focused on place, communities and individual choice.

4.107 The Resources Directorate improvement programme aims to ensure the consistent delivery of high quality, trusted advice and services, performing to their full potential and in a collaborative way, as a key enabler for the County Council to achieve the best outcomes for local residents. In addition to a number of individual service improvement plans, there are the following cross cutting areas of focus within the programme:

- Business Partnering;
- Performance Management;
- Leadership Development;
- Value Tracking;
- Agile Organisation; and
- Digital Business Insights and Digital Transformation

4.108 Through this improvement programme, the Directorate are looking to provide efficient services without reducing the service offer. 2023/24 continues the process of identifying efficiencies following progress in stabilising and raising the quality of services provided. These efficiencies are driven through a number of areas and initiatives.

Current 2022/23 budget position

4.109 The Directorate is seeing a number of financial pressures emerging, the largest being high energy and food inflation. In addition, there is an identified need to strengthen the capacity in some services in order to meet the organisational ambitions. There are also delays to delivering some of the planned efficiencies to the running cost of buildings. This is leading to a likely overspend of £0.5m this year, after mitigations.

Financial pressures

4.110 The pressures in 2022/23 continue into 2023/24, these plus new pressures require budget growth of £8.9m. The inflation pressures for next year are estimated as £7.7m. The high level of demand for Legal services continues and additional capacity is required to support the council's corporate strategies, this adds a further £0.9m. Additional pressures of £0.3m relate to loss of income.

Financial Efficiencies

4.111 Efficiencies of £6.3m have been identified to offset the pressures, leading to a budget gap of £1m. These efficiencies relate to:

- £2.7m of Land & Property (L&P) efficiencies, such as office rationalisation, resources, containing energy inflation by reducing usage. This is in addition to £9.4m of L&P efficiencies delivered since 2018;
- £0.5m additional income from the schools meals service. This includes increasing the price of school meals in April by 10% compared to September 2021 prices and increasing the rate of a universal free school meal by 2%;
- £1.1m of IT&D efficiencies, such as efficiencies enabled by MySurrey, additional income and mobile phone contract savings;
- Savings from the disaggregation of Orbis services will deliver £0.6m;

- £1.4m efficiencies from a variety of services including Business Operations transformation and improvements following implementation of MySurrey, additional income in Finance and contact cost savings.

4.112 The Directorate contains the Transformation Support Unit, which drives further financial efficiencies across the organisation through the ambitious and forward-looking transformation programme whilst ensuring a uniform and consistent approach to transformation and therefore making a significant contribution to achieving the financial sustainability required, so that the Council can deliver priorities, resulting in better outcomes for Surrey residents.

Capital

4.113 The Directorate has significant capital investment and delivery plans relating to the Council's Land and Property (£806m) and IT&D (£41m) services, over the MTF5 period. These investment plans are developed in close consultation with front line services to ensure that the Council's assets are used effectively and are fit to support the efficient delivery of services to our residents and to support our staff to carry out their responsibilities.

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COMMUNICATIONS, ENGAGEMENT AND PUBLIC AFFAIRS

Context

4.114 The Communications, Engagement and Public Affairs service is responsible for developing a Communications Strategy for Surrey County Council, mapping out a high-level narrative based on organisational priorities, underpinned by 'super campaigns' and ongoing resident and stakeholder communications.

4.115 The Directorate:

- Through a clear and consistent narrative, ensures residents understand the Council's challenges and its transformation achievements;
- Delivers a public affairs strategy which focuses the Council's political activities and makes clear the Surrey offer to key national Government stakeholders;
- Is responsible for developing an internal engagement plan that cultivates a culture of inclusion, nurtures talent, promotes diversity and creates connected employee communities;
- Ensures the organisation is prepared to respond to high profile media interest, protecting the Council's reputation, particularly in the areas where we are making critical service improvements; and
- Ensures the Council is prepared to deal with reputational challenges by being able to provide crisis management and support, ensuring that the bigger picture and a clear direction is connecting with stakeholders and partners.

4.116 There is an ongoing requirement for the service to maintain good, clear, consistent communication in support of the County's recovery from the pandemic including providing enhanced communications relating to the medium-term impacts of the pandemic, such as mental health, domestic abuse and financial hardship.

Current 2022/23 budget position

4.117 The Directorate operates within an overall budget of £2m, managing demand pressures within existing financial resources wherever possible. The latest forecast is a balanced position.

Financial Pressures & Efficiencies

4.118 For 2023/24 pay and price inflation creates a total pressure of £0.1m. This pressure is offset by recognising reduced staffing costs due to staff turnover.

5. FINANCIAL STRATEGY AND DRAFT BUDGET 2023/24

5.1 This section sets out our approach to developing a Budget and Medium-Term Financial Strategy. We committed, as part of our Finance Improvement Programme, to assessing future budget setting processes against a best practice framework. This process began for 2020/21's budget and has continued in successive years. The following six hallmarks are used as a self-assessment tool, with current progress set out alongside.

Table 1 – Self-assessment against the Hallmarks of building the Budget

Hallmark	Self-Assessment
The budget has a Medium-Term focus which supports the Strategic Plan	<ul style="list-style-type: none"> The budget process has been coordinated across Directorate Leadership Teams, Strategy, Transformation and Finance; the integrated approach ensures that the budget is focussed on delivering Corporate priorities and linked to the core planning assumptions Despite significant uncertainty in the financial planning environment, our approach continues to focus on a five-year Medium-Term period, which bears the hallmarks of sustainability and avoids short-term measures or depletion of reserves The Council launched a cross-cutting approach to budget setting for 2023/24 onwards to ensure that dedicated focus, resource, and adequate time is dedicated to solving the medium-term budget gap
Resources are focused on our vision and our priority outcomes	<ul style="list-style-type: none"> The budget is based on clear integration with the Organisation Strategy, the Transformation programme and corporate priorities; developed in partnership across the organisation through the Strategic and Integrated Planning Group The draft budget has been subject to numerous iterations through Cabinet and CLT over the last five months to narrow the gap and clarify and update assumptions The comprehensive application of a recognised PESTLE+ framework to review the likely environment for budget setting and service delivery The assessment led to the development of Core Planning Assumptions, by representatives from across the Council's services, to provide a consistent framework for planning purposes
Budget not driven by short-term fixes and maintains financial stability	<ul style="list-style-type: none"> The cross cutting approach, integrated with transformation and with a focus on opportunities required over the medium-term ensures that we are acting now to secure a sustainable budget over the next five years Business cases are built around corporate priorities; focussing on benefits realisation and deliverability across transformation, invest to save and capital For the past four years, we have not used General Fund reserves to support the budget – the planning assumptions are for a continuation of this strategy over the medium-term We aim to continue to hold general fund reserves appropriate to meet the assessed risk environment and specific pressures to ensure our continued financial resilience despite an increasingly volatile and uncertain external environment Our reserves exceed the 5%-10% range recommended by Grant Thornton in their document 'Lessons from recent Public Interest Reports.' This is deemed appropriate and reflects our risk assessment of the external local government environment in which we operate.
The budget is transparent and well scrutinised	<ul style="list-style-type: none"> The Budget Task Group and Select Committees have been involved early in the budget process to set out the approach, covering the Core Planning

	<p>Assumptions, cross cutting efficiencies and funding projections. They have been provided the opportunity to put forward suggestions to close the budget gap. In October, Directorate pressures and proposed efficiencies were shared in advance of finalising the draft budget proposals. These sessions will continue throughout the budget setting process.</p> <ul style="list-style-type: none"> • Opposition Groups have been engaged earlier in the budget setting process for 2023/24. They have been consulted on the core planning assumptions, cross cutting efficiencies, funding projections and asked to contribute suggestions to close the budget gap.
The budget is integrated with the Capital Programme	<ul style="list-style-type: none"> • Section 6 sets out the Draft Capital Programme • The Capital Programme is developed alongside the revenue budget and is overseen by Capital Programme Panel. We continue to clearly demonstrate delivery of corporate and service priorities and set out the impact and linkages with the revenue budget • Where decisions on available funding have been required, prioritisation of capital bids have been reviewed by a sub-set of Cabinet and CLT, taking into account parameters such as alignment to corporate priorities and impact on the revenue budget • The full borrowing costs of proposed Capital Programme are reflected in the revenue budget and the trajectory for borrowing costs has been assessed over the long-term • The full lifecycle costs of new investment are assessed to establish the long-term financial impact
The budget demonstrates how the Council has listened to consultation with local, people, staff and partners	<ul style="list-style-type: none"> • Section 9 sets out our approach to consultation, in summary: • We undertook in-depth engagement with residents in 2021 to understand their priorities for our spending and to gauge their reaction to a number of proposals. We have continued to validate the outcomes of that exercise in 2022 with other exercises, including focus groups with residents to look at services particularly important to households. We have also undertaken a cost-of-living survey with residents through the Surrey Health and Wellbeing Panel • During November and December 2022, we will engage further with residents, businesses, districts and boroughs, other public service partners and the voluntary, community and faith sector to understand their views about the draft budget and whether we are prioritising our resources in the right places

Budget Principles

5.2 The MTFs for successive years has been built on a number of high-level principles which are used as a framework to set the budget. These have proven to be successful and have been reaffirmed for the 2023/24 budget.

5.3 The principles are:

- An integrated approach linking Organisation Strategy, Service and Transformation plans to the MTFs through cross-cutting business partnership;
- A balanced revenue budget with only targeted use of reserves and balances (i.e. using them for their intended purpose to cover one-off or time-limited costs);
- Regular review of reserves to ensure appropriate coverage for emerging risk;
- Budget envelopes set for each Directorate to deliver services within available resources;
- Budgets agreed and acknowledged by Accountable Budget Officers through Budget Accountability Statements;
- Cost and demand pressures contained within budget envelopes;
- Robust efficiency plans which are owned, tracked, and monitored;
- Managers accountable for their budgets;

- Scenario planning across pessimistic, optimistic, and likely assumptions to set realistic boundaries on the likely operating environment; and
- Working with partners to create best value for residents.

Principles more specifically related to setting sustainable Medium-Term budgets are:

- Developing and iterating five-year plans, integrated with transformation and capital investment across the Council;
- Continuing to adopt a budget envelope approach with a model to determine a consistent and transparent application of funding reductions to Directorate budget envelopes;
- Envelopes validated annually based on realistic assumptions and insight;
- Evidence bases used to underpin all efficiency proposals;
- Assurance that all efficiencies, pressures and growth are owned by Executive Directors with clear governance throughout the organisation;
- Pay and contract inflation allocated to Directorates to be managed within budget envelopes;
- A corporate transformation fund held centrally;
- A corporate risk provision/contingency held centrally; and
- A corporate redundancy provision held centrally.

Revenue Budget Headlines

- 5.4 As an organisation we are constantly affected by our external environment, which has implications for both what we want to achieve and how we will deliver for our residents and communities. Understanding this context is integral in helping inform and shape how we plan and respond as an organisation to possible future scenarios.
- 5.5 The draft revenue budget has been developed during a period of significant uncertainty; with the impact of inflation forecasts, Government leadership and policy changes, funding, the impact of the cost-of-living crisis and likely demand for services in 2023/24 all very unclear. This uncertainty has been managed through the development and costing of a range of Core Planning Assumptions, which set out assumptions about the council's most likely operating context.
- 5.6 The assumptions have been developed from emerging policy trends and predictions drawn from government messaging, strategies, policy think tanks and other influential institutions to build an expectation of future conditions. They are not intended to define a specific future, but list important factors that may affect the council's resources and services to inform strategic and financial planning in the short to medium term.
- 5.7 The creation of the Core Planning Assumptions drew from subject matter expertise from across the council, forming a set of likely scenarios against which the service strategies and the Draft Budget were developed.
- 5.8 Directorate growth pressures have been subject to a number of iterations and changing assumptions, particularly in relation to forecast inflation; culminating in indicative pressures for the Draft Budget of £125.1m, including £6.8m of increased capital financing costs. The level of pressures represents a significant increase in the annual pressures identified, when compared to recent years, primarily due to the high inflation environment but also due to some significant pressures included as a result of Government policy proposals and continued demand pressures.
- 5.9 To date, efficiencies of £68.6m have been identified. Due to the high level of pressures identified, this also represents an increase when compared to the level of efficiencies required in recent years. Together with an increase in funding of £27.1m (as set out in para 5.19) and estimated additional Adult Social Care funding of £15m announced on 17 November 2022, these developments give a gap yet to be closed for 2023/24 of £14.4mm, as shown in Table 2 below.

5.10 Further information on pressures and efficiencies for each Directorate is set out in **Annex A**

Table 2: Summary Draft Budget Position for 2023/24.

Directorate	Base Budget £m	Pay & Contract Inflation £m	Demand & Other Pressures £m	Identified Efficiencies £m	Total Budget Require- ment £m	Budget Envelope (initial allocation of funding) £m	Remaining Gap £m
Adult Social Care	401.7	32.9	19.8	(19.8)	434.5	410.3	24.2
Public Service Reform and Public Health	34.3	1.2	1.2	0.0	34.4	34.4	0.0
Children, Families and Lifelong Learning	221.8	8.8	29.9	(10.4)	250.1	226.5	23.6
CFL - DSG High Needs Block	27.2			(22.2)	5.0	27.2	(22.2)
Environment, Transport and Infrastructure	141.7	13.2	1.7	(3.5)	153.1	144.7	8.4
Surrey Fire & Rescue Service	33.2	2.9	3.5	(0.9)	38.6	33.9	4.7
Customer and Communities	16.9	1.5	0.1	(1.0)	17.5	17.2	0.2
Prosperity, Partnerships and Growth	1.6	0.1	0.1	(0.1)	1.6	1.6	0.0
Comms, Public Affairs & Engagement	2.0	0.1	-	(0.0)	2.0	2.0	0.0
Resources	76.8	7.5	1.4	(6.3)	79.4	78.4	1.0
Central Income and Expenditure	81.9	0.2	1.6	(4.3)	79.4	89.9	(10.5)
Directorate Total	1,039.0	68.4	56.7	(68.6)	1,095.6	1,066.1	29.4
Central Funding	(1,039.0)		(27.1)	(15.0)	(1,081.1)	(1,066.1)	(15.0)
Council Total	0.0	68.4	29.6	(83.6)	14.5	0.0	14.4

5.11 Given the level of uncertainty nationally, and specifically for local government, a gap of £14.4m (1% of likely net revenue funding) represents acceptable progress in balancing the budget at this early stage.

Uncertainty still surrounds our funding position, we will be more certain once the provisional settlement is issued in December, which will outline how the additional funding announced by the government in the Autumn Statement will be distributed, with the method chosen likely to have a material impact on our position.

5.12 Given the level of efficiencies still required and the achievement of considerable efficiencies over recent years, it is extremely challenging for the council to identify this level of additional efficiencies. We continue to review our proposals and look to mitigate pressures wherever possible, but the scale of the challenge may mean we have to delay the achievement of some of our priorities in order to meet the financial challenge ahead. In addition, a review of the levels of reserves of the Council will be undertaken which will be done with regard to the current high risk operating environment. 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.

National Funding Context

Background

5.13 On the 17th November 2022, the newly appointed Chancellor of the Exchequer, the Right Honourable Jeremy Hunt MP, announced the Autumn Statement, alongside the publication of updated economic forecasts for the UK by the Office for Budget Responsibility (OBR). The announcements were widely anticipated, given the economic, political and fiscal uncertainty of the previous few months since the fiscal announcements made by the previous Chancellor at the end of September.

5.14 The Autumn Statement announced plans to close a significant fiscal gap (estimated at £55bn) through equal measures of reduced spending and tax increases. The Chancellor needed to provide confidence to the markets and the wider economy and set out plans that were both politically and economically credible. The announcements set out clear plans for the short-term and guidelines for the medium-term beyond 2025/26.

- 5.15 The Chancellor made some significant spending decisions for local government over the next 2 years, with increases in funding for social care and schools. Some of the additional funding has been found by postponing the implementation of the social care reforms from October 2023 to October 2025, using the resources available to manage existing service pressures. Details of how the additional funding announced will be distributed are yet to be announced, with the method chosen likely to have a material impact on council’s relative positions.
- 5.16 In addition, the Chancellor is using the ability to increase council tax to help manage the impact of inflation and the funding gap within local government. The Autumn Statement announced an increase in the referendum limit for core council tax increases from 1.99% to 2.99%, with an allowable additional adult social care precept of 2%, increased from 1%.
- 5.17 Details of spending plans for the medium term are not set out, these will depend on the speed and level of improvement and growth in the economy. This continues the trend of uncertainty and a real risk of reductions being required in public spending in the medium term.

Funding Assumptions for 2023/24

- 5.18 For some years, the most significant anticipated influence on the Council’s funding has been the long-awaited implementation of fundamental Government funding reform; the Review of Relative Needs and Resources, alternatively referred to as the Fair Funding Review. Our assumption is that reform would see Surrey’s funding drop significantly over the medium-term. Informed views indicate that this is now unlikely to happen this side of the next General Election, so any impact would be in 2025/26 at the earliest.

Table 3: Funding assumptions:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Council Tax	829.7	852.6	876.1	900.7	926.4	952.9
Business Rates	109.6	109.6	111.8	167.1	135.1	103.6
Grant Funding	103.4	106.1	97.5	12.0	12.0	12.0
Funding before collection fund	1,042.7	1,068.4	1,085.4	1,079.7	1,073.5	1,068.4
CT collection fund	1.6	0.9	2.6	2.6	2.7	2.8
BR collection fund	(5.3)	(3.1)	(2.3)	(2.3)	(2.3)	(2.3)
Total funding	1,039.0	1,066.1	1,085.7	1,080.1	1,073.9	1,068.9

Council Tax Funding

- 5.19 Government announced on 17 November that councils could increase core council tax by up to 3% without the need for a referendum and can raise up to 2% in an additional adult social care precept. Consistent with our planning approach in recent years, council tax has been modelled assuming a **Band D rate increase of 1.99% throughout the budget process to date. The variable used is the tax base** which has been modelled at a 0.75% growth for 2023/24.

Business Rates funding

- 5.20 A flat position has been modelled from 2022/23 to 2023/24, with the assumption that any inflationary increase in the multiplier would be offset through a section 31 grants if the multiplier is frozen.
- 5.21 In addition, 2022 includes the impact of the revaluation change. This relates to a package of reforms which supports the delivery of a three-yearly valuations cycle. Revaluations have previously been implemented in 1995, 2000, 2005, 2010 and 2017. Legislation had been introduced to bring the next Business Rates revaluation forward by one year from 2022 to 2021 but that was postponed due to the pandemic. It is now due to be implemented in 2022 and there will be a move to 3-yearly valuations hence forth.

Grant funding

5.22 This includes a slight uplift on the business rates multiplier grant with the assumption that it will be frozen and compensated through a Section 31 grant. Alternatives were reviewed for grant funding in 2023/24 with consideration being given to New Homes Bonus and the Services Grants, both were due to cease from 2021/22 but given the lack of consultation, current budget assumptions are that they will remain at 2021/22 levels. The Public Health grant (£39.6m) is also anticipated to continue at the 2022/23 level as is the Social Care support grant (£31.2m). On 17 November, Government announced additional funding for Adult Social Care. Details of the amount that the Council will receive as a result of this announcement have yet to be released and confirmation is expected in December. The draft budget has been amended to include an estimated £15m of funding in 2023/24 as a result of this announcement. This is a prudent, but not worst case, assumption. The biggest determinant of the amount that SCC will receive is the distribution method used and the extent to which capacity to raise adult social care precept is taken into account in the distribution of government grant, a process known as “equalisation.” It is unlikely there will be large additions in any other grant funding due to prevailing economic circumstances.

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Collection Fund

5.23 The 2022/23 surplus is based on the Council Tax collection fund usually ending the year in a positive position. This is anticipated at 0.4% of Council Tax revenue.

5.24 For Business Rates an assumption has been made that the collection fund produces an in-year deficit. This is anticipated at c0.5% of current Non-Domestic Rates income, eliminating the movements in previous years caused by COVID.

CIPFA Resilience Index Update

5.25 The 2022/23 Budget and Medium-Term Financial Strategy to 2026/27 report to Council in February provided an update on the Council’s performance in the CIPFA resilience index, based on provisional 2020/21 data. CIPFA has now released the final data for 2020/21 which confirms the finding in February’s report, in particular showing improvements in reserves sustainability. The level of reserves held, compared to other authorities is low, however the index for 2020/21 was significantly impacted by Covid-19 funding, which in many cases was received at the end of the financial year and contributed to reserves, resulting in some authorities showing significant increases in levels of reserves as at March 2021. Therefore, CIPFA recommends that it is viewed in the context of being a transitional year.

5.26 2021/22 data has not yet been released but will be analysed for the Final Budget report for February 2023, if it is available. When available, we anticipate the 2021/22 data to show a further improvement in resilience, particularly in respect of retained reserves which were further contributed to as a result of the 2021/22 outturn position.

CIPFA FM Code of Practice

5.27 CIPFA has developed the Financial Management Code (FM Code), designed to ‘support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.’

5.28 It is for individual authorities to determine whether they meet the standards and to make any changes that may be required to ensure compliance. The 2021/22 financial year represented the first full year of code compliance. Officers carried out a review against the guidance and concluded that:

- the Council can demonstrate overall compliance with the standards;
- evidence could be strengthened for a small number of indicators; and
- there are several areas where, as a result of various changes over the past three years including the Finance Improvement Programme and the Finance Academy, the Council’s arrangements exceed the standards.

- 5.29 The results of a full self-assessment against the Code will be shared as part of the Final Budget papers in January 2023, including areas where further development or improvement would be beneficial in 2023/24.

6. DRAFT CAPITAL PROGRAMME 2023/24 TO 2027/28

Overview

- 6.1 This section provides an update on the development of the Capital Programme for 2023/24 to 2027/28, taking into account work that has been carried out by officers and Cabinet Members over the last six months.
- 6.2 Over the last two years the Council's capital ambition and delivery has grown significantly. We continue to invest in the County, aligned to the corporate priorities of the Council and in the areas of most importance to our residents. In 2020, The Council declared a Climate Emergency as it recognises that environmental sustainability has to be at the core of what we do especially when delivering a Capital Programme of this size. Our aspirations in this space are high and we are continuing to work with external partners for innovative ways to deliver our green agenda, in a way which is affordable for our residents. We are also investing in other equally important priorities such as school places including for children with special educational needs and disabilities, infrastructure and Adult Social Care accommodation with care and support.
- 6.3 The Capital Programme planning process began in June this year, maintaining the trend of starting the process earlier each year as part of a continual drive to improve governance, deliverability and accountability in capital.
- 6.4 An officer-led, Capital Programme Panel (CPP), ensures that the framework for setting the Capital Programme continues to focus on outcomes for residents, deliverability and affordability and contributes to the Community Vision for Surrey 2030 and aligning with the organisation's priorities.
- 6.5 Governance of the Capital Programme is led by CPP and the three Strategic Capital Groups (SCGs) for Property, Infrastructure and IT with support from Finance and Members. The SCGs are tasked with developing the Capital Programme based on an asset planning approach to ensure that affordable, value for money capital solutions are identified to meet the needs of residents.
- 6.6 CPP provides additional assurance that capital plans fit in with corporate priorities and that deliverability and benefits can be achieved. In collaboration with Finance, the impact of the Capital Programme on financial resources is assessed with each new iteration to ensure it is sustainable, with particular focus on overall borrowing levels and borrowing costs in the medium to long term.
- 6.7 Officers work closely with Cabinet to shape the development of the Capital Programme. Cabinet approve the addition of new schemes, as well as transfers from the capital pipeline into budget, following the rigorous business case process. Assurance on the delivery of high priority schemes is also provided through the Major Projects Board as well as specific project boards for individual major schemes.
- 6.8 Governance structures, processes and procedures of the Capital Programme are continually assessed to strengthen financial management, decision making, and accountability. This includes internal audit, external reviews and work led by CPP and SCGs in collaboration with Finance.
- 6.9 Due to the growing size of the Capital Programme, additional work has been undertaken to assess the impact of borrowing costs on the revenue budget in the short, medium and long-term. As a result of this work the following have been used as the foundations for establishing the Draft Capital Programme:
- Clear identification and prioritisation of schemes that will be self-funded, with borrowing costs directly met from the operating model through income and efficiencies. These schemes are not a burden on the revenue budget;

- Establishing a borrowing limit for schemes that will be funded centrally and setting out an improved framework to ensure prudent decisions are taken in the approval of capital schemes with “unfunded” borrowing, to prioritise those that provide the best value for money;

- 6.10 In addition to the above, Infrastructure and Property SCGs have set up Project Management Offices (PMOs) to further develop project management capacity and improve timely production of robust business cases for pipeline projects and accelerate the conversion of approved business cases to project delivery. The PMOs will also be key in benefit realisation and post completion reviews and will work collaboratively with the Benefits Board.
- 6.11 For commercial capital investments, the Member led Strategic Investment Board (SIB) monitors the Council’s investment properties and subsidiary companies to ensure satisfactory performance and effective risk management. The financial returns delivered by trading and investment help to ensure that we continue to deliver quality services to our residents.
- 6.12 SIB provides effective oversight, ensuring alignment with the strategic objectives and values of the Council. SIB safeguards the Council’s interests and takes decisions in matters that require the approval of the Council as owner or as a shareholder of a company.
- 6.13 The Capital Programme is split between approved budget and capital pipeline. The pipeline allows the Council to reflect on ambitious spending plans providing a vision of the future to assess against emerging priorities and estimate potential impacts on the revenue budget, in particular borrowing costs. Pipeline schemes act as a placeholder for schemes in early stage of development which are moved into the approved budget only when their benefits and deliverability are adequately demonstrated to CPP and Cabinet.
- 6.14 Over the Summer, spending plans have been iterated and the SCGs have come forward with a refreshed set of proposals, which have been adapted to reflect priorities and available financial and operational resources. Each month CPP scrutinises the latest iteration with particular focus on deliverability (both in the programme itself and against the pipeline), benefits and funding assumptions, with particular focus on overall borrowing levels and borrowing costs.
- 6.15 A capital sub-group was established in October, consisting of members of the Council’s Leaderships Team, Cabinet and Corporate Finance. This group was tasked with reviewing the capital bids to ensure appropriate prioritisation of schemes and affordability of the overall capital programme. The latest iteration of the Capital Programme is set out in the sections below.

Capital Programme – MTFS Budget and Pipeline Summary

- 6.16 The current programme was approved by Council in February, totalling c£1.9bn. In developing this programme, the Council carried out detailed modelling on the impact of the MTFS on borrowing costs and borrowing limits and ensured that revenue costs remained within the budget envelopes set out. This was achieved through a combination of refining the borrowing requirement for pipeline schemes and through identifying a number of schemes that will generate income or efficiencies sufficient to cover their borrowing costs. Self-funded schemes are scrutinised in detail at the business case stage and assessed during implementation and completion to provide assurance that benefits are realised and borrowing costs covered. When there is deviation, a governance framework exists to escalate and take action.
- 6.17 Where schemes do not generate sufficient income or efficiencies to cover borrowing costs, this borrowing is “unfunded” and the revenue costs are paid for centrally. Many schemes that have unfunded borrowing receive considerable match funding and are critical to improving infrastructure in the county, enabling the continuation of providing statutory services, improving services, and realising priorities such as climate change.

- 6.18 The modelling that was carried out when developing the current MTFS determined a limit on new unfunded borrowing of £40m from 2026/27 onwards, to keep borrowing costs within the revenue budget envelope. The programme for 2023/24 to 2027/28 has been developed in accordance with this affordability limit.
- 6.19 The challenge of developing an affordable capital programme that complies with this limit and effectively delivers Council priorities has grown, due to the impact of inflation driving up costs of delivery. Against this backdrop, SCGs and CPP have reviewed the appropriateness of budget allocations and challenged delivery plans, expenditure profiles and benefits of schemes. Opportunities to utilise other sources of funding have been factored into the proposed budget e.g. grants and external contributions.
- 6.20 The draft Capital Programme is set out in more detail in **Annex B**. To finalise the Capital Programme, CPP and SCGs will continue to test the justification, affordability and prudence of plans to increase borrowing. The outcome of this work will be presented in detail to Cabinet in January as part of the Final Budget Report, and in the Treasury Management Strategy and associated prudential indicators; both set to be approved in January 2023.
- 6.21 Uncertainty remains over the economic backdrop. Inflation remains at extremely high levels and a continued upward trend will drive up costs of scheme delivery. Uncertainty on the path of interest rates has increased significantly due to the possible risk of unknowns including further tax changes. The risk remains that interest rates will continue to increase thus putting further pressure on revenue financing costs that the Council will need to manage.

MTFS Capital Budget 2023/24 to 2027/28

6.22 A total of **c£1,142m of schemes are included in the proposed approved capital budget over the MTFS (excluding pipeline)**. Business cases for these well-developed schemes have been prepared and subjected to appropriate testing and scrutiny before being approved. The schemes will be monitored during the year for cost control, deliverability and to ensure budget estimates remain realistic over the period of the Capital Programme. Table 4 below shows a breakdown of budget schemes into the three SCGs over the MTFS period:

Table 4: MTFS Draft Capital Budget by Strategic Capital Group (excluding pipeline):

Strategic Capital Group	MTFS Budget (£m)
Infrastructure	598
Property	520
IT	24
Total Budget	1,142

6.23 These schemes deliver priorities across the county, including investment in schools, the transport network, flood alleviation, making the most efficient use of the corporate estate and providing support to vulnerable residents. The top 10 schemes in the Capital Programme (excluding pipeline) make up 76% of the total estimated budget:

- £189m - Highway Maintenance – improvements to roads and footways across the County
- £146m - Surrey Flood Alleviation - River Thames Programme (element within the 5-year MTFS)
- £117m - SEND Strategy (Phases 4) – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £101m - Schools Basic Need – increasing school places and building schools across the County
- £71m - Recurring Capital Maintenance Schools – County wide schools maintenance programme

- £64m - Recurring Capital Maintenance Corporate (Non-schools) – County wide maintenance of service buildings, community facilities and offices
- £59m - SEND Strategy (Phases 1-3) – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £54m - Bridge/Structures Maintenance – improvements and safety maintenance of specialist infrastructure
- £36m - A320 North of Woking and Junction 11 of M25 – Homes England grant funded road and junction improvements
- £30m – Children Looked After (CLA) Schemes - capital investment across our residential estate to increase capacity in Surrey

2023/24 Capital Budget (excluding pipeline)

6.24 c£363m is provisionally included in the draft capital budget for 2023/24 as set out in the table, below. This will need to be thoroughly tested for deliverability prior to the final budget being approved but is consistent with the scale of forecast delivery for 2022/23:

Table 5: 2023/24 Draft Capital Budget by Strategic Capital Group:

Strategic Capital Group	2023/24 Budget (£m)
Infrastructure	199
Property	153
IT	11
Total Budget	363

6.25 Successful delivery of the 2023/24 budget is a key part of ensuring the Capital Programme overall remains on course. Between now and the final capital budget being presented to Cabinet in January 2023, CPP will work with SCGs on the profiling of the draft budgets to ensure deliverability. The focus of the 2023/24 budget will be on the schemes that comprise the majority of forecast spend. The top 10 schemes account for 73% of the 2023/24 budget:

- £71m - Highway Maintenance – improvements to roads and footways across the County. This includes an element of planned acceleration of highways maintenance spend across 2022-24.
- £36m - SEND Strategy (Phases 1-3) – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £36m - A320 North of Woking and Junction 11 of M25 – Homes England grant funded road and junction improvements
- £27m - SEND Strategy (Phase 4) – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £22m Independent Living (Batch 1)
- £18m - Schools Basic Need – increasing school places and building schools across the County
- £16m - Ultra Low Emission Vehicles (Buses)
- £13m - Bridge/Structures Maintenance – improvements and safety maintenance of specialist infrastructure
- £12m - Recurring Capital Maintenance Corporate (non-schools) – County wide maintenance of service buildings, community facilities and offices
- £12m – Local Highways Schemes

MTFS Pipeline Schemes 2023/24 to 2027/28

6.26 **Pipeline schemes** include proposals developed to a stage where they can be earmarked against a flexible funding allocation built into the wider Capital Programme. The pipeline allows projects to be approved during the year subject to business case approval. The SCGs have come forward with an ambitious set of

proposals to support key strategic priorities and safeguard the future for Surrey residents. The table below shows a breakdown of pipeline schemes into the SCGs over the MTFS:

Table 6: MTFS Draft Capital Pipeline by Strategic Capital Group:

Strategic Capital Group	MTFS Pipeline (£m)
Infrastructure	402
Property	279
IT	17
Your Fund Surrey	60
Total Pipeline	758

- 6.27 The pipeline is key to the Council achieving its long-term objectives especially with regard to meeting climate change targets and to create a greener future for residents. Converting the pipeline into robust business cases that can be scrutinised for funding, deliverability and benefits through the existing governance framework is a priority for SCGs and CPP. The setup of the new PMOs in Property and Infrastructure is a direct response to increase pipeline conversion and deliver priorities.
- 6.28 The Council is committed to continue working with partners to unlock opportunities across the County, including large scale infrastructure projects to significantly improve transport links, unlock housing development for District and Borough partners and to regenerate towns and local economies. The top 10 pipeline schemes based on estimated spend over the MTFS period are shown below:
- £128m - Surrey Infrastructure Plan – County wide large infrastructure schemes
 - £115m - Farnham Infrastructure Programme A31 Hickleys Corner
 - £60m – Your Fund Surrey; investing in community-led place-making or place-improving projects.
 - £45m - Greener Futures - Net Zero 2030 – measures to reduce the Council’s carbon emissions
 - £43m - Pupil Referral Unit (PRU) Schemes – investment in County PRU places and improvements for improved pupil support
 - £43m - Extra Care Housing – part of the strategic ambition to building 725 units of affordable accommodation across Surrey by 2030
 - £30m – Greener Futures – Net Zero 2050 target
 - £28m - Corporate Asset Capital Programme Spend – estate rationalisation including building community hubs
 - £26m - Libraries Transformation Phase 1 – investment in libraries across the County
 - £21m – Materials Recovery Facility – construction of MRF in Surrey to deal with dry mixed recyclable material arising from kerbside collections
- 6.29 Of the total pipeline allocation in the MTFS, c.£340m or 45% is proposed for schemes that contribute to reducing carbon emissions, tackle climate change and enable a greener future for residents. A further £325 is included in the capital budget, bringing the total to c.£665m. The Council has brought in expertise to better understand and report on carbon impacts of the Capital Programme and to set established processes for assessing capital plans and capturing necessary information for business case scrutiny and benefits realisation.
- 6.30 All pipeline proposals are subject to ongoing development, scrutiny and challenge to ensure feasibility and deliverability before being approved to budget and confirmed into the Capital Programme.
- 6.31 The nature of the pipeline is to be a flexible portfolio of schemes that contribute to the Council’s strategic objectives. As a result, SCGs may update the pipeline accordingly to adapt to changing circumstances, emerging priorities and financial constraints.

7. FINANCIAL PERFORMANCE 22/23

- 7.1 The Month 6 Finance Update report is reported to the same Cabinet on 29th November. Headline performance is set out below.
- 7.2 **Revenue:** As at September 2022 (M6) Directorates are projecting a full year £24.4m deficit, after taking into account £8m of budget recovery plans; The Directorate position is considerably more challenging than at the same point last year, recognising the challenge the economic climate and rising inflation has on the delivery of our services within available budget, in addition there has been significant additional demand in a number of service areas.
- 7.3 The current level of projected overspend is significant and it is imperative that this reduces before we reach the end of the year. Otherwise, there would be a material negative impact on the level of the council's reserves at a time when the level of external financial risk is extremely high. Therefore, Cabinet agreed that concerted action needed to be taken to reduce the forecast position.
- 7.4 The Council remains committed to budget accountability and the budget envelope approach and therefore Directorates which are currently forecasting an overspend position have committed to delivering a budget recovery plan, which requires the identification of targeted additional in-year efficiencies to mitigate the forecast overspend
- 7.5 The 2022/23 budget includes general contingencies and as such a balanced outturn overall is anticipated. However, it is still the expectation that Directorates manage the overspend within their budget envelopes to maintain overall budget resilience and reduce the pressure on 2022/23 and future years.
- 7.6 **Capital:** The Council approved a capital budget for 2022/23 of £210.9m in February 2022, after adjustments for carry forwards and acceleration the current budget is £215.8m. The forecast at M6 is for full year spend of £220.5m, which is the net effect of acceleration in some areas and slippage against other schemes, as detailed below.
- 7.7 More information on the revenue and capital position can be found in the 2022/23 Month 6 (September) Financial report to Cabinet on 29th November 2022.
- 7.8 Many of the factors impacting the 2022/23 expected outturn position for both revenue and capital will continue into 2023/24 and the medium term. Budget estimates for 2023/24 include the ongoing impact of Directorate variances from the current financial year, where they are expected to continue. Both the ongoing impact of inflationary pressures being felt this financial year and estimates of high inflation rates throughout 2023/24 are included in the starting point for 2023/24. Demand pressure trajectories have also been continued into 2023/24 in relation to those services experiencing pressures over and above the budget assumptions in 2022/23, specifically within adult social care and children's services. This provides confidence that the underlying budget, overall, is realistic and deliverable. These increased pressures significantly escalate the efficiency requirement in 2023/24.

8. MEDIUM TERM FINANCIAL OUTLOOK AND STRATEGY 2023/24 TO 2027/28

Funding Context for the Medium-Term

- 8.1 Over the medium-term, the gap between expected Directorate spending pressures and projected funding grows significantly. By 2027/28, the Council will need to close a gap of c.£221m.

This is driven by:

- Growth pressures: including demand and inflation: c£371m;
- Increased borrowing costs of the capital programme: £40m;
Offset by:
- An overall increase in funding: c£30m;
- Less efficiencies identified to date: c£160m.

8.2 Although our immediate priority is understandably closing the gap and setting a balanced budget for 2023/24; our medium-term focus means that transformation and service delivery plans are developing now, which already go a significant way to improving our medium-term financial outlook. These plans will iterate as funding projections gain more certainty. The gap increases steeply from 2025/26 reflecting the estimated impact of both Fair Funding Reforms and the delayed Adult Social Care Reforms.

Table 7: MTFS Gap to 2027/28

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Brought forward budget	1,039.0	1,080.5	1,120.3	1,188.8	1,246.6	
Directorate Pressures	118.3	59.5	78.5	66.3	48.3	370.9
Increased borrowing costs of Capital Programme	6.8	11.6	9.6	7.6	4.6	40.2
Identified Efficiencies	(83.6)	(31.3)	(19.6)	(16.1)	(9.0)	(159.8)
Total Budget Requirement	1,080.5	1,120.3	1,188.8	1,246.6	1,290.4	251.3
Change in budget requirement	41.5	39.8	68.5	57.8	43.8	251.3
Opening funding	1,039.0	1,066.1	1,085.7	1,080.1	1,073.9	
Funding (reduction) / increase	27.1	19.6	(5.6)	(6.2)	(5.0)	29.9
Funding for Year	1,066.1	1,085.7	1,080.1	1,073.9	1,068.9	
Overall Reductions still to find	14.4	34.6	108.7	172.7	221.5	
Year on Year - Reductions still to find	14.4	19.9	74.3	63.9	48.9	221.4

Council Tax

- 8.3 A neutral scenario for Council tax has been modelled assuming a Band D rate increase of 1.99%. The variable used is the tax base which has been modelled at a 0.75% growth in 2024/25 and then 0.80% growth in 2025/26 increasing to 0.85% in 2026/27 and 2027/28.
- 8.4 No assumption is currently made on the level of Adult Social Care precept.
- 8.5 It is important to note that the Council's main funding source is Council Tax. On average, this funds 80% of net revenue expenditure, the impact of the cost-of-living crisis on residents affecting their ability to pay Council Tax make this area particularly difficult to predict. Local Council Tax Support schemes provide some assistance, with increasing support here likely to result in a reduced tax base approved by district and boroughs.

Local Government Reform (Fair Funding Review, Review of Relative Needs and Resources) & Business Rates Reset

- 8.6 The review of Local Government funding distribution, the Review of Relative Needs and Resources or Fair Funding Review (FFR), and the move to 75% retention of Business Rates has been delayed again with no new information on when they are likely to happen.

- 8.7 Confirmation over the timing of the reform is crucial to planning, not least because we anticipate the results will reduce our overall funding. We assume transitional arrangements will be put in place, so the pace of reduction is phased and the impact more manageable. Under normal circumstances officers would review technical working group papers as a highly effective means of keeping informed about the potential direction of reform. However, working groups which were previously developing the new system have been suspended and so the ability to gather any new and robust intelligence has been reduced.

Business Rates

- 8.8 For 2023/24 to 2024/25 an increase of 2% has been modelled, with the assumption some growth will occur through inflationary increases to the multiplier.
- 8.9 Business Rates reform is then modelled from 2025 onwards, although timings of this are currently still unconfirmed. Once this is implemented the Council will likely see an initial increase to Business Rate retention and a decrease to grant income as grants (such as Public Health) will be 'rolled-in' to the Business Rates formula, along with the Business Rates Multiplier and Social Care grants. The level of Business Rates retained has a direct relationship with funding reform and as such we expect this funding to reduce over the remainder of the MTFS as transitional arrangements unwind.

Grant income

- 8.10 Minimal changes to grants are assumed until 2024/25 due to government indications that large changes are unlikely. From 2025 onwards, centrally held grants are reduced or eliminated altogether following the assumption of large-scale Business Rate reform.

9. ENGAGEMENT AND CONSULTATION

- 9.1 In 2021, the council agreed a robust approach to consultation and engagement to inform setting the 2022-23 budget, our medium-term financial strategy, and our next phase of transformation. Having previously undertaken an in-depth budget engagement exercise in 2018, this thorough, in-depth exercise in 2021, provides a strong foundation to shape budget decision making, meaning we could take a lighter touch approach to engagement over the next few years to continue validating the outcomes of this work.
- 9.2 Through September and October 2021, the council commissioned Lake Market Research to carry out in-depth research into Surrey residents' priorities for our budget. The aims of the exercise were to:
- Raise awareness with residents of the context we are working in, including local budget pressures, their views on the need to transform services, and new approaches to service delivery
 - Identify residents' informed spending preferences
 - Test spontaneous and informed attitudes towards service changes and residents' roles in supporting change – what would be acceptable, and what wouldn't be acceptable.
- 9.3 When presented with information about the council's financial context, residents expressed their surprise at the size of the efficiencies required and found it challenging to comprehend what the impact would be on residents if all departments were required to find savings.
- 9.4 The services residents most wanted to protect from funding reductions was social care for those aged 65 and over; followed by waste services, children's social care, education services, fire and rescue and social support services (such as services to support unpaid carers).
- 9.5 When residents were asked directly if they would agree with a 2% increase in Council Tax, over half (54%) thought it should not be increased and the £80 million required savings for 2022/23, on top of the £200 million already required over the medium-term, should come from somewhere else. However, when asked if they would support an increase to protect the most vulnerable, 67% of respondents agreed with an increase under those circumstances.

- 9.6 When asked if they would support up to 2.5% increase in the Adult Social Care Levy to spend more on the care of the most vulnerable adults and older people, 57% said they would support this if the council decided to take up the option. Support was higher amongst residents aged 65 and over and residents with a disability.
- 9.7 Other themes emerging from the research were:
- Residents wanted the council to prioritise making efficiencies through better use of land and assets and by supporting local communities to be more involved in delivery
 - Residents strongly supported investment in early intervention and prevention
 - They expect services to join up more effectively throughout planning and delivery to strengthen the chances of improved outcomes
 - They want the council to put residents most at risk of being left behind in Surrey at the heart of decision-making, such as people who are digitally excluded
 - Residents are demanding a greater role in decision-making and delivery in their localities, accompanied with more community engagement
 - They also want more practical guidance from authorities on changes they could make in their lives to make a difference to their local places and communities
 - They want the council to lobby central government for further support to enable the county to achieve net zero by 2050.
- 9.8 We have taken opportunities in 2022 to build upon the 2021 engagement exercise. In May 2022, Lake Market Research undertook qualitative research to explore:
- Awareness of County Council responsibilities
 - Factors that make a good place to live and what local area improvements they would like to see (generally / irrespective of who is responsible for their delivery)
 - Services particularly important to resident households and in need of more support from Surrey County Council
 - Top of mind reactions and importance of Surrey County Council's four strategic outcomes and their potential measurement
- 9.9 Three virtual focus groups were held with Surrey residents, with residents randomly sampled to take part via telephone interviews. Care was taken to obtain a mixed demographic profile in this research. Each group were split by age as follows with a mix of gender, working status and district / borough in each age group: aged 16-34, aged 35-54 and aged 55+.
- 9.10 Safety is a key component of feeling content with the area you live in (police presence, low crime rates, lighting). This was particularly evident amongst female residents across all age groups. Another area (linked to safety) is the local community and how local residents interact and support one another; an area considered particularly important in the context of the recent pandemic and isolation requirements. Access to green / open spaces and education are significant contributors amongst residents aged 35-54. Residents recognised the quality of service provision in these areas currently and referenced their desire to keep these / protect them from future funding cuts / planning.
- 9.11 With regards to what improvements residents would like to see to their local area, healthcare access is a common area residents would like to change in the near future. The availability of GPs, requirements for online access / consultations and mental health support were raised as concerns in all three groups and in considerable detail. Improvements to local town centres and shopping areas is seen as a key improvement area to residents aged 16-34. Whilst it was recognised that investment is underway in some areas, a number of this age group commented on needing to travel to other areas (in and outside of Surrey) for retail and leisure purposes.

- 9.12 There was considerable concern with regards to housing / planning and the thought given to the required surrounding infrastructure (particularly amongst residents aged 55 & over, residents living in rural areas).
- 9.13 Another area particularly pertinent to residents aged 16-34 is improvements to public transport; both trains and buses. Reliability, frequency, and cost are cited as key barriers to use / more frequent use amongst this age group. Road conditions as well as road user behaviour are concerns raised amongst residents aged 35 & over. Amongst those commenting these areas are seen as long-term issues and met with scepticism that the situation will change in the near future.
- 9.14 Residents were shown a list of areas that Surrey County Council is responsible for or has a role in delivering for the County. They were asked to think about which are particularly important to them and which need more support from Surrey County Council over the next few years. They highlighted:
- Making sure people get access to the services they need
 - Helping people cope with the rising cost of living
 - Community safety / managing crime / anti-social behaviour
- 9.15 Additionally, in August 2022, a cost-of-living survey was asked of the Surrey Health and Wellbeing Panel. The panel consists of 2,000 residents, and there was a response rate of approximately 800 for this survey. The data was then weighted to be representative for the county based on age and gender.
- 9.16 The key findings show that while the majority of Surrey residents are not in crisis situations, they are beginning to make cutbacks. It is important to note that some residents are in crisis already.
- 9.17 For further information, [Cost of Living Crisis Survey August 2022 | Tableau Public](#) contains the full results and graphs. This survey will be repeated in winter to see if there has been any change.
- 9.18 We have also taken the opportunity while shaping the 2023/24 Budget, to engage with members to get their views much earlier in the process than in previous years. An all-member briefing was held in June, the member Budget Task Group was held in July, September and November, and early engagement with Select Committees took place in July, and again in October, with further discussions planned for December.
- 9.19 We have also been speaking to our staff about the current budget context and other strategic challenges. For example, the Leader and Chief Executive have been discussing this in their check-in and chat staff roadshows in October.
- 9.20 Engagement will continue with residents, businesses, district and borough councils, other public service partners and voluntary, community and faith sector organisations in November and December 2023. This open survey will be launched alongside the publication of the Draft Budget and will ask for views on the Draft Budget, how resources are proposed to be spent and the impact on residents and communities. The results from this will be published in the final Budget paper for Cabinet in January and full council in February.
- 9.21 Impacts of budget proposals, both positive and negative, are considered by services in a variety of ways, including through services' own consultation and engagement exercises and the use of Equality Impact Assessments (EIAs). EIAs are used to guide budget decisions and will be included in the final Budget paper alongside an overview of the cumulative impact of proposed changes. At Surrey, we consider impacts not just on the nine protected characteristics, but also other vulnerable groups, for example, those at socio-economic disadvantage, Gypsy, Roma and Traveller communities, those experiencing homelessness, and so on.

10. NEXT STEPS

- 10.1 The Final 2023/24 Budget Report and Medium-Term Financial Strategy will be presented to Cabinet in January 2023 and ultimately approved by Full Council in February 2023.
- 10.2 Select Committees will undertake scrutiny of the Draft Budget in early-December with agreed outcomes from that scrutiny, and the more detailed conclusions from resident engagement reflected in the final budget.
- 10.3 The provisional settlement is expected in late December and confirmed in January, the outcomes of which will feed into the Final Budget report to Cabinet.
- 10.4 At this point we are expecting a balanced budget for 2023/24 to Cabinet and Full Council for approval. The focus for the intervening period is to resolve the budget gap of £14.4m. This is likely to be achieved through a balance of the following factors:
 - Review income and funding assumptions - particularly in light of the Local Government Finance Settlement;
 - Ensure that contingencies in the 2023/24 budget and reserve levels are set at the appropriate levels, reflecting the current high-risk environment and providing resilience to deal with continuing uncertainty, specifically around the economy, policy changes and inflation;
 - Review Directorate budget envelopes for further efficiencies; and
 - Continue to review opportunities and drive further cross cutting efficiencies.

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